

2019 Sustainability Report



It's in Our

NATURE

Board Statement

The Board of MARCVENTURES HOLDINGS, INC. (“MHI” or the “Group” or the “Company”) is proud to present its first Sustainability Report pursuant to Securities and Exchange Commission Memorandum Circular No. 4, Series of 2019¹ for the period 1 January to 31 December 2019.

This report sets out MHI’s policies, practices and performance in relation to sustainability measures and was prepared in accordance with Principle 10 of the Code of Corporate Governance for Publicly-Listed Companies (PLCs) stating that companies should ensure that material and reportable non-financial and sustainability issues are disclosed.

According to Australian Trade and Investment Commission, the Philippines has been ranked as the 5th most mineralized country in the world, endowed with vast untapped natural resources reserves of copper, gold, nickel, silver, zinc, and potentially bauxite. According to statistics from the Philippine Mines and Geosciences Bureau (MGB), the total production value for metallic minerals in 2019 amounted to PhP130.73 Billion, up by 7.03% vis-à-vis 2018’s PhP122.14 Billion.² Of that number, PhP63.71 Billion comes from Nickel and Nickel Products. However, to date, there are only fifty (50) operating metallic mines in the country (29 of which are nickel mines).

We at MHI believe in building a business model that not only delivers both long-term value to

our internal and external stakeholders but also one that promotes sustainable considerations in our mining practices. We believe that sustainability will become integral to the Group as we move forward. In accordance with this belief:

- We take our **stewardship of the environment** seriously as we continue to work on implementing responsible mining methods and at the same time provide a sustainable solution to mine rehabilitation and long-term livelihood opportunities for future generations through our Bamboo initiatives.
- We also put utmost emphasis in the **health, security, and safety of our employees** as well as **partnering with our host communities** to facilitate their growth and development as we aim to support and impart a positive impact both in the economic and social fronts.
- Lastly, but equally as important, MHI is remains committed to complying with national and local government laws and regulations bearing in mind that **good governance** is at the heart of our future as an organization and as an on-going business concern.

Bearing such factors in mind, the scope of this Sustainability Report therefore encompasses the MHI Group’s performance (including its Subsidiaries) – its actions, challenges, results, and achievements. Although some measures are applicable across the board to other types of industries, the scope and manner of presentation of this Sustainability Report will be unique to MHI’s industry-specific risks, concerns, and sustainable development goals.

For any queries about this report, please email us at inquiries@marcventures.com.ph.

¹ Sustainability Reporting Guidelines for Publicly-Listed Companies

² <https://www.austrade.gov.au/australian/export/export-markets/countries/philippines/industries/mining>

Table of Contents

President’s Message	1
Our Group Structure and Business Context	3
Materiality Process	4
Sustainability Tree	7

Responsible Mining	8
Energizing Community Engagement	22
Good Corporate Governance	28
Index of Material Topics	30

President's Message



TO ALL STAKEHOLDERS,

In our view at Marcventures, there are 2 major areas of Sustainability for our Mining centric businesses:

First, the long-term Sustainability of the Businesses of MHI and the Nickel Mines in Surigao del Sur itself through Good Governance and Adherence to Mining Laws and Regulations and ensuring Faithful Compliance to our Economic and Social Obligations to the country: and,

Second, and of co-equal importance, if not more into Beyond our Corporate Life, is the Sustainability of the Communities where we do business including their Continuing Livelihood, Restoring and Enhancing the Environment for their Future Use and Uplifting the Standards of Living in the Host Communities.

The first part of Sustainability is driven and achieved by the way we do mining relative to Universal Standards of Responsible Mining and the Unique Factors of Nature where we are. This covers our Operating and Business Processes, our Compliance with Environmental Laws, our Compliance with Mining Laws and Regulations and our endeavor to always consider the interests of the Local Communities. Specific areas of we always and consistently focus on are Water Resource and Air Quality Management, Corporate Social Responsibility, Management of our People including Health and Safety, Principles of Good Governance to guide all our Corporate Acts and lastly Community Engagement that always considers the common and greater good of the

Peoples around us especially the Indigenous Peoples.

For the future, we have diversified into other commodities with the acquisition of Bauxite Mining Properties in Samar (Bauxite is the raw ore material for Aluminum whose growth and applications is projected to attain very high growth globally). This should add another 15.0 to 20.0 years of mine life for Marcventures in addition to the still long remaining life of our Nickel mines.

Of great importance to us is Environmental Compliance because we are in a Protected Watershed. We ensure strict adherence to Environmental Restoration and Rehabilitation. Our Waters Are Clean, which is true test of Responsibility mining, and Children play in our Rivers and Women wash there also.

In Marcventures, we describe our Mining as "Clean and Sustainable Mining" in addition to Responsible Mining.





The big question we ask ourselves at Marcventures is **“What happens to the Communities when the Ore runs out and the Mining Stops”?**

While the Mining is going on, we provide Jobs, Health Care, Education through one of the largest Scholarship Programs up to College and through a Community High School, Community Enhancement through the Government’s Social Development Management Program (SDMP) and through IP Royalties and Taxes.

We have initiated and continue to create Livelihood Programs. To answer the question above, we tell ourselves there has to be something more substantial and more permanent.

This is where the second part of our Sustainability Proposition may be answered.

Marcventures has pioneered Bamboo Planting in the Mined-out Areas and possibly in the Non-mineralized as a potentially permanent Livelihood to sustain the Communities beyond the life of Marcventures.

Bamboo is a US\$60.0 Billion Global Industry producing a myriad of Processed Products from lowly food sticks to toys to building materials and even textiles. Processing Companies and Factories can be built around Bamboo Plantations for economic growth, continued income while the Communities continue to farm bamboo. It is one the best environmental enhancement undertakings – it is an anti-pollutant and emits 38.0% more oxygen into the atmosphere and its roots at 2.0 meters deep prevent soil erosion.

And it has a 100-year genetic life and when fully grown after 5 years requires lower

maintenance and can be harvested annually thereafter to provide almost limitless livehood.

We are therefore committed to sustain our business by practicing Clean, Sustainable Mining while the Ore lasts

Marcventures is the acknowledged pioneer among mining companies in Bamboo and has been cited by the DENR, and so far, with biggest Bamboo Planting Area. The DENR has now mandated the planting of Bamboo as a major activity for mine rehabilitation.

We intend to make this the center piece of what we feel is the probably more important part of Sustainability for Mining Companies – to leave something permanent and meaningful to enhance People’s lives when the mining stops. When our Bauxite Mines come into production we will explore farming of renewable cash crops. We have observed Cacao growing in the backyards of the Communities where our MPSAs are located. This is a possibility for a permanent livelihood similar to Bamboo.

We are excited about the prospects of Sustainability not just of our Businesses but the creation of a Sustainability Structure for the Communities we touch.

We pray for Divine Providence to guide and help us realize a Sustainable Future for the Peoples under the responsibility of Marcventures in Surigao del Sur and Samar.

Sincerely,

Isidro C. Alcantara
President - Marcventures

Our Group Structure and Business Context

Marcventures Holdings, Inc. (“MHI”) was incorporated in 1957 and became a publicly listed company in 1958. Through its subsidiaries, it has been conducting business by investing in the business of mining and associated activities. Currently MHI has investments in four (4) wholly-owned subsidiaries: a) Marcventures Mining and Development Corporation (MMDC), b) BrightGreen Resources Corporation (BRC); c) Alumina Mining Philippines Inc. (AMPI) and d) Bauxite Resources Inc. (BARI).

At present, of the four (4) subsidiaries, only MMDC is fully operational while the other subsidiaries are in various permitting, exploratory, and developmental phases. Thus, through MMDC, we participate in addressing the growing worldwide demand for nickel, with a majority if not all of our ore production exports currently geared towards the Asian market. MHI conducts its businesses in way that not only generates returns for our shareholders but also provides a positive contribution to our host communities.

To this end, MHI focuses on key strategic elements to achieve our desired results. We strive to embed **Responsible Mining and Sustainable Greening Solutions** focused business practices into our operations in a way that mitigates, manages, and rehabilitates potential negative impacts of our operations on the environment. We provide opportunities to local communities to improve their quality of life while championing their right to a healthy, safe, and secure working environment. We likewise aim to develop and maintain a team of trained professionals accountable to both our internal and external stakeholders. In sum, we advocate responsible consumption and production, facilitate partnerships to improve living standards, and adhere to the principles of transparency and compliance. In so doing, we pursue shareholder value premised on good corporate governance.

MHI SUBSIDIARIES



MMDC, operates a nickel mine in the Municipalities of Cantilan, Carrascal and Madrid in the Province of Surigao del Sur under Mineral Production Sharing Agreement No. 016-93- XIII covering an area of 4,799 hectares approved on July 01, 1993. It started commercial operations in 2011. In 2015, MMDC obtained an Amended Environmental Compliance Certificate to extract 5 Million Wet Metric Tons (WMT) of Nickel Laterite Ore on a yearly basis. Based on its mineral resource report as of December 31, 2017, MMDC's total Measured and Indicated Saprolite and Limonite Mineral Resource is 8.1M WMT and 55.4M WMT, respectively, with an average grade of 1.44% Ni and 13.48% Fe for saprolite and 0.85% Ni and 45.36% Fe for limonite.



BRC is a mining tenement adjacent to the mining property of MMDC. It holds MPSA No. 015-93-XIII approved on July 01, 1993, covering approximately 4,860 hectares of the Municipalities of Carrascal and Cantilan in the Province of Surigao del Sur. Based on a mineral resource report signed by a Competent Person on March 2016, BRC's total Measured and Indicated Mineral Resource is 16.03M WMT with average grade of 1.17% Fe and 34.98% Fe. This is further broken down to 3.06M WMT saprolite with an average grade of 1.59% Ni and 14.85% Fe, and 12.97M WMT limonite with an average grade of 1.07% Ni and 39.73% Fe. BRC is undertaking its continuous exploratory drilling program to block mineral resources at indicated and measured category.



AMPI holds MPSA No. 179-2002 VIII (SBMR) with an area of 6,694 hectares located in the Province of Samar, issued on December 5, 2002.

BARI holds MPSA No. 180-2002 VIII (SBMR) with an area of 5,519.01 hectares located in the Province of Samar, issued on December 5, 2002.

The primary mineral ore to be produced by AMPI and BARI is bauxite, the main raw material of aluminum. The bauxite properties' combined Measured and Indicated Mineral Resource is around 73 Million WMT at 41.66% Al₂O₃ and 11.69 SiO₂ as reported in the mineral resource report reviewed and certified by a Philippine Mineral Reporting Code (PMRC) Competent Person (CP) for Geology on June 2017.

Materiality Process

Sustainability Context and Challenges of Mining Operations

Sustainability in mining is shaped by several factors that is unique to the industry. Apart from enhancing its business model to achieve higher production efficiencies, MHI is committed to contributing to the socio-economic development of the different communities surrounding its mining tenements.

MHI's vision is to mine in a manner that ensures the welfare of its stakeholders and the protection and conservation of the environment while pursuing its corporate goals.

The Company aims to act as a catalyst for the upliftment of the lives of its host communities and aspire to be a responsible steward of Mineral Resources, a gift from the Divine Providence.

Identifying and evaluating material topics that create value to MHI's stakeholders and businesses is therefore integral to us because it supports our journey to sustainability. It enables the Company to achieve its corporate goals while looking after the environment and empowering the communities surrounding the company's operations.



Initiating Group-Wide Sustainability Reporting

In creating its very first Sustainability Report, MHI engaged Atty. Teodoro Kalaw IV, who is certified both as a sustainability trainer by the Global Reporting Initiative and a sustainability report assurer by the Institute of Certified Sustainable Practitioners. Atty. Kalaw is also the first Filipino to graduate with a Masters degree in Sustainability Leadership from the University of Cambridge.

Atty. Kalaw facilitated an extensive sustainability orientation and materiality assessment workshop for key officers and staff of the

Firm. During the workshop, material issues facing the Company were initially defined and analyzed based on its current business model and strategic plans. The sustainability reporting process was further developed with the set-up and operations of the Company's technical working group for sustainability reporting composed of members of the Corporate Communications, Legal, and Compliance Departments, which coordinated efforts to develop a working understanding of what issues are material to MHI's operations. These issues were further cascaded to different departments such as Engineering and Technical Services, Compliance, Community Relations,

Human Resources and Legal who then sought to verify issues with concerned stakeholders.

Thus, the topics chosen signify MHI's Economic, Environment, and Social Impact in the light of its engagement with various stakeholders. Data gathering followed the reporting template and topic guide provided by the Securities and Exchange Commission Memorandum

Circular No. 4, Series of 2019 while the manner of presenting such data in this Sustainability Report allows for a determination of certain material issues and priority topics which must be necessarily highlighted by a business engaged in the mining industry as well as other areas in which we believe our stakeholders prefer to have greater visibility of.

Current Material Topics Identified



GOOD CORPORATE GOVERNANCE

Economic Performance

By achieving its financial goals, MHI is able to create more value for our employees, suppliers, stockholders, community and government.

Climate-Related Risks and Opportunities

MHI continues to review its historical data to determine steps that can reduce its operations' impact to the environment.

Procurement Procedure

MHI supports local suppliers and directly contribute to the growth of the adjacent local economy.



RESPONSIBLE MINING

Resource Management

The environmental team has established a system for managing energy, water and material consumptions.

Ecosystem and Biodiversity

MMDC continues to lead in the propagation of bamboo as a sustainable and rewarding livelihood project for mined out areas.

Environmental Impact

Emissions, wastes and effluents to ensure that environmental impact are within prescribed standards.

Environmental Compliance

The company has an active legal and compliance team that monitors relevant laws, rules and regulations enforced by the Mines and Geosciences Bureau (MGB) and the Department of Environment and Natural Resources (DENR).



COMMUNITY ENGAGEMENT

Employee Management

The company actively engages and gives equal opportunities for all employees.

Workplace Conditions, Labor Standards and Human Rights

MMDC is committed to safety, health, and welfare of the all the people involved in the mining operation.

Supply Chain Management

The company has a Supplier Accreditation Policy which evaluates an organization's business integrity and compliance with labor laws, particularly Department Order 174 of the Labor Code of the Philippines.

Data Security

The entire organization along with its customers strictly complies with the rules and regulations of the Republic Act No. 10173, or the "Data Privacy Act of 2012."

Topics Deemed Non-Material

Upon review and appropriate deliberation, MHI Management deems the topics on Customer Management, Product Health and Safety, and Product Marketing and Labelling, are currently not material to its business model from a sustainability perspective.

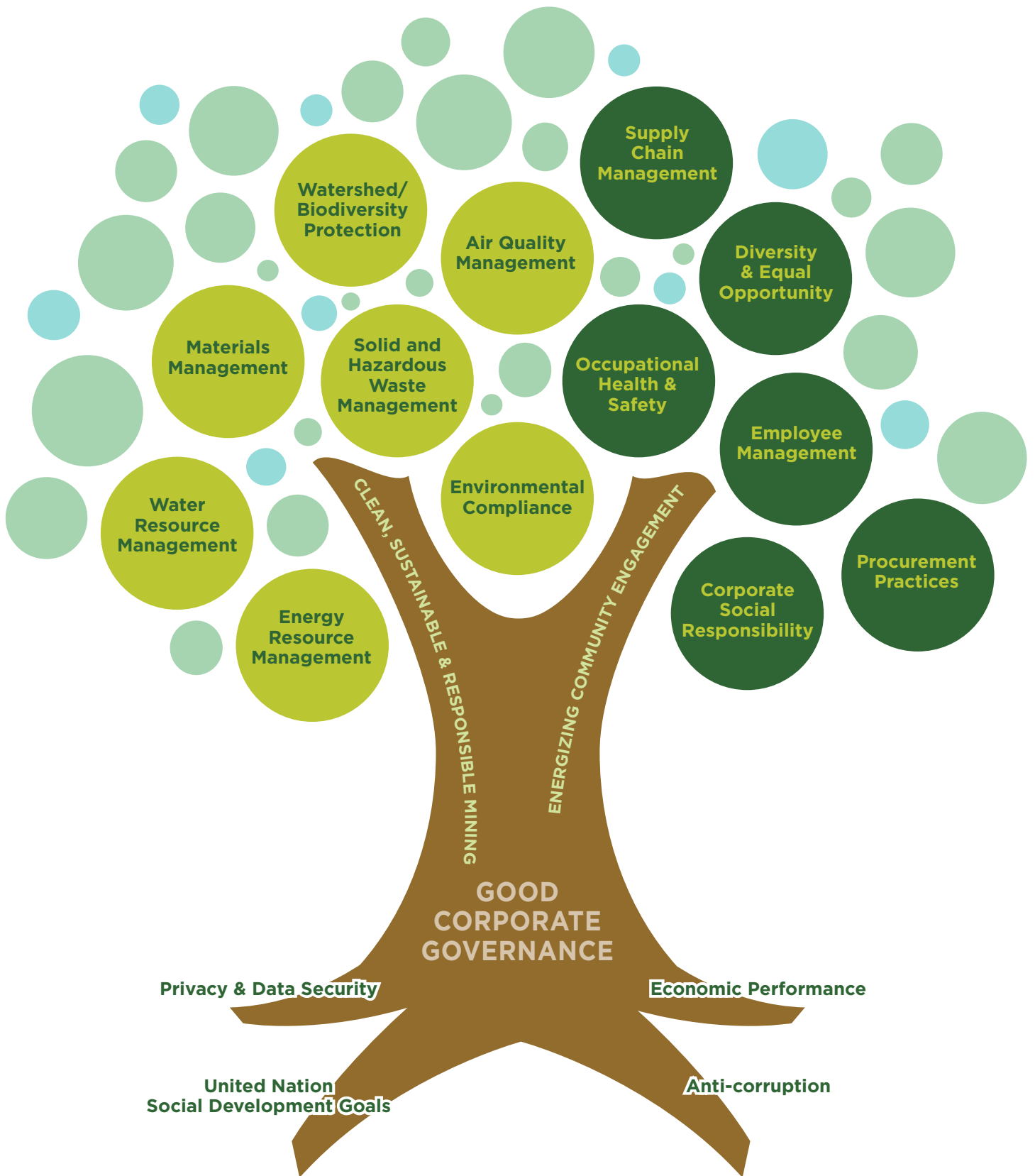
We export Nickel in its raw form to international buyers. Customer Management and Marketing are deemed not material topics from a sustainability perspective because increasing demand for nickel products worldwide outweigh supply which gives rise to mutually desired long term buyer relationships and prices are based primarily on the international market. Moreover, since our nickel products are produced and shipped in its raw states and thus product labelling is also not considered as a material topic. Product health and safety is

not a going concern because under the mining supply chain, the commercial ores we export are not transmitted directly to end consumers but to traders or processing plants for refining. Moreover, nickel ore is not considered a hazardous substance. It does not emit toxic fumes and can be safely handled with bare hands..

Developing Sustainability Reporting Processes

Moving forward, the Company aims to create a materiality matrix that will encourage a more engaged participation and collaborative validation from its stakeholders with a view to improving the process behind the preparation of and the contents of this Sustainability Report.





Responsible Mining

A. Protecting Future Generations Through Responsible Mining and Sustainable Greening Solutions

MHI is committed to **Responsible Mining** anchored on providing **Sustainable Greening Solutions** that safeguards both the environment and long-term livelihood prospects of host communities. It is the guiding principle of our day-to-day operations at the mine site. Together with our stakeholders, we continue our initiatives to build, nurture and empower communities, improve health and safety practices, and minimize the impact of our operations on the environment.

Championing Sustainability Solutions at All Stages of the Mining Cycle

With future generations in mind, MHI constantly strives to reduce and mitigate environmental impacts at every stage of the mining life cycle and at the same time, provide long-term sustainable livelihood opportunities to host communities. We proactively institute measures to minimize water runoff, siltation, and discoloration of nearby water systems. Periodic air, water, and noise monitoring and analysis are regularly conducted to control the impact in the communities where we operate.

In January 2020, Fitch Solutions Macro Research forecasted that “nickel production to average 8.6 percent year-on-year growth over 2020 to 2028.”³

Its analysis further emphasized that the Philippines will regain its spot as the mineral's top producer due to Indonesia's nickel ore export ban, which took effect this year. The potential for growth drives the Company's business prospects and as a responsible investor in the mining sector, we prioritize land rehabilitation as it is the backbone of environmental sustainability.

MHI is also the leader in the propagation of bamboo as a sustainable and rewarding livelihood project for communities. Bamboo nurseries and revegetation are carried out to restore disturbed areas with the goal of returning the land to its natural state after operations.



³ <https://www.bworldonline.com/philippine-nickel-output-seen-growing-at-about-8-a-year/>

Preparing for Thriving Communities AFTER Extraction Activities Have Concluded

Our host and neighboring communities will continue to thrive even after mining activities have drawn to a close. MHI considers mine rehabilitation as an important factor in sustainability. Apart from the initiatives to restore and enhance mined-out areas to its natural state, it is important to leave a sustainable livelihood for the community even after mining has stopped.

In 2017, Marcventures embarked on a Bamboo Plantation Development program that will help the community tap into the country's bamboo industry. Promoted by the DENR at the initiative of Secretary Roy A. Cimatu for mine rehabilitation, the company pioneered the planting of Bamboo in mined-out areas. The goal is to generate an income generating bamboo business anchored on the rehabilitation plan.

In 2018, Marcventures formed the Pili Kawajan Association (PKJ). Composed of community members to manage the company's bamboo plantation. PKJ also completed a service excellence training that aims to strengthen their capacity to grow the bamboo plantation business.

Also known as the grass of hope bamboo, has a wide range of application. It can be used for furniture, clothing fiber, pulp and paper products, food ingredients, beauty products, architecture and construction.

It is an effective tool in addressing soil erosion, landslides and flooding which are common disasters in any mine site.

To date the company has planted a total of 34,375 seedlings covering over 54.3 hectares. Currently growing at the mined out areas are Giant Bamboo (*Dendrocalamus giganteus*) and Kawayang Tinik (*Bambusa blumeana*), the two commercially viable varieties could provide sustainable livelihood over the 100-year genetic life of Bamboo.

Promoting the Safety, Health, and Well-being of Our Stakeholders

We remain steadfast on our commitment to the safety, health and well-being of all people involved in our business. We provide and maintain safe and healthy working conditions, promote safety training, follow standard operating procedures, and apply technically proven and economically feasible environmental protection measures that safeguard the lives and health of all our employees and adjoining communities. Leadership is something we highly encourage at all levels by supporting our frontline supervisors and involving our employees and contractors in identifying the most important safety behaviors in their functions. As part of our unrelenting efforts to improve our safety performance, standards, and practices, we conduct regular safety audits across our operations.

MMDC is a NQA ISO certified company. It passed its 2nd Surveillance Audit in 2019 by the National Quality Assessment (NQA), a global certification body and the leading independent provider of environmental simulation testing, inspection and certification services in the United States of America.

MMDC is certified as ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety Assessment Series (OHSAS) compliant.

Contributing to the UN Sustainable Development Goals

As a testament to MHI's commitment to Responsible Mining and Sustainable Greening Solutions, MHI's nickel mining business reported a positive performance in the year 2019 compared to 2018 precisely due to major initiatives instituted in 2019 such as the

complete overhaul of mine management and mine site remediation measures which allowed the company to put better utilize its resources and recover from the challenges of the previous fiscal year. We note that these business and operational improvements provided us an opportunity to address and contribute to the following **five (5) Sustainable Development Goals** of the United Nations.



Enhanced Economic Contribution Through Responsible Consumption & Production (SDG 12)

MHI's positive performance further strengthens its commitment to sustainable consumption and production. We believe in doing more and doing better with the least possible impairment to resources. In all activities and business processes from exploration to hauling right through the delivery of commercial ores to customers, the interests of our stakeholders are always considered.

Overproduction is a waste of resources and harmful to the environment. Thus, the Company's nickel stockpile is kept commensurate to the quantity requirements of its foreign buyers. Residual materials are utilized for mine rehabilitation. Mined out areas are transformed into healthy planting grounds which can provide food and livelihood to residents from nearby communities. Through these measures, we ensure that we are making lasting positive contributions to our host and the neighboring communities around our operations.

Our efforts to focus on efficiency and productivity improvements in FY2019 generated an economic value of Php1.43 Billion. As the Company gears up to deliver significant financial returns, it continues to enhance its operations to ensure high quality ore for nickel buyers. We are committed to deliver shared value to all our stakeholders.

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	1,432,534,095.00	PhP
Direct economic value distributed:		
a. Operating costs	640,652,771.34	PhP
b. Employee wages and benefits	203,623,237.00	PhP
c. Payments to suppliers, other operating costs	224,328,045.00	PhP
d. Dividends given to stockholders and interest payments to loan providers	63,913,146.00	PhP
e. Taxes and royalties paid to government	204,413,671.00	PhP
f. Investments to community (e.g. donations, CSR)	43,251,513.00	PhP

As highlighted in the table above, Operating Costs and Expenses was down to Php640 Million as a result of cost containment initiatives that were implemented across the business. The expenditures for suppliers and other operating costs amounted to Php224 Million and the Company was able to pay interest to loan providers totaling Php63.9 Million. Profitability from enhanced business models translated to over Php204 Million in government payments in the form of royalties and taxes. The Company's performance in FY2019 allowed optimal returns marking a significant turn-around from the previous year's operating challenges with sufficient resources for the FY2020 mining season's operations.

We believe that our success is anchored on workforce productivity and over Php203.6 Million was spent for employee wages and benefits. Efficiency and process improvements brought significant changes in the workforce structure. It paved the way for advancements and higher compensation to current employees and opened more job opportunities for the host communities.

Amid the many challenges brought about by the recent public health crisis (i.e. Corona Virus Disease 2019 situation), we will continue to focus on our core strengths in order to be more resilient and competitive in the coming years.



Envi Officials from Lianyangang visit Marcventures Mining

Key environment officials from China's Lianyangang (LYG) province visited the Marcventures' headquarters in Makati City. The officials were in Manila to observe how local businesses operate, particularly the key players in the mining industry.

In photo (from L-R) are Mr. Reuben Alcantara, MMDC Vice President for Marketing and Business Development; Mr. Zhang Jie, Philua Shipping Inc., Executive; Mr. Li DaQiang, Lianyun District, LYG Head of Bureau of Ecology and Environment; Mr. Rolly Santos, MMDC SVP for Finance; Mr. Isidro C. Alcantara Jr., Marcventures Holdings Inc., President; Mr. Yu HongYan, Lianyun District, LYG Vice Chairman of Central Committee of the Communist Party; Mr. Zhou ChunTai, Lianyun District, LYG Head of Environmental Assessment Office; and Mr. Cheng Yong, LianDao Director.



Resilient Industry & Infrastructure Through Innovation (SDG 9)

We fully support sustainable industrialization that fosters innovation. Our Technical Services Team utilizes the latest technological application in geology and mining engineering to provide innovative solutions.

In our neighboring communities, we continue to be active in implementing the developments in infrastructure and operating processes to help improve efficiencies and ensure better margins.

The Company built a new and wider bridge leading to the higher grade reserves in Barangay Cabangahan in the Municipality of Tago, Province of Surigao del Sur. Bridges were also constructed in Sitio Alamo and Sitio Banban to ease haulage bottlenecks. The company also invested in the widening and strengthening of haulage roads, expansion of berthing piers, widening of causeway and the acquisition of additional stockyards.



Partnerships to Facilitate Sustainable Development (SDG 17)

Fully-committed to forging partnerships for sustainable development, MHI leads the propagation of bamboo as a livelihood project endorsed by the Department of Environment and Natural Resources (DENR).

With a genetic life of a 100 years, bamboo emits thirty-five percent (35%) more oxygen and sequesters up to 12 Metric Tons of Carbon Dioxide. A US\$60 Billion global industry, it can provide sustainable livelihood to our host communities and for generations to come.

The Company laid the groundwork in 2017 with the end mind of helping its host communities in tapping the country's promising bamboo industry. The program will be implemented in three (3) phases over five (5) years: first, the



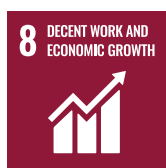
establishment of a 10-hectare demonstration bamboo plantation, second, business development, and third, market research.

The goal is to generate an income-generating bamboo livelihood project that is anchored on the rehabilitation plan. As an initial step, a training on the propagation of bamboo propagules was conducted for MHI personnel who will assist in program implementation.

The existing bamboo plants at the mined out areas have shown satisfactory growth. There are at present 17,058 growing bamboos in Barangay Pili and 972 in Barangay Sipangpang, Cantilan.

A total of 6.38 hectares are now covered with 1,858 Kawayan Tinik seedlings serving as slope stabilizer. The average height of the plants is four (4) meters, although some are vigorously growing plants are already five (5) meters high. To date the company has planted a total of **34,375** bamboo plants.

MHI is working with the Philippine Bamboo Foundation to conduct trainings on bamboo propagation, nursery establishment and business management of small enterprises to be organized among the surrounding communities.



Improving Living Standards and Reducing Inequalities

(SDG 8 & 10)

Aside from providing livelihood through bamboo, MHI continues to empower host communities by providing opportunities to improve their standard of living. We view the local community as an integral part of our operations, thus we give priority to members of our local community in our recruitment processes as we believe in empowering and uplifting the lives of the localities we operate in. Likewise, we support local business owners by procuring our food supplies directly from them and support local services providers in the same manner. MHI continues to partner with local stakeholders to support local enterprise. The company provides seed capital for their income generating projects.

Through its Social Development and Management Program (SDMP), the Company has spent a total of Php8 Million for its livelihood programs to ensure that equal opportunities to create, build and earn are extended to all sectors of society. Likewise, in FY2019, the Company's expenditure in host and neighboring communities totaled Php43.2 Million. Corporate social investments are closely monitored through a standardized reporting process aimed at maximizing the value that the Company and its host and neighboring communities derive from these investments.

The Social Development and Management Program (SDMP)" refers to the comprehensive five-year plan of the Contractor/Permit Holder/Lessee authorized to conduct actual mining and milling operations towards the sustained improvement in the living standards of the host and neighboring communities by creating responsible, self-reliant and resource-based communities capable of developing, implementing and managing community development programs, projects, and activities in a manner consistent with the principle of people empowerment.

-Philippine Mining Act of 1995

Livelihood programs include capacity building trainings to equip various organizations with the right skills to handle their enterprise. To support the agricultural sector, the Company distributed rice seeds to farmers and purchased rotavator and plowing blades for improve efficiency in land tilling and planting process. The farmers' association was also given a delivery vehicle so that farm products can easily be brought to the public market. In Barangay Cabangahan, indigent families were given carabaos for the agricultural projects. The Company also plans to purchase a rice mill to boost rice production in the area.



Education is also one of our key focus areas when it comes to helping our local communities. We believe that the only sustainable way to improve the standards of living for our host communities and their future generations is by providing opportunities for education for keen and motivated learners. MHI provides certain qualified members of local host communities including members of host Indigenous People (IP) with educational incentives or assistance upon proper vetting and approval of Management. The Company is known for supporting the most number of scholars in the Caraga Region. For the academic year 2018 to 2019, a total of 254 full-time scholars enrolled in different colleges and universities in the Visayas and Mindanao, of which majority of them are belong to the indigenous people communities. Out of 254 scholars, 36 of them are taking up mining and environmental-related courses.

Aside from the different projects, the company recognizes the sociocultural values and local customs and traditions of the indigenous people communities. MHI continues to actively take part in celebrations like town fiestas, foundation day, and other activities that are close to their hearts.

United Nations Global Compact

MHI adheres to United Nations (UN) Global Compact principles which encourage businesses worldwide to adopt sustainable and socially responsible policies. In the local setting, the Company upholds basic human rights by recognizing and respecting local customs and traditions of the indigenous people communities. The company particularly values diverse social and cultural values and norms by taking part in celebrations like town fiestas, foundation day, and other activities that are close to their hearts.

Moreover, MHI also particularly advocates the UN's Global Compact principle on the effective abolition of child labor. The company abides by the minimum age provisions of Philippine labor laws and even closely monitors against child labor, which is rampant in small-scale mining communities in other countries.

B. Addressing Climate-Related Risks and Opportunities

The MHI Board of Directors ("Board") is focused on making the Company the leader in sustainable mining as it continues to review historical data and determine steps to reduce energy usage and Greenhouse Gas (GHG) emissions.

MHI mining areas are located in the province of Surigao del Sur which is often under extreme weather conditions compared to other regions in the Philippines. The extreme weather conditions can increase physical implications and damage to operations and neighboring communities. The business disruption causes a decrease in revenues. Product preference can shift because buyers can opt for higher grade ore to increase efficiency of processing plant or shift to alternative low-carbon processing. It can also increase compliance costs related to new mandates and regulations the integrate climate considerations.

The need to address climate change correspondingly calls for greater resource efficiency. Lower energy consumption means reduced operating costs. It provides access to new emerging market that gives importance to low carbon footprint. It also promotes resilience because of benefits from carbon reducing projects.

Climate-related risks are identified and assessed through regular site visits, climate change discussions, regular business plan review and overseeing major capital expenditures. Energy usage, GHG emission and the number of planted trees are the metrics used by the organization to assess climate-related risks and opportunities.

Climate change issues not only present significant economic and financial risks but also opportunities. These come not only from the physical and ecological impacts, but also from economic risks like market dynamics and technological developments.

Our aim is to mine only commercial ores that are economically viable with radically less waste produced, less areas disturbed, less energy and water consumption and less GHG emission.

Our treatment of climate-related risks and opportunities help reduce operating costs as the Company implements a policy for reducing energy consumption and GHG emission. It paves the way for an increase in revenue with the reduction of energy consumption and GHG emission. Our goal is a 6 percent reduction in energy consumption and GHG emission by 2025. By then, we envision the revegetation of 927 hectares of rehabilitated mined-out lands. Energy and GHG emission can also be managed by maximizing mine plans, production targets and haul distances. GHG emission can be reduced by covering degraded areas with plants, and by maintaining a vegetation cover in buffer zones, road peripheries and mine pits. There will also be regular discussions with stakeholders on developing collaborative solutions.

A Risk Management Program will ensure that business will continue even with weather challenges in the area. The government is expected to impose additional policies on climate-change response which will entail additional taxation. The Company's Internal Audit Division evaluates both financial and non-financial risks and designs effectiveness of risk controls and then reported to the Audit Committee. It is also looking into developing a Risk Management Program that can directly manage risks. Results shall be communicated to Management, who is ultimately responsible for monitoring progress of actions to mitigate key risks and to determine if there are risks that are beyond the Company's risk appetite limit. Climate-related risks are integrated in the organization's overall risk management program. It includes the development of an energy saving plan and incentivization of energy reduction and GHG emission.

Promoting Energy Efficiency

Energy efficiency and carbon emissions reduction are one of the Company priorities because they work on limiting environmental impact and help reduce operational costs at the mine site.

At MHI, we have a system for energy use and carbon emissions. Our Environmental Team has a process in place to ensure that energy data is reviewed on a regular basis. Energy conservation awareness is also cascaded to employees through various information materials in strategic locations.

Fuel and electricity consumption as well as carbon emissions are regularly monitored. Quarterly Energy Consumption Report is regularly submitted to the Mines and Geosciences Bureau (MGB) and carbon emission is monitored and analyzed by an independent third party.

This is on top of the regular monitoring being conducted by the Environmental Management Bureau of the DENR.

In 2019, the Company consumed a total of 4,132,055.51 Liters of diesel, which is lower by 2,484,462.38 Liters compared to diesel consumption in 2018.

With the significant decrease in consumption, the challenge is to further explore other conservation and energy efficiency measures to cut operating and product costs. We believe that both measures would bring better revenue for our customers and shareholders.

At this point, the Company is not using energy from renewable resources but we are in the process of determining of how we can make a gradual shift towards renewable energy to support the environment.

Disclosure	Total Consumption (2018)	Total Consumption (2019)	Total Quantity Reduced	Units
Energy reduction (diesel)	6,616,517.89	4,132,055.51	2,484,462.38	L

Conserving Water Resources

Water is a shared resource between the Company and its host communities. We at MHI recognize the importance of proactively managing water quality of both surface and drinking water sources. In 2019, the Company's total water consumption was 89,428.31 cubic meters.

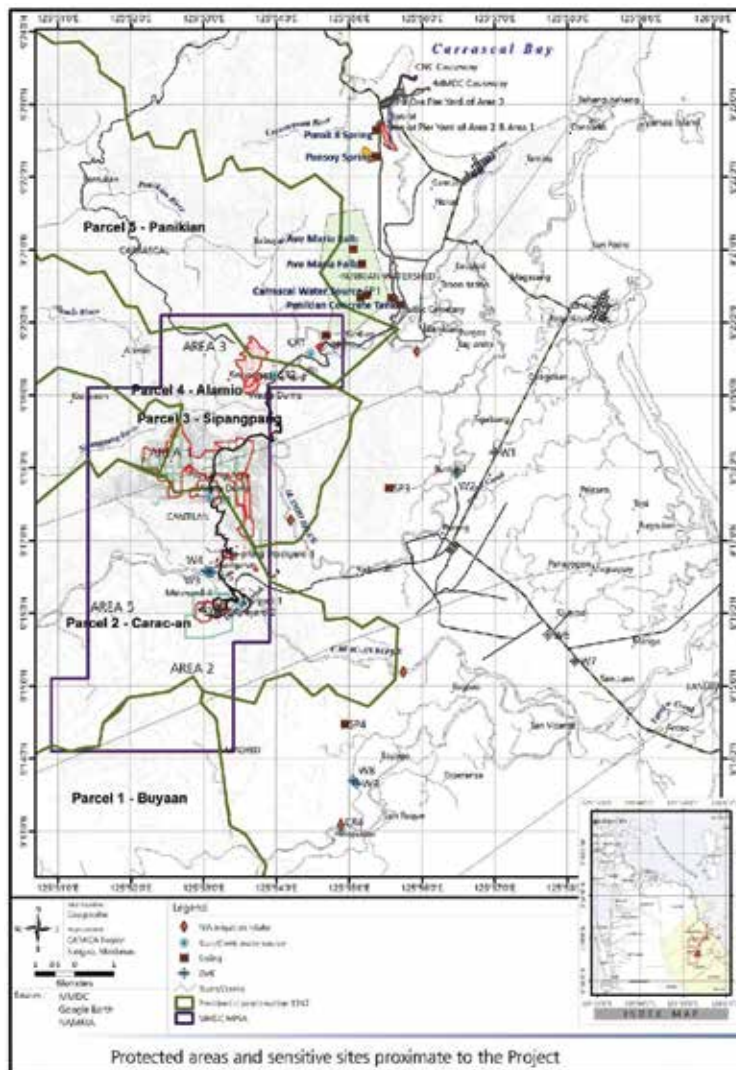
Our water conservation and recycling efforts are in place. Local communities are taught to minimize water waste and employees are constantly reminded to conserve water.

We manage environmental risk by instituting mitigating measures. Earthworks like slope stabilization, benching and resurfacing are performed as the need arises to minimize water runoff, siltation, and discoloration of nearby water systems.

The movement of soil during mine operation contributes to siltation. Mitigating measures help minimize direct impact on the water sources. Settling ponds and collector sumps along hauling roads are constructed and silt fences are installed to arrest spills from road and drainage channels. Manual de-silting is also performed in areas not accessible by heavy equipment. Existing silt booms are reinforced with sheet piles to provide additional control. This prevents silt plume migration along the coastline areas during loading activities.

Our Environmental Team analyzes water quality on a monthly basis. Monitoring is conducted on marine waters (causeway area), surrounding creeks, rivers and including the discharge from settling ponds. Sampling and analysis are done on a quarterly basis by F. A. S. T Laboratories, a DENR accredited laboratory.

Proactive Watershed Protection



The operating mine sites have protected areas in the form of the following watersheds:

- **Panikian, Alamio and Carac-an.** Declared “critical forest reserves” subject to prior existing rights (such as MMDC’s MPSA) by Presidential Proclamation No. 1747 dated March 29, 2009.
- **Bacolod-Tibabakod Panikian** (Carrascal). Adjacent to MMDC’s haulage road with a minor overlap at the northeastern section.
- **Bon-ot-Gamuton** (Carrascal). Located north of Bacolod-Tibabakod Panikian and west of MMDC haulage road

The site also covers the following sensitive areas:

- Community water sources of Barangay Bon-ot, Gamuton and Panikian (Carrascal) situated west of MMDC haulage road. All water sources are enclosed in concrete.
- Community water of Sitio Pili, in Barangay Panikian (Carrascal)
- Community water wells of Barangay Cabangahan (Cantillan).
- Mining area downslope to Panikian, Alamio and Carac-an Rivers
- Cabas-an Community Irrigation System (CIS) with Alamio River as water source and servicing an agricultural area measuring 150 ha.
- Cantillan Irrigation System with Carac-an River as water source.
- Habitation sites of barangay Bon-ot, Gamuton and Panikian in Carrascal, and barangay Cabangahan in Cantillan.
- Within Lanuza bay, into which the Carac-an River discharges about 18,7 downslope of Area 2 mine, are the San Pedro Marine Protected Area in Cantillan and the Lanuza Marine Park and Sanctuary in Lanuza.

Our Environmental Performance Report and Management Plan (EPRMP) cited the 2011 assessment of the terrestrial wildlife vertebrates within the MPSA area. It recorded a total of eighty-two (82) wildlife species representing five (5) species of amphibians, six (6) species of reptiles, sixty (60) species of birds and eleven (11) species of mammals. According to the assessment, based on the composition of the species, the area was considered relatively good for terrestrial wildlife. This indicates that the area has ample forest cover and the species are not disturbed by the operations.

We practice due diligence and regular monitoring to ensure minimal environmental impact. We have an active mine rehabilitation plan that transforms mined out areas into arable lands that can provide livelihood for the communities.

The Company works closely with the Mine Environmental Protection & Enhancement Office (MEPEO) in rehabilitating disturbed lands through soil amelioration, a process of improving soil consistency by adding amendments. Organic substances are mixed with the soil to aid healthy plant growth.

Bamboo and other indigenous tree species cover the mined-out areas of Pili, Sipangpang and Cabangahan. Promoted by the DENR at

the initiative of Secretary Roy A. Cimatu for rehabilitation, MHI pioneered the planting of bamboo in mined-out areas. Trenches were dug and the topsoil was mixed with organic fertilizer.

Bamboo growth is monitored by our Environment Team together with the representatives from MEPEO. The plants at the Pili Mined-out area have shown satisfactory growth. A total of 17,058 plants are now growing at the mined-out area. An additional 1,858 Bamboo seedlings (Kawayan Tinik) are also serving as slope stabilizer.

Addressing Effluents

Currently, our wastewater is not recycled and no sufficient data is available for discharge volume. Nevertheless, the Company is in the process of determining if it can quantify the amount of water discharged and the percent of waste water recycled. The Environment Team is looking into improving the spillway of the settling ponds to enable discharge measurement.

Water quality monitoring remains consistent within standards set by the government. As we have reported in the Company's Annual Environmental Protection and Enhancement Program (APEP) for 2019, the water quality in all stations are within the standard level, under the DENR's Administrative Order No. 2016-08, entitled "Water Quality Guidelines and Effluent Standards of 2016." The sampling and analysis are done on a quarterly basis by F.A.S.T. Laboratories, the accredited lab of DENR.



Managing Air Emissions



Dust is the prevalent problem in Nickel Laterite Mining. Laterite materials are so fine they become airborne during hot weather and turns into mud during rainy season.

To manage dust generated from mining operations and to protect the health of employees and host communities, we regularly deploy water trucks to spray water in haulage and nearby community roads.

A total of **110,504 cu.m** of water was consumed in 2019 for spraying the main haulage road which is a 23.0-kilometer stretch from the Cabangahan Mine Site to the Carrascal Bay loading area. Street sweepers were deployed to clean community roads and highways. Trees were also planted along the roadside and mine access road to act as dust bio-filters.



110,504
cubic meter

Water consumed
for spraying

Ambient air quality results were all within the specified National Ambient Air Quality Standards (NAAQS) for Source Specific Air Pollutants from Industrial Sources/Operations. Regular monitoring is conducted to ensure that air, water resources and noise levels are within the prescribed standards. Monitoring results are submitted to the Environmental Management Bureau (EMB) through the Self-Monitoring Report (SMR) and Compliance Monitoring Report (CMR). In-house monthly monitoring is done by the company's technical personnel, and quarterly monitoring is carried out by a commissioned third party service provider.

To achieve sustainable GHG levels, there are plans to conduct a carbon sequestration study in the coming year. This will serve as the Company's benchmark for reducing GHG emissions.

Our regular emission tests show that air emission levels are below national threshold limits. We will continue to manage these emissions to prevent any form of damage in the future.

Responsible Solid & Hazardous Waste Management

MHI recently donated Php4 Million to the Municipality of Carrascal in Surigao del Sur to support the sanitary landfill project. Using an engineered disposal method, the waste is buried in a controlled land pile. The bottom of the landfill has a plumbing system to collect liquid substances and prevents the leakage which can harm waterways. The Php4 Million donation is a testament to the Company's support for environmental initiatives that protect host communities.

Our Environment Team ensures proper waste management at the mine site. Hazardous waste facilities were constructed to ensure proper collection, segregation and disposal. Solid waste materials are collected on a regular basis. Recyclable materials are brought to a Materials Recovery Facility (MRF) while the residual wastes are disposed at LGU Carrascal Eco-park disposal area.

For everyone's safety, wastes are not reused or incinerated. Disposal is done by a DENR accredited waste collector and treatment plant. Within the year, a total of 22,783.75 kilograms of segregated wastes were collected and disposed, 6,565 kilograms of which are Biodegradable, 5,090.25 kilograms are Residual and 11,027.50 kilograms are Recyclable.



Php4 Million

For Sanitary Landfill Project



MMDC donates P4M for Carrascal Sanitary Landfill Project

Fully committed to support its host and neighboring communities, Marcventures Mining and Development Corporation (MMDC) handed its Php4 million donation to the Municipality of Carrascal in Surigao del Sur province to support the sanitary landfill project.

"MMDC is committed to support its host communities. This environmental initiative is very significant because it focuses on the health and safety of the people in Carrascal" explained MMDC Resident Mine Manager Engr. Lito Mortella.

The project aims to properly manage the waste generated within the municipality. Using an engineered disposal method, the waste is buried underground or in a controlled and monitored large pile. The bottom of the landfill has a plumbing system which collect liquid substances. The system prevents the leakage of leachate which can harm the waterways.

MMDC owns a nickel mine operating in the municipalities of Cantilan, Carrascal and Madrid in the province of Surigao del Sur under a Mineral Production Sharing Agreement (MPSA) 016-93-XII covering an area of 4,799 hectares.

Present during the turnover ceremony were (L-R) Tourism Officer and MENRO OIC Joseph Urgel, MMDC Community Relations Manager Nancy Baldoza, Carrascal Vice Mayor Jessie James Valle, Mayor Vicente Pimentel III, MMDC Mine Manager Engr. Lito Mortella, Mine Geology & Engineering Superintendent Leo Delos Reyes, Mine Environmental Protection and Enhancement Department Manager Engr. Angel Cao, and Community Relations Officer Leo Oreza.

Developing Materials Management Capabilities



Our operating model requires the efficiency of a large-scale infrastructure. Nickel production involves the use of heavy equipment, process chemicals, fuel and utility vehicles. Apart from our in-house team, we work closely with general contractors for extraction, hustling and hauling services.

We actively engage our Contractors by holding regular planning sessions, to effectively plan the mine operations and efficiently use existing resources. At the moment, the percentage of recycled input materials used for our mining operations is zero, but we recognize our

responsibility to reduce the environmental impact for the future generation.

The Company takes into account the condition of materials, expiration date of process chemicals and the proper maintenance of equipment and condition of vehicles to minimize environmental impact.

Utilization of recycled and renewable materials to maximize resource efficiency has been suggested on several occasions. We are looking into the possibility if it could benefit the current operational set-up.



Enhancing Strict Environmental Compliance

Responsible environmental management is not only integral to legal compliance; it also strengthens the Company's initiatives to reduce its carbon footprint..

MMDC is ISO 14001:2015 compliant as mandated by the DENR under its **Administrative Order No. 2015-07** otherwise known as **Mandating Mining Contractors to Secure ISO 14001 Certification**.

The international Standard ISO 14001:2015 defines the criteria for an environmental Management System which if implemented and maintained effectively, can provide an organization with reassurance that environmental risk is being managed improved. Consistent with MMDC's environmental policy, the intended outcomes of its EMS include enhancement of environmental performance, fulfilment of compliance obligations, and achievement of environmental objectives.

Our Compliance Program is very strong. For 2019, we had no monetary fines, no non-monetary sanctions, and no cases involving dispute mechanism that needed to be resolved.

It is worth noting that in the year 2014, MHI was directed by MGB to implement a tree planting program for three (3) million seedlings in areas identified by the MGB and/or DENR; pursuant to the compliance and adherence to its Partial Declaration of Mining Project Feasibility. The delay in completing the program was brought about by several factors, among which were revisions in the work program as requested by the MGB and host communities, and initial objections from our host communities because the seedlings were directed by MGB to be distributed in different regions. Nevertheless, as of March 2020, MMDC has planted 703,779 seedlings in total.



Energizing Community Engagement

A. Corporate Citizenship

A significant part of our operations is enhanced through our commitment to the development of our host and neighboring communities. For the FY2019, MHI spent Php30 Million for its SDMP and Php 3 Million for Corporate Social Responsibility (CSR).



We believe that CSR initiatives should not just meet but aim to exceed the basic needs of mining communities by optimizing people empowerment, providing opportunities for sustainable livelihood, and protecting socio-cultural values and local customs while improving economic conditions and human advancement.

MHI recognizes the value of education in uplifting lives. Among the highlights of our education program are the scholarships to incoming college students from indigent families and indigenous communities. They are enrolled in different colleges and universities in the Visayas and Mindanao areas. Aside from

providing tuition and miscellaneous fees, they receive monthly board and lodging allowance.

The shortage of teaching personnel has also become a problem in different barangays. Under its education program, MHI has subsidized the salary of volunteer teachers assigned in different schools to bring down the teacher-student ratio and promote quality education. A total of Php7.3 Million was spent on these projects. We also provided financial support to Day Care centers.

MHI aims to develop the local economy by helping organizations start their own business. We spent a total of Php8 Million for various projects that provided opportunities for local residents to create, build and earn. Rice seeds were given to farmers so that they can yield more crops and receive higher income. In Barangay Cabangahan, indigent families were each carabaos for their agricultural business. Organizations were given seed money for their income generating projects like tent and chair rentals and pedicab services.

In support of the customs and tradition of the communities, we actively take part in traditional celebrations like fiestas, foundation days and other church-related activities. In 2019, Php2.3 Million was spent on programs geared towards the preservation of the socio-cultural heritage. We also supported church renovations, sports events, fiestas and other community activities.

B. Stakeholder Engagement Practices

Host Community Procurement Practices

MHI believes in shared sustainable prosperity with its host communities. The Company's procurement practices significantly benefit the businesses in the region. From construction, automotive and electrical supplies, a big percentage of the materials used for mining operations are purchased from local entrepreneurs.

Since the Company maintains living quarters for male and female employees in the site, the daily household requirements for our personnel are sourced from local farmers and meat suppliers.

Given the remote location of the mining operations and the important role that mining supply chain can play to bring out economic and business opportunities, we will continue our practice of procuring from host community-based suppliers.

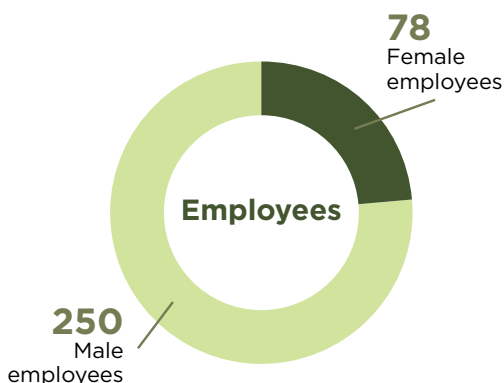


In 2019, MHI procured approximately P7.6 Million in goods and services from local suppliers in Surigao, Butuan City, Cebu City and Tagum City. The Company plans to significantly increase this to support the growth of industrialization in the community.

Enhancing Employee Management

MHI acknowledges that an engaged and productive workforce is essential to success. We aim to attract the best people in the industry and facilitate professional and personal development.

As of 2019, MHI has a total of 328 employees, as supported by accredited third-party suppliers and contractors recruited for certain mining activities and projects. Among these are 78 female employees and 250 male employees



all with SSS, PhilHealth and Pag-ibig benefits those qualified are provided certain economic benefits.

When we assess the capability of current and prospective employees, we take into account their technical skills, knowledge acquired through experience, mental skills, social skills, commitment and the exceptional drive to succeed. In order to meet its goals, we are aware that we need to have the right people while aligning the workforce aspirations with the company's mission and vision. The attrition rate of 24.83 percent is a result of our current efforts maximize shareholder value as we rationalize our manpower requirements through right-sizing initiatives.

In the mining industry, MHI is known to provide appropriate and competitive salary packages to attract, retain, and motivate its employees. We uphold high labor standards in the workplace, including compliance with labor laws like fair wages, minimum wage policies and benefits.

Employee Development



In the increasingly competitive market for skills, we are actively evaluating various programs aimed at enhancing skills, knowledge and awareness. An effective business operation is anchored on individuals who are committed to drive value for the organization.

For 2019, the Human Resources (HR) Team organized its yearly Corporate Governance Seminar for the Company's Board of Directors and key officers. The 2019 seminar covered discussions on Labor Laws, Succession Planning, Strengthening Internal Control and Revised Corporation Code.

The Technical Group also spearheaded a Surpac Training for the Geologists at the mine site. Surpac is a geology and mine planning software that uses 3D graphics and workflow automation.

Meanwhile, our HR Team continue to exploring avenues that can intensify its training activities to support the development of its personnel and that of the organization.

Nurturing Labor-Management Relations

The Company continues to nurture good relations with its senior officers, employees, organized labor groups, and the host communities within the MPSA area. MMDC regularly holds town hall meetings so that urgent matters can be openly addressed by the management.

MHI's existing rate of employees covered by Collective Bargaining Agreement is at 47 percent. It has a cooperative and healthy

relationship with SRM-MMDC-TUCP and is working on renewing its 5-year collective bargaining agreement.

To maintain high quality standards of performance and productivity, our Human Resources and Administration has implemented a total of 246 regular consultations concerning employee-related policies.

The mine site covers a total of 42 communities throughout the municipalities of Carrascal, Cantilan and Madrid. Through the years, MHI has been very successful maintaining strong ties with various agencies and stakeholders.

Effective engagement with communities is important for business operations. As detailed in the Community Development section of our Annual Report, the Company has been actively giving assistance to indigent individuals. It has also implemented livelihood programs that give equal opportunities for everyone to create, build and earn.

Promoting Diversity and Equal Opportunity

A diverse workforce is always a competitive advantage. A variety of minds is needed to tackle complex global challenges faced by the mining industry. MHI embraces diversity and is committed to provide broader opportunities especially in the communities it operates.

MHI provides equal opportunity in recruitment and career development regardless of gender. In 2019, female workers represented around 24 percent of the work force.

The Company upholds its legal obligation to prioritize the talents in the community. MHI works closely with its host and neighboring communities, including Indigenous Cultural Communities/Indigenous Peoples (ICCs/IPs).

MHI has a total of 81 employees from ICCs/IPs

The terms and conditions of MHI's MPSA also guards against gender discrimination with the right of women workers to participate in policy and decision-making processes affecting their rights and benefits are duly respected.

Prior to operations, MHI also signed a Free, Prior and Informed Consent (FPIC) memorandum of agreement with the member of the IP communities. One of the conditions is the priority-hiring for IP members.

Ensuring Occupational Health and Safety



Our business strategy focuses on operating safely, sustainability and responsibility. We maintain safe and healthy working conditions. We conduct regular safety trainings, follow standard procedures and apply technically proven and economically feasible environmental protection measures to safeguard the lives and health of our employees and nearby communities.

MMDC is compliant with the ISO OHSAS 1800:2007 as mandated to all establishments pursuant to **Republic Act No. 11058** otherwise known as *"An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations Thereof."*

The OHSAS 1800:2007 is an international standard which provides a framework to identify, control and decrease the risks

associated with health and safety within the workplace. Implementing the standard will send a clear signal to our stakeholders that we view employee's health and safety as a priority within our organization.

Proof of our commitment is our intense preparation and zealous determination to take part in various Mine Safety competitions. We scored our first victory in the year 2019 when we finished second place at the Caraga Mining Symposium Safety Competition. A few months after the Caraga event, we finished third place in the fire extinguishing competition during the Mine Safety and Environment Conference in Baguio City.

With our safety techniques in place, we recorded a total of 2,318,440 man-hours without lost-time accident. For FY2019,

we had zero (0) fatalities and our Safety and Health Department consistently aims for zero (0) lost time accident, promote and protect the safety and health of all personnel, and comply with regulatory compliance.

The only work-related injury recorded was very minor, which, in normal circumstances, was treated successfully in accordance with recognized first-aid training.

Building a safe, responsible work culture requires the mastery of safety procedures. It is important that such concepts are top of mind, and almost second nature to all employees at the mine site. Basic Occupational Safety and Health and Basic First Aid and Life Support are given every year to constantly remind everybody of the risk of unsafe work habits. Emergency fire and earthquake drills are conducted quarterly.

Toolbox trainings are regularly organized to further enhance basic and informal discussion among employees that focuses on particular issues like safety on the road, common accidents, hazardous materials and other relevant topics.



Good Corporate Governance

Our commitment to Good Corporate Governance is closely aligned with our vision to pursue our corporate goals while ensuring the welfare of our host communities and protecting our environment while supporting the principles of transparency, integrity, and accountability. We recognize that in order to enhance shareholder value, we must abide by corporate governance principles and practices as well as regulatory reporting to provide investors with an accurate and balanced overview of the Group's performance.

In the course of its business operations and in its dealings with local government, local suppliers, and partners, we are exposed to a relatively high degree risk of corruption. Therefore, we make it one of our top priorities to put into place internal processes and policies to prevent it.

We manage this risk by maintaining standards of procurement that undergo rigorous scrutiny and maintain zero-tolerance for all forms of unethical practices. As part of our Whistle Blowing Policy, employees who are aware of a valid occurrence of unethical behaviors are highly encouraged to report to Management without fear of repercussions. Management does not hesitate to pursue disciplinary actions which may even result in replacement of key executives for actions detrimental to and in contravention of the Company's corporate governance practices.

Transparent Supply Chain Management

MHI's subsidiary, MMDC, has a Supplier Accreditation Policy which lists documentary requirements from both contractors and suppliers who wish to do business with the company. It evaluates an organization's business integrity and compliance with labor laws, particularly Department Order No. 174 Series of 2017 of the Department of Labor and Employment.

Contractors and suppliers are required to submit to an accreditation process and MMDC retains the right to audit and verify practices.

An accredited credit investigation agency will also check for derogatory records such as collection cases against the Company, its major stockholders and key officers. The accreditation is renewed every year and suppliers are expected to submit updated records upon renewal.

MHI values its relationships with contractors and suppliers who make an effort to adhere to the policy, with the goal that the enterprise would thrive and unlock more opportunities for local employment.

“To protect the fundamental human right of privacy, of communication while ensuring free flow of information to promote innovation and growth.”

As MHI optimizes its approach to responsible procurement, it looks into expanding its provisions to include the contractor’s environmental performance and other social investments.

Likewise, MMDC is certified as **ISO 9001**, an internationally recognized standard for Quality Management Systems (QMS). It is the most widely used QMS standard in the world and provides a framework and set of principles that ensure a common-sense approach to the management of the organization to consistently satisfy customers and other stakeholders.

Anti-Corruption Measures

The Company implements a code of conduct which provides comprehensive guidance on safety, health and environment, treating people with professionalism, protecting the Company’s physical assets, information and interest and conducting business with integrity.

All employees are fully oriented with the code of conduct and are given online copies of the policies upon hiring. The department heads are also issued printed versions complete with signed certification that they have fully understood all items mentioned. They are tasked to cascade all policies and procedures to the members of their respective teams to ensure full understanding and compliance.

Data Privacy and Security Protection

MHI strictly complies with the national data privacy laws. A data privacy officer is assigned to strictly implement confidentiality measures to comply with Philippine data privacy law.

The entire organization along with its customers strictly complies with the rules and regulation of the Data Privacy Act of 2012, “to protect the fundamental human right of privacy, of communication while ensuring free flow of information to promote innovation and growth.”

Risks related to the collection, retention and use of information are managed by strictly enforcing the Company’s policy on Protection of Confidential Information.(MC-002-19).

Upon hiring, our employees are asked to sign a deal of undertaking to certify that all information are solely for performing functions. No information will be disclosed without proper authorization. Employees are reminded to exercise caution when posting about company activities in social media.

Moving forward and beyond FY2019, MHI seeks to step up its efforts to identify areas where we can improve our corporate governance initiatives.

Index of Material Topics

Pursuant to Annexes A (Reporting Template) and B (Topic Guide) of the SEC Memorandum Circular No. 4, Series of 2019 (Sustainability Reporting Guidelines for Publicly-Listed Companies), the following are the topics MHI has identified as material for the reporting period and which were addressed in this report:

TOPIC	PAGE NUMBER IN THE SEC GUIDELINES	PAGE NUMBER IN THE REPORT
Air Emissions	27	18
Anti-Corruption	21	29
Climate-Related Risks and Opportunities	20	14
Data Privacy and Security Protection	41	29
Diversity and Equal Opportunity	35	25
Economic Performance	19	10
Effluents	30	17
Employee Management	33	24
Employee Training	34	24
Energy	24	15
Environmental Compliance	31	21
Labor Laws and Human Rights	36	14
Labor Management Relations	34	24
Materials Management	25	20
Occupational Health & Safety	36	26
Procurement Practices	21	23
Relationship with Communities	38	22
Solid & Hazardous Waste Management	29	19
Supply Chain Management	37	28
Water	25	15
Watershed Protection	26	16



4F CITIBANK CENTER
8741 PASEO DE ROXAS, MAKATI CITY

TELEPHONE NOS.: +63(2) 831-4479 +63(2) 831-4483
FAX NO.: +63(2) 856-7976

mhicorporate@marcventures.com.ph