

PROFILES OF THE CORPORATE SOCIAL RESPONSIBILITY (CSR) PRACTICES OF PHILIPPINE MINING FIRMS¹

Introduction

The increased awareness of environmental impacts, the socio-economic implications of mining and a downturn in productivity, have highlighted the need for mining companies to adjust their business management process. With the negative perception that marked the mining industry's development over the years due to issues such as the extent of damage to river systems and farmlands resulting from the discharge of mine tailings², socio-economic dislocation of families and indigenous peoples in mining areas, and open pit mining methods, a sense of urgency for concerted action has been expressed as a search for a sustainable future.

In order to manage the divisive issue of growth versus environment, the development community formulated the idea of sustainable development: growth with social protection and natural resource conservation. Indeed, mining companies argue that economic growth is the very precondition for solving environmental problems; it generates the resources essential for shaping workable solutions.³ The private sector's response to calls for sustainable development can be seen in their approach to corporate social responsibility, namely, the commitment of business to contribute to sustainable economic development, working with employees and their representatives, their families, the local community and society at large to improve quality of life, in ways that are both good for business and good for development.

Whilst most mining companies acknowledge that their business operations have some form of environmental implications, one of the major issues facing the industry is the ambiguity as to what constitutes "social responsibility". Past studies of corporate social responsibility have articulated many different concepts of responsibility. They have described stages that companies go through as they mature into socially responsible firms. In technical management terms, social responsibility requires a specified objective, an operational definition, to guide planning and determine success. What is clear however is that wherever a mining company operates in the world, it needs to understand that there are growing expectations from stakeholders about how it should manage its social, environmental and economic impacts. In response to these growing demands the Global Mining Initiative, formed in 1998 by nine Chairmen/CEOs of the world's leading mining and metals companies tried to articulate how the industry could respond⁴. Companies who proclaim to be environmentally aware and corporately responsible have formulated environmental policies into their mission statements and strategic plans. However, the difficulty lies in implementation; how should these policies be applied within the range of activities undertaken by the organization. Without principles to guide such decisions, it is impossible to communicate how corporately responsible efforts can fit into the broad strategies of the company. It is imperative therefore that those principles should be constructed to parallel critical decision-making processes and major company activities.⁵

¹ Prepared and written by the Mines and Geosciences Bureau and Colin Legarde Hubo of the University of Asia and the Pacific (2003).

² See for example the works of Catalino Corpuz, Jr., "Report on the Philippine National Conference on Mining" (May 2002); Oxfam Community Aid Abroad Mining Ombudsman Annual Report (2002)" www.caa.org.au/campaigns/mining/

³ See the Economist "How many planets: A survey of the global environment", July 6, 2002.

⁴ The MMSD Final Report, Breaking New Ground: Mining, Minerals, and Sustainable Development

⁵ Peter Schwartz and Blair Gibb, When Good Companies Do Bad Things: Responsibility and Risk in an Age of Globalization (Canada: John Wiley and Sons, Inc., 1999).

The Case Studies

The Mines and Geosciences Bureau (MGB) of the Department of Environment and Natural Resources (DENR) embarked on a project to identify examples of Filipino mining companies that are striving to conduct their traditional business activities in a socially responsible manner. MGB has identified three major mining companies operating in the Philippines whose approaches to corporate social responsibility are examined in this case study: Philex Mining Corporation, Silangan Mindanao Exploration Company, Inc., and APO Cement Corporation.

The succeeding case studies highlight the CSR practices of these mining firms in seeking to ensure that the organization achieves a fit with its environment and optimizes its resources to achieve competitive advantage. It begins by identifying company policy towards corporate social responsibility. Then it identifies the key elements of this policy broken down into economic, social, environment, and governance aspects. This is followed by highlighting existing company “best practice” in CSR, the approach it has taken to achieve its objectives, and the impacts of those practices both to the company and the community. The final section examines the focus of company’s future CSR efforts.

The experiences of this small number of mining companies in CSR can help lead the way for the majority of organizations who are still trying to keep abreast of the developments in new corporate social responsibility initiatives. It is important that the mining industry in general realizes the significance of these practices and recognizes the need to communicate the implications for business and the impact on the environment clearly to its stakeholders, if only to avoid conflict and controversy.

Philex Mining Corporation’s CSR Practices (Padcal Mine, Benguet)

Key Stakeholder Issues:

The communities surrounding Padcal mining operations have voiced their concerns for stronger community participation to meaningfully represent the community’s views in the proposed mine decommissioning and rehabilitation plan of the company. This will be a test case for the company as there is yet no documented mining community in the country that has developed into a self-reliant political unit at the post-mining stage. Other stakeholder groups have suspected the company of failing to ensure that contaminants from the mining or ore processing stages of their operation would not enter into the surrounding river basins. They argued that for several years, Padcal mine is a threat to the Agno watersheds, an important source of agricultural and potable water for lowland residents. In their own words, “we can do without the mine, but we cannot do without another watershed”.

Located in the southern tip of Baguio City, Padcal Mine covers the municipalities of Tuba and Itogon in Benguet province. Four Mineral Production and Sharing Agreements (MPSA) with a total area of 14,256 hectares cover the mine, of which only 4% or 570 hectares are utilized for residential and mining areas. Philex Mining Corporation started its exploration work in the area in 1956, with a modest deposit of 18 million tons of copper and gold deposits, successive discoveries yielded a total of 260.9 million tons over the next 46 years generating a total of \$2.47 billion in foreign currency for the Philippine Government.⁶

⁶ “A gift of God, A work of Man” (Philex Mining Corporation, 2003).

The mine used to be a logging area accessible only through a 20-kilometer logging trail. Today, Padcal mine has become a bustling self-contained community of 16,000 residents of various cultural background and home to at least four indigenous cultural communities: Ibaloi, Kalanguya, Kankanaey, and Ilocano. For a generation of these residents, the company has recognized their need for:

- (1) Representation and empowerment; and
- (2) Sustained livelihood to counter the culture of poverty that ensured the application of short-term survival logic among them.

Philex Mining Corporation was incorporated in the Philippines in 1955 and listed in the Philippines Stock Exchange with about 50,000 stockholders. Foreign investors owned at least 27.11% of the company. A sister company, Philex Gold Inc., is also listed in the Canadian Venture Exchange. The company has operated for the past 46 years the Sto. Tomas II copper-gold-silver deposit at Padcal, Tuba, in the province of Benguet. The Padcal mine was the first block cave operation in the Far East. Philex Gold Inc., on the other hand, operates the Bulawan mine in the province of Negros Occidental.

Over the past years, activist groups have accused the operator of the Padcal Mine with various environmental and social offenses, including:⁷

- Padcal mine’s mined-out areas become waste lands;
- Benefits derived from Padcal mine’s operation benefits only the few workers in the mine camp;
- Padcal’s operation encroaches into the lands and communities depriving them of their rights to tenure and access to the use of natural resources in their own lands; and
- Mine tailings from Padcal mine considered to be toxic and hazardous find their way to the Agno river system.

The company’s corporate social responsibility policy stems largely from its commitment to address these issues. As an expression of this commitment, the company formulated a policy statement that states: “a socially responsible Filipino company striving for excellence in mining”. At the business operations level, this means:

CSR Area	Key Elements
Environment	<ul style="list-style-type: none"> • Incorporate environmental considerations in the project planning phase and in each activity, be it exploration, development, construction, extraction or processing; • Comply with or surpass set environmental laws, rules and regulations to promote environmental protection and minimize, if not eliminate, environmental risks; and • Coordinate closely with contractors, suppliers, government agencies and other organizations to ensure the safe handling and proper disposal of all materials, for the protection and enhancement of the environment.
Social	<ul style="list-style-type: none"> • Inform local communities of mining plans and programs through continuous dialogue to promote awareness of safety and environmental policies; and • Provide adequate resources and essential training to personnel at all levels to promote awareness and develop skills necessary

⁷ See for the example the works of Tujan, A. and Guzman, R., Globalizing Philippine Mining, (Ibon Foundation: 2002).

	for the implementation of the policy and achievement of its goals.
Governance	<ul style="list-style-type: none"> • Enhance shareholder's value and contribute to nation-building.
Economic	<ul style="list-style-type: none"> • Support research work to enhance applicable scientific knowledge and adopt technologies to improve the safety and efficiency of mining processes.

From these generally shared elements, Philex's corporate citizenship policy tends to cluster around three inter-related components: a commitment to social empowerment, protection of the environment, and economic efficiency. Its conceptualization of corporate social responsibility advances clear-cut prescriptions for dealing with natural resource use and community and stakeholder engagement. Thus the need to protect the environment is inextricably linked to relationship building with impacted communities, government agencies, people's organizations and civil society groups.



Local residents are consulted about the environmental and community development programs of the company.

CSR Best Practice: Community and Stakeholder Engagement.

Philex's created an inter-departmental coordinating division called the Environment and Community Relations Division (ECRD) to handle the environmental and community relations of the company. It is composed of four working groups: Environmental Engineering and Quality Monitoring; Environmental Enhancement (Forestry); Environmental Sanitation and Beautification; and Community Development. ECRD only had one main function: to formulate, implement and recommend changes in policies, procedures and trainings related to environment and community development. Thus most environmental and community relations policy would be left to ECRD. Whatever coordination and operation problems that arose could be resolved by the Environmental Committee (PEC), a sub-committee under the ECRD that actively participates during the conduct of regular community and environmental inspections and meetings, especially those by the Multi-partite Monitoring Team (MMT).

Following the creation of ERCD, the company pursued a tri-sector approach for community and stakeholder engagement. It has worked with the following groups:

Business	ERCD Representative
Government	<ul style="list-style-type: none"> • Municipal Government of Tuba and Itogon • Village Council of Camp 3 and neighboring villages • TESDA • DECS • DOH
Civil Society	<ul style="list-style-type: none"> • Integrated Sewers Association • Loom Weavers Association • Credit Cooperative • Community Consumers Cooperative • Pellmell Irrigators Association • Informal groups and community leaders

The objectives of the engagement were to:

- Address public perceptions regarding the supposed environmental damage of the mine;
- Educate the stakeholders regarding mine operation in order for them to arrive at informed decisions;
- Uplift the socio-economic conditions in the host and adjoining communities;
- Provide stable employment for the mine's over 2,500 full-time employees, the sub-contractors, and their dependents;
- Train the residents in various skills and aspects of mineral resource development and safety;
- For the dependents, training in alternative livelihood to uplift their economic well-being; and
- For their children, elementary education free of charge and highly subsidized secondary education.



The company provides free elementary education and a heavily subsidized high school education for the dependents of employees and for the students from neighboring communities.

Following the engagement, projects and programs that were successfully implemented include:

- Construction of school buildings within the mine site which has an average enrollment of 5,000 and an operating subsidy from the company amounting to Ph 25 million annually;
- Provision of skills program on cottage industries such as loom weaving, dressmaking, stuff toy making, jewelry making, food processing, cosmetology, baking, hand-made paper making and bag making;
- Training for out of school youth on basic industrial skills such as auto-mechanic, welding, machine shop, carpentry and operation of heavy equipment;
- Upgrading of agricultural and resource-based industries such as livestock, cut flower production, seedling propagation, tiger grass production, and honey bee production;
- Construction of an irrigation system for the vegetable and fruit farmers of Ligay, Camp 1, Tuba, Benguet;
- Construction of feeder roads to facilitate the transport of goods, commerce, and services in Alang/Torree, Ligay, Bas-eg/Pimmingan, Ansagan, and Tapsan;



Feeder roads are constructed to facilitate the transport of goods and services to neighboring towns and communities.

- Free medical and dental services in the company's hospital for the host and outlying communities, including medical and dental missions in the neighboring areas;
- Establishment of livelihood associations for the outlying communities with company assistance in terms of organization, fund sourcing, and technical and management training;
- Information, education and communication programs that inform communities and residents about mine exploration and development;
- Reforestation project that has reforested more than 1,500 hectares of denuded lands with an annual survival rate of trees planted at 86%. Under the "Nursery sa Bawat Bakuran Program", ECRD has distributed 500,000 seedlings to host and neighboring communities for propagation. ECRD provides training and technical assistance and buy-back the seedlings on a later date to help residents and communities generate additional income;
- Drafting of the post-mining development plan that seeks to minimize the dislocation that may be caused by the termination of Padcal's mining operations. The plan spells out the productive use of the land and facilities after mining operations. Once completed, the plan will again be presented to the communities and local government units for approval;

- Ecological waste management program that involves the sorting out of household wastes within the mine camp. In 1998, PMC invested in a Materials Recovery Center (MRC) whereby biodegradable wastes undergo composting process to produce organic fertilizers. An estimated 500 to 700 kilos of high quality fertilizer or compost is produced monthly and being sold to organic farmers. The non-biodegradable wastes, on the other hand, are further segregated into recyclable and disposable materials. The recyclable materials are sold to numerous recycling centers while the disposable wastes are brought to a controlled waste dump; and
- ISO 14001 Environment Management System Certified.



Left: The company conducts medical and dental missions to host and outlying communities.
 Right: Mr. Gerard Brimo, Chairman of Philex, receives the company's ISO 14001 Environment Management System Certificate.

Impacts of Stakeholder and Community Engagement

Impacts of the stakeholder engagement include both business benefits and development impacts.

Business Benefits⁸	Development Benefits
<ul style="list-style-type: none"> • Through community integration and immersion of company personnel, the company had organizational representation in the host and neighboring communities. • The company had a “face” in the community that was instrumental in shaping the options and behavior of local leaders, community organizations, sectoral groups, and individuals for cooperation and support of company projects. • Immediately dealt with macro and micro issues and established the credibility of 	<ul style="list-style-type: none"> • Annual incomes of residents, employee dependents, and communities have increased significantly. • Increased awareness and participation of local groups and local government units in company decision-making that affects their livelihood and communities. • Recognition of workers right to organize and to collective bargaining. • Increased local autonomy with the setting-up of local government units extension offices within the mine camp and neighboring communities.

⁸ The advantages of CSR has been discussed extensively by ECRD manager Victor Francisco in a paper entitled “Building Community Partnership: The Processes Involved and the Advantages of Starting Early”, at the Mining Philippines 2001 Conference held in Manila on November 21-22, 2001.

<p>the company within the host and neighboring communities.</p> <ul style="list-style-type: none"> • Managed the perception regarding the company and created impressions that led to enhance company's sphere of influence. • Detection of threats and discontinuities (e.g. anti-project groups) through early scanning and monitoring of the social and physical environment. • Accurate information is obtained which is needed by company executives to make the right decisions. • Contributed enormously to the ISO 14001 certification of the company that recognizes its environment friendly production processes, the first ever company in the metal industry to be awarded such a certification. • Continuous improvement in the safety performance of the mine because of highly motivated labor force. 	<ul style="list-style-type: none"> • Development of downstream industries as a result of livelihood and skills enhancement training programs. • Decreasing crime rates due to available employment opportunities for those who are unemployed and out-of-school youth. • Credit extension due to the organization of development cooperatives, which now has a total asset of 192 million extending productive and provident loans to all its members. • Increased environmental awareness and shared responsibility on the part of the communities and company in protecting watershed and forest areas. • Democratization of resource access rights and the encouragement of people's participation in resource management decisions. • Adoption of community-based resource management approaches (for protecting the lowland/upland resource base and conserving biodiversity while providing sustainable livelihood opportunities). • Encouragement of environmental information, education and communication activities which heightened environmental awareness and understanding as well as assisted in the formation of environment-friendly values for developing sustainable development ethic (e.g. stewardship). • Local government units marshalling the necessary political will for translating social and environmental development agenda into reality.
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Efforts at developing the impacted communities have been recognized by various government agencies and the United Nations when it awarded Barangay Camp 3 community, which comprise largely of the Padcal mine and the mine community, as one of the "50 Model Communities in the World in 1995". Other citations and awards include:

- "Safest Block cave Mining Operation" by the Philippine Mine Safety Association (mine safety and health category);

- Presidential Trophy for “Best Mining Forest” for its reforestation efforts;
- HAMIS (Health and Management Information System) award of the Department of Health and the German Agency for Technical Cooperation (GTZED) for its Integrated Community Family Welfare Program;
- “Most Outstanding Firms with Family Welfare Program” by the Department of Labor and Employment;
- Presidential Mineral Industry Environmental award by the Department of Environment and Natural Resources (DENR); and
- Presidential Award for Heroism in recognition of the company’s assistance made during the 1990 earthquake in Baguio City.

“We do our best to institutionalize and be proactive in our environmental management. The company believes that in the event of a disaster, the mine will not only be the one affected but, more importantly, the countless communities and residents who have sustained and supported us over the year. We owe it to them”

-says Victor Francisco, manager of the Environment and Community Development Technical Services Group.

Future CSR Efforts: Mechanics for Post-Mine Development Stakeholder Engagement.

Given the direction taken by the company in community relations in recent years, there are numerous opportunities for them to expand into other CSR areas. For the most part, however, the company is focusing its efforts to the mine transition plan slated for Padcal Mine in 2015. The company is continually working on expanding its corporate social responsibility activities within the framework of engagement:

- Mechanics for institutionalizing local autonomy to meet the demands of social development programs stated within the mine transition plan. This will enable the local government to respond to the needs of their constituents directly while the company may give logistical support to the local government units after the life-of-the mine.
- Process of institutionalization of village-level development planning, to make the people in the community accept the responsibility of improving the well being of the community after the life-of-the-mine.
- Corollary to this process is the development of community-based programs and projects rather than community-oriented programs. The former is built from “ground-up” thereby increasing the chances for self-governing, self-sustaining, and self-reliant initiatives.
- Establishment of linkages with project actors (i.e. the political leadership at the provincial, municipal, and barangay levels, line agencies – public or private – and program beneficiaries).
- Provision of funding support for training, implementation and assessment of social development services and programs in host and neighboring communities, particularly those affecting health, education, and housing.
- Information and communication that are within reach of company stakeholders and that emphasize on self-reliance at the community level through the transfer of knowledge, skills and technology to the community.
- Delivery systems among sources of inputs and services and the recipients of social services.

In the final analysis, the implementation of the mine transition plan depended on the formation of grassroots development coalitions of both the impacted and neighboring communities. The composition of those coalitions hinged on the disposition of the local municipal governments to such plan, the involvement of the grassroots sectors, and the extent of community organization. Thus, barring opposition from other stakeholders, the engagement process in the transition plan will depend on the existence of a coalition of organized communities, non-government organizations, government actors and support from the national government agencies.

Silangan Mindanao Exploration Company's CSR Practices (Boyongan Exploration, Surigao del Norte)

Key Stakeholder Issues

Since September 1995, when 12 people were buried, when a waste pond operated by a different mining company collapsed in Placer, Surigao del Norte, various exploration works in the province met opposition from local government units and NGOs. Some mining companies have been accused of manipulating community people by employing divide-and-rule tactics and of lacking in transparency. In 1999, an exploration permit was issued to Silangan Mindanao Exploration Company Inc., a joint venture project of Philex Gold Phils. Inc., and Anglo-American Exploration Phils., Inc. to conduct exploration works in Tubod, Surigao del Norte,

The St. Peter Catholic Parish priest is working to have exploration permits cancelled. The priest is concerned about the social effects of mining on the residents and has quoted the Catholic Bishops Conference of the Philippines (CBCP) Statement of Concern on Mining regarding its so-called devastating effects. Past mining experiences in the country, including knowledge of past mining practices in the locality, make the priest and the community suspicious and vigilant of the company.

In the three years since exploration began in 1999 in Boyongan, Surigao del Norte, Silangan Mindanao company have succeeded in projecting a “good neighbor” and “we care image” among the residents of host communities and implemented projects that can be described as “pioneering” for exploration companies. Specifically, they have demonstrated sound environmental management practices and sincere social development initiatives including livelihood projects for the unemployed in the area.

The project, located within the Parcel 2 area, under the jurisdiction of Barangay Timamana, Municipality of Tubod, is about 30 kilometers south of Surigao City. It aims to explore the area for copper and gold. Exploration activities consist of geologic mapping, geo-chemical surveys, geo-physical surveys and drilling. The impacted communities are largely agricultural with a total population of about 2000 households. A survey conducted by the company yielded some useful indicators:

- High unemployment rate in the area
- Educational facilities need repair and maintenance
- Village roads need improvement
- Poor waste management

- Low business opportunities
- Poor water system infrastructure
- Aside from farming, majority of the community members have no alternative source of livelihood

Silangan Mindanao Exploration Company Inc. is a joint venture between Philex Gold Phils., Inc. and Anglo American Exploration Philippines, Inc. Philex Gold Phils., Inc. is a wholly owned subsidiary of Philex Gold Inc. (PGI). PGI is listed in the Canadian Ventures Exchange since 1996 and has been interested in exploration projects around the Philippines. PGI is 81% owned by Philex Mining Corporation. On the other hand, its partner company, Anglo American Exploration Phils., Inc. is a wholly owned subsidiary of Anglo American PLC, which is the world’s largest non-energy natural resources company. It is the world’s largest producer of platinum, diamonds, gold and a major producer of base metals. Anglo American is 36% publicly owned and listed in the UK, Switzerland, and South African Stock Exchanges. Its market capitalization is over US\$15.6 billion.

The joint venture between Philex and Anglo was entered into in 1999 through the creation of Silangan Mindanao Exploration Company for Surigao Del Norte Mineral Production Sharing Agreement (MPSA) Nos. 148 and 149-99-XIII, which were granted on December 29, 1999. Formal exploration activities in Surigao started in July 2000 up to the present.

Not long ago, the province of Surigao has been the site of some of the worst excesses in mining, among them:

- November 20, 1995 – coal mine explosion claimed the lives of thirteen workers in Bislig, Surigao del Sur;
- April 26, 1999 – tailing spill from a damaged concrete pipe of a different mining company buried 17 homes and swamped 51 hectares of Riceland in Surigao del Norte; and
- September 2000 - protests erupted over the impending exploration project of another mining company in the nearby Placer municipality.

Overall, the company inherited these excesses and they decided to do something about it to head off unrest by those whose lives have been negatively affected by mining. The initial emphasis on managing the environment and the need for a sincere and empowering community development program reflect this concern.

The company’s approach to corporate social responsibility speaks of a commitment “to sustain a progressive labor-manager relationship and maintain safety in the workplace; while upholding at all times a sound environmental policy and fulfilling our obligations to the community as a responsible corporate citizen”. In order to give practical expression to this commitment, the company has formulated the following corporate social and environmental objectives:

CSR Area	Key Elements
Environment	<ul style="list-style-type: none"> • Conserve environmental resources by incorporating environmental protection and rehabilitation during the planning stage and project implementation. • Strictly comply with standards set by the government on environmental laws, rules and regulations in order to minimize environmental disturbance if not to totally eliminate. • Support and actively participate with any research work

	conducted by any agency for the diverse stewardship of flora and fauna in the locality.
Economic	<ul style="list-style-type: none"> • Provide superior returns for the community and shareholders in a socially and environmentally responsible manner.
Governance	<ul style="list-style-type: none"> • Inform and consult partner communities through the local government units and various sectors concerning company's plans and programs. • Promote and maintain harmonious understanding with the partner communities and other stakeholders in the management of community-based resources towards self-reliance.
Social	<ul style="list-style-type: none"> • Perform aggressive but prudent exploration, extraction, and utilization of the available mineral resources with due considerations and respect to the culture and heritage of the local communities.

CSR Best Practice: Social Impact Assessment and Management

In the communities surrounding the exploration site, the company's social responsibility has come in various forms. The company administers an integrated program of assistance that strives to empower communities to become self-reliant and participate productively in their own development. The decision to encourage communities as partners was anchored on assessing and managing key issues related to:

- Support of community residents (informal basis e.g. during neighborhood assembly/discussion) of the project is critical due to some anti-mining sentiments within and in neighboring municipalities;
- Developing fair compensation systems for land disturbance and rehabilitation activities;
- Obtaining information that may help protect and maintain the operation's physical infrastructures (especially that insurgent groups have been known to be active in the area); and
- Changing public mindset that an exploration project is not as environmentally disruptive as they believed because of the use of best mining environmental management practices.



Water improvement system project in Barangay San Isidro assisted by members of the Community Technical Working Group (CTWG).

Working through its community relations arm, the company full-heartedly supported the creation of the Community Technical Working Group (CTWG) as recommended and initiated by the Mines and

Geosciences Bureau Region 13-CARAGA. The CTWG is an environment and social impact assessment team that allows the active and meaningful participation of the communities in monitoring and improving the company's environmental management and community development program. The CTWG is a multi-partite monitoring team that serves as a vehicle for civil society groups, local government units, and the company to explore "effective critical involvement and collaboration strategies in the achievement of a self-reliant community by way of the application of appropriate management and community-based resources in harmony with environmental protection and rehabilitation".⁹

The main objective of the CTWG-Boyongan as expressed in the Memorandum of Agreement (MOA) is:

"To verify issues and complaints of the community about environmental disturbance and other social concerns regarding exploration activities and to ensure that appropriate mitigating and community development measures have been observed and put in place by the Silangan Mindanao Exploration Company, Inc. for the protection and enhancement of the environment and surrounding communities"

At present, the CTWG-Boyongan is composed of:

- MGB 13 Regional Director
- DENR-PENRO Surigao del Norte Representative
- Silangan Mindanao Mining Representative
- Tubod Municipal Mayor
- Barangay Chairmen of Timamana and San Isidro
- Principal of Timamana National High School
- President of WATSAN
- Chairman of SILKA
- Priest of Philippine Independent Church
- Church Elder of Seventh Day Adventist Church
- Deacon of Baptist Church

The responsibilities of the CTWG-Boyongan include:

- Monitoring of active and abandoned drilling sites in terms of (1) rehabilitation done in the area; (2) siltation control measures; (3) handling of used and unused oil; and (4) measures undertaken to protect vegetation around the drilling sites;
- Monitoring of surface and ground water: ground water samples taken from the main source and samples for surface water are taken to an independent laboratory for testing;
- Conducts social development diagnosis through community "pulong-pulong" and recommends other community development activities;
- Recommend livelihood projects and extend assistance to enhance capacity-building of people's organizations;
- Recommend assistance for the improvement of community infrastructure such as water systems, roads, churches, schools, sports facilities and other government buildings;

⁹ The CTWG has been proposed as a possible area for study under the Government-Facilitated Business Community Relations project of the United Nations Development Program (UNDP). The study will attempt to develop a preliminary analysis of the manner and extent in which government intervenes in business community relations in the Philippines and facilitates the evolution of these relationships into partnerships.



Left: Scholars of the company get free elementary education and other assistance from the company.
 Right: Silangan Exploration Inc. donates computer facilities to schools in the community.

- The training and transfer of basic technical knowledge in environmental protection and rehabilitation, including health and safety; and
- The conduct of an ICE program to inform the impacted communities of the truth about the company’s exploration activities, environmental management practices and community development program.

Silangan’s CSR strategies in social development and environmental management are anchored on a framework that interlinks three major components of: organizational development, active and meaningful community participation and self-reliance:

First, the meaningful involvement of the impacted communities for example was crucial in harnessing their own capacity for self-development. The rationale was to make the residents know that it is their right to actively participate in activities that will affect their lives and that their own development can be harnessed through concerted effort. Problem identification and the planning of solutions are therefore being done by the communities themselves. It was assumed that social assessment and management would be more effective if communities acquired such a sense of “ownership”. Critical aspects of the assessment and project implementation were therefore not relegated to the effective control of company people.



A community livelihood project receives assistance from the company.

Second, imparting entrepreneurial skills and provision of seed capital for engaging in small-scale livelihood projects using a modified approach. For some community programs, a livelihood project became an end in itself but, in the case of the company's Community Development Program, emphasis on livelihood as a way to help emancipate the residents from conditions of poverty was equalized with sectoral coaching to advance social and environmental consciousness by highlighting the correlation between environmental conservation or the proper use of natural resources and community development.



One of the company's *pulong-pulong* with community members.

Third, the creation of organizational forums (*pulong-pulong*) in impacted communities and among social sectors became a pivotal factor in making the residents aware of the positive and negative effects of the exploration and possible mining project.

Division of Roles and Responsibilities in CTWG

	Roles/Responsibilities
DENR-MGB 13	<ul style="list-style-type: none"> Act as team leader of the Group. Prepare and submit reports address to the MGB-Region 13 Regional Director and agencies concerned. Act as the secretariat of the Group.
DENR-PENRO	<ul style="list-style-type: none"> Collect water samples for analysis to the pre-identified areas in the presence of CTWG members. Expedite the immediate analysis of water samples. Act as assistant team leader of the Group. Review and sign CTWG reports submitted to MGB Region 13 and agencies concerned. Recommend measures that can further improve the implementation of the Environment and Community Development Program.
Municipal Government of Tubod	<ul style="list-style-type: none"> Designate Sanggunian Bayan member who is the chairman for Environment, Health/ Municipal Health Officer and Municipal Agrarian Officer as regular member of the CWTG. Participate and act as witness during the monitoring of the drilling site, during the collection of water samples for analysis, and implementation of the social development programs. Review and sign CTWG reports submitted to MGB Region 13 and agencies concerned. Recommend measures that can further improve the implementation of the Environment and Community Development Program.
Community LGUs (Brgy. Timamana, San Isidro and Timamana National High School)	<ul style="list-style-type: none"> Designate Kagawad member who are chairman for Environment and Health, Sanggunian Kabataan Chairman and School Principal as regular members of the CTWG. Participate and act as witness during the monitoring of the drilling sites, during the collection of water samples for analysis, and implementation of the social development programs. Review and sign CTWG reports submitted to MGB Region 13 and agencies concerned. Recommend measures that can further improve the implementation of the Environment and Community Development Program.
NGO/PO (Watsan, Silka, PIC, Seventh Day Adventist, Baptist Church)	<ul style="list-style-type: none"> Participate and act as witness during the monitoring of the drilling sites, during the collection of water samples for analysis, and implementation of the social development programs. Review and sign CTWG reports submitted to MGB Region 13 and agencies concerned. Recommend measures that can further improve the implementation of the Environment and Community Development Program.
Silangan Mindanao Mining Co. Inc.	<ul style="list-style-type: none"> Assist the CTWG during the implementation of the MOA. Responsible in the expenses incurred in water analysis and materials including logistics support to all CTWG activities. Sign the CTWG reports submitted to the MGB Regional Director and agencies concerned. Act on the agreed upon recommendation of the CTWG for the improvement of the Environment and Community Development Program.

Outcome of Social Impact Assessment and Management

Three years after the institutionalization of CTWG, the benefits have been very encouraging both for the company and host communities.

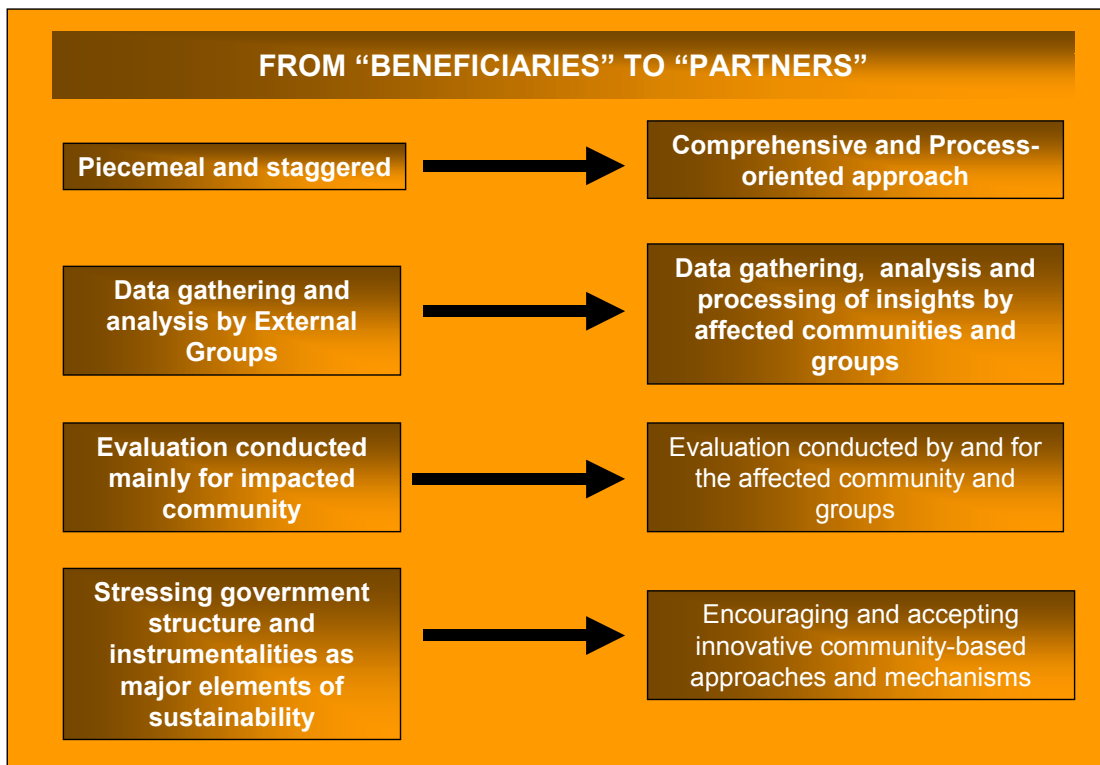
Company Benefits	<ul style="list-style-type: none"> With the positive response of impacted communities to the CTWG, the company was able to get a favorable endorsement from the village councils of Timamana and San Isidro. The municipal council, whose members were initially against the exploration project, subsequently passed a resolution paving the way for the company to proceed with its ongoing program
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<p>Company Benefits</p>	<ul style="list-style-type: none"> • With the positive response of impacted communities to the CTWG, the company was able to get a favorable endorsement from the village councils of Timamana and San Isidro. The municipal council, whose members were initially against the exploration project, subsequently passed a resolution paving the way for the company to proceed with its ongoing program of work. • As result of regular consultations with impacted residents as stipulated in the CTWG, the potential for conflicts over access, land use and rehabilitation have been reduced, thus preventing costly delays especially in the detailed or drilling stage. • By earning the trust of the impacted residents, the company was able to maintain its “license to operate” and the prospect of future exploration concessions has been partly secured.
<p>Community Benefits</p>	<ul style="list-style-type: none"> • Contributed to the empowerment of local groups, with a clear preference for grassroots organizations. • Helped ensure the viability of the biophysical and human resource bases for development and the structures that sustain them. • Stimulated tri-partite partnerships among local government units, community, and government agencies and identified areas where coordination and collaboration can take place. • Encouraged new form of “engagement” whereby stakeholders can participate constructively in the crafting of sustainable strategies for exploration activities.

“One of the most important aims of SMECI is to operate and be accepted as an environmentally and social responsible exploration company. Mutual understanding and partnership can attain this aim with the host communities. The company endorses the view that sustainable development requires the enhancement of economic and social opportunities while at the same time preventing irreversible degradation of the natural environment,”

-says Patrick Waters, President-Exploration Manager of Anglo American Exploration (Phils.)

The CTWG has helped won for the company the Presidential Mineral Industry Achievement Award in 2002 for its outstanding levels of dedication, initiative and innovation in the pursuit of excellence in environmental management. Also, it is worthy to mention that CTWG has paid off especially in minimizing political risk in areas where anti-mining sentiments have been traditionally high. This was made possible in the shift of orientation towards impacted communities: from “project *beneficiaries*” to “community *partners*”.



Future CSR Efforts: Strengthening of Social Monitoring Systems

Managing and sustaining the CTWG is one of the more challenging tasks ahead of the Boyongan project. All project actors must have a stake in and own the initiative at least partially. Instruments like permanent leveling off, identifying and adjusting roles and functions, teambuilding workshops and regular consultations for sharing information are essential. Just as local institutions and affected communities play critical roles in CTWG, in assessing their roles, the company believes that efforts must be exerted to address the following needs:

- to clarify and delineate the relationships among the various institutions involve in the CTWG;
- to strengthen the absorptive capacity of such groups as well as their administrative capability after they have been given greater role in decision making;
- to establish linkages with other actors across municipal and regional boundaries;
- to strengthen the “learning process” for building local action and mobilization; and
- to further develop, strengthen, and institutionalize mechanisms for community participation (and access) in the various phases of a sustainable development activity.

“The credibility of a mining company hinges on its past operations. There are existing initiatives that encourage participation but these are very limited. There is a need to expand these activities to include educating the stakeholders on the grave environmental mistakes committed by mining companies in the past,” maintains Father Lauro Muzo of the St. Peter Catholic Church in Tubod, Surigao del Norte.

APO Cement Corporation's CSR Practices (Naga, Cebu)

Key Stakeholder Issues:

Prior to 1999, residents used to refer to the huge decrepit structure of the cement plant of APO Cement Corporation lying alongside the national highway in Naga, Cebu as a 'monstrous blight'. Community residents also felt that historically, nothing had been done to prevent water and air contamination from the cement plant. In 1999, the company began to address some of the environmental concerns of the residents. Since then stakeholders attention has shifted towards the labour practices of its new owners. They pointed out that the company has resorted to downsizing and retrenchment of workers instead of the promise of more jobs. Hundreds of workers that used to be employed in the cement plant have been displaced due to upgrading and mechanization. The majority of those who work in the plant are "contractuals" who are paid the minimum wage equivalent to US\$5/day and are not entitled to the rights and benefits of regular workers. Today, this scheme remains a fluid and contentious issue between the company and its stakeholders.

Today, more than ever, companies have to contend with a vigilant public ready to scrutinize the social impacts of their operations. Events have shown that corporate failure to heed mounting public pressures will result in negative consequences ranging from loss of potential long-term profits and commercial viability. Unlike in the past, a stringent market climate now exists, which forces companies to consider and declare their position on such issues as community relations and stakeholders' accountability.

APO Cement Corporation rehabilitated, developed and introduced new technology to an old cement plant, and in reflection of a company conscious of its social responsibilities, managed to earn the trust and respect of its stakeholders in the process. One of the oldest cement plants in the country, the plant facilities located in Brgy. Tina-an, Naga, Cebu traces its beginning in 1921 when the Cebu Portland Cement Company was formed, incorporated and owned by the Philippine government. The cement plant has an annual production capacity of 3 million metric tons.

APO Cement Corporation is a member of the CEMEX Philippines Group of Companies (composed of Philippine companies affiliated or associated with CEMEX S.A. de C.V., one of the three largest cement companies in the world, with approximately 81 million metric tons of annual production capacity). CEMEX has operations in 30 countries and trade relations with more than 60 countries around the globe. In 1997, CEMEX entered Asia, through the Philippines, by acquiring a stake in Rizal Cement Company. In 1999, another affiliate of CEMEX acquired a stake in APO Cement Corporation. In 2000, APO Cement Corporation received its ISO 9002 and 14001 certifications respectively.



APO conducts environmental protection and enhancement program through tree planting projects.

The company considers its social responsibility as more than just giving donations and grants. The company believes that it should “operate our plants and facilities in a manner that preserves the environment and protects the health and safety of our employees and the public”. This commitment finds expression of its corporate social responsibility in the following policy statements:

CSR Area	Key Elements
Economic	<ul style="list-style-type: none"> • We shall be the leader in the industry by continuous improvement in the quality of our product. This will be accomplished through research and development, process improvements and technology upgrading. Product availability to our customers will be assured through an improved and expanding distribution network. Affordability of products will be maintained through an effective cost reduction program.
Environment	<ul style="list-style-type: none"> • We manifest our commitment to the protection of the environment by actively responding to environmental concerns at all times within a framework that balances economic and social considerations. • Pollution prevention, enhancement of the environment and continual improvement in our environmental performance are the fundamental premises of our company’s business. • APO Cement Corporation is committed to comply with all legal requirements and to implement programs and procedures to ensure compliance and pursue sustainable development. • Make efficient use of natural resource and energy and actively pursue residue and emissions reduction.
	<ul style="list-style-type: none"> • We consider our human resources as the most valuable asset in the organization. We shall provide our employees an environment

<p style="text-align: center;">Social</p>	<p>conducive to their development and continuous professional improvement, with opportunities for growth within the organization. In maximizing the capabilities of our staff, we will ensure the successful attainment of company goals.</p> <ul style="list-style-type: none"> • Maintain a proactive attitude, going beyond the industrial activity by means of far-reaching actions fostering conservation and responsibility towards the environment, industrial safety and health. • Adopt and enforce internal standards that will ensure on-going improvement even in venues where laws and regulations are in the development stage. • Maintain effective communication channels with employees and the community.
<p style="text-align: center;">Governance</p>	<ul style="list-style-type: none"> • Provide maximum benefits to our shareholders.

CSR Best Practice: Social Investment

As a concrete manifestation of the APO Cement’s commitment to corporate social responsibility, the *CEMEX with a Heart Program* was created to handle the company’s corporate giving and community development projects. The program aims to “aid in the development and upliftment of the communities in which it is present”. Its core philosophy is expressed as:

- a company that cares for health, safety and the environment;
- a company that treats its communities as family;
- a company that believes in the potential of the youth; and
- a company that is the government’s partner in nation building.



Company employees train in rescue operations in a fire safety drill.

The company's decision to institutionalize the program was highlighted by several objectives:

- to manage the environmental impacts of its operations because of the growing awareness on the part of community residents to enhance and protect the surrounding environment;
- to reduce political risks due to the unwillingness of the barangay captain (village political leader) and the local parish priest to work together with the company;
- to convince local NGO groups that the company is complying with environmental regulation especially those related to dust emission and control; and
- to reduce the risk to production since the reorganization after the buy-in has displaced workers especially those in the stevedoring section causing dissension and resistance.

The *CEMEX with a Heart Program* was implemented with the active participation of the various departments of the company in close coordination with the Corporate Communications group who initiated the process of consultation with the residents, local political leaders and people's organizations within the area. A series of house visitations and individual interviews became regular activities that led to the formation and cooperation of various groups:

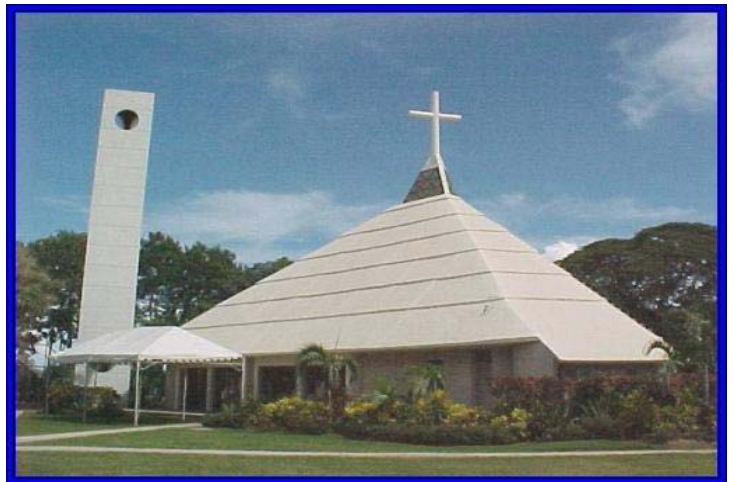
- APO Cement Ladies Club
- Naga National High School
- Naga Municipal Government
- Philippine Business for Social Progress (PBSP)
- Tina-an Barangay government
- Parent-Teacher-Community Association (PTCA)
- Tina-an Environmental Management Association
- Tina-an Catholic Parish



Naga National High School, one of the company's Adopt-A-School projects, receives a school building for computer training.

The process of assigning roles and building of agreements soon followed that culminated in the signing of Memorandum of Agreements (MOAs). The agreements stipulated the responsibilities of each of the participating parties as well as their contribution in the monitoring and evaluation of projects. After the signing of MOAs, a scanning and search for projects was conducted. The final selection of projects was made on the basis of: (a) the residents overwhelming support as indicated from their responses during the house visitations and interviews, (b) the project's demonstration of sustainability, and c) the project features an element which is new in the local setting. Among those projects selected and implemented within months of the signing of MOAs were:

- Construction of a Day Care Center within the plant's communities that prepare children from ages 3 to 6 years for their elementary education;
- Vocational, technical and livelihood training for the out-of-school youth in host and neighboring communities
- Environmental IEC in local communities that resulted in projects related to tree planting, recycling, and waste management project, animal breeding and preservation;
- Medical missions that were conducted monthly to serve the dental and medical needs of the communities; and
- Rehabilitation of St. Joseph the Worker Chapel to strengthen spiritual awareness among the workers and residents of the community.



Left: A Day Care Center was constructed within the community to prepare the children for their elementary education.
Right: St. Joseph the Worker Chapel receives assistance from the company for its rehabilitation project.

Of note is the company's Adopt-A-School project wherein the company donated computer and computer accessories to the Naga National High School, and has constructed a school building for computer training. The vision of the project was clearly expressed in the MOA:

"To provide and intensify Information Technology training in public schools and prepare students for the jobs of the future."

DIVISION OF ROLES IN THE ADOPT-A-SCHOOL PROJECT	
COMPANY	<p>APO Cement</p> <ul style="list-style-type: none"> ✓ As partner in the educational development of the community, provided NNHS with 10 units of brand-new desktop computers as a form of assistance to ensure that the implementation of the project in the school is sustained. ✓ Provided volunteer employees to teach the students in basic computer literacy.
GOVERNMENT	<p>Municipal Government of Naga</p> <ul style="list-style-type: none"> ✓ Provided 1 unit aircon as a form of assistance to the implementation of the project. <p>Naga National High School</p> <ul style="list-style-type: none"> ✓ Assigned a teacher, who possesses basic knowledge of computers to undergo training on the use of IT for instruction, and implement the computer training curriculum prescribed by the task force on PC's for Public High Schools. ✓ Provided suitable accommodation for 10 units of computers and guaranteed the exercise of outmost care in using them. ✓ Implemented the curriculum for computer literacy and its use as a tool for teaching-learning process. ✓ Ensured the maintenance of computer units. ✓ Made arrangements with other local and private institutions/organizations or educational stakeholders for the solicitation of funds and other forms of assistance for the operation of the project. ✓ Provided the task force on PC's for Public High Schools a quarterly status of the project including a guarantee on the maximum utilization of the computers as a tool for teaching-learning process.
CIVIL SOCIETY	<p>NNHS-Parent Teacher Community Association</p> <ul style="list-style-type: none"> ✓ Provided 1 unit printer, 10 computer tables, 21 monoblock chairs, electrical and lighting requirements and appropriation for maintenance. <p>Philippine Business for Social Progress (PBSP)</p> <ul style="list-style-type: none"> ✓ Directly implemented the project including its regular monitoring, submission of mid-year and annual report and photo documentation.

Comparison of the company social investment projects suggests three common elements: the cohesive factor, feeling of ownership, and commitment to group goals.

- **Cohesive Factor:** A shared feeling to engage in a productive service already existed on the part of local groups and communities. The company was able to take advantage of this factor to bring all the stakeholders together within the community to achieve a common goal.
- **Commitment to Group Goals:** The presence of an innovator or a strong leader has been very evident in the success of the projects. By working through this community leaders, the company

was able to elicit the support of the whole community since the project was initiated by somebody who is perceived as “one of the community members”.

- **Feeling of Ownership:** The mode and structure of the projects arose from the communities’ own perception of their needs and problems. The participatory approach employed by the company ensured that the project they plan for the community matches their felt needs. Thus, the modalities used by the company have increased local ownership of projects including:
 - Resource inventory by local groups;
 - Consultation with local political and religious leaders;
 - Interview of local residents;
 - Community consultation meeting;
 - Participant observation;
 - Petition initiated by the local group; and
 - Self-help projects initiated and completed by local community;

Impacts of Social Investment

Almost three (3) years after starting the process, the investment yielded substantial achievements.

<p>Company Benefits</p>	<ul style="list-style-type: none"> • Company operations went ahead without encountering delays due to the absence of opposition from local groups. • Barangay (village) captain and the local parish priest have become active partners of the company in implementing projects both for the community and the company. • Smooth transition in sourcing-out/contracting of stevedoring services. • Company awarded with ISO 9002, 14001 and 17025 due to its quality and environmental management programs as well as laboratory competence partly ensured through stakeholders active participation. • Promoted workers loyalty and lessened the probability of a worker’s strike.
<p>Community benefits</p>	<ul style="list-style-type: none"> • Skills training raised the economic status of community residents and gave workers an alternative source of livelihood other than the cement plant. • Widened the options of individual households in economic endeavors especially those members of the ladies club. The benefits they received also extend to the communities wherein much needed economic turnaround is obtained. • Access to and control of resources by the residents increased their potential for “risk-sharing” in the implementation of company projects directed to the communit.

APO Cement’s numerous awards and citations demonstrate the company’s commitment to social and environmental goals. Among them:

- DENR Environment Month Award – in recognition of the company’s eco-friendly operation and for being the first plant in Region 7 (Cebu) to have achieved both ISO 9002 and 14001 certifications;
- Presidential Mineral Industry Environment Award (PMIEA) in 2001 – given by the president of the Republic of the Philippines for the company’s exceptional environmental performance in the industry;
- Citation from the Provincial Board of Cebu for the company’s efforts in upgrading the quality of public education;
- Citation to APO Ladies Club from the Provincial Board of Cebu for “their community relations projects, specifically, the Waste Management Awareness Campaign”; and
- ANVIL Merit Award for Environment Protection.

Future CSR Efforts: Developing Stakeholder Performance Evaluation System

The substantive work done by the company in providing for the framework in social investment will be pursued with renewed vigor in the succeeding years. However, this early the company is working towards developing a performance evaluation system for stakeholder participation within the CEMEX *with a Heart Program*. The company realizes that a minimum condition must exist before any investment can be initiated towards a mutually acceptable solution. This minimum condition may take the form of a shared commitment on the part of the local community/local government to engage in a productive service. If unwillingness on their part is a constraint, the flow of information as well as incentives for mobilizing support will be hampered. Also, the company believes that the evaluation system can help drive the investment process to be result-driven rather than activity-focused. Thus, objectives and systems to measure the progress and diagnose problems have to be clear and appropriately installed. Likewise, the role of participating agencies and groups have to be defined well in keeping with the principle of “burden sharing” underlying the goal of company social investment program.

“CEMEX Philippines is deeply committed to the development of the communities in which it is present and even more so, to the youth in these communities who we know will become our country’s future leaders. With the support of parent, teachers and government, we hope that this building, like our other community-related programs, will inspire the youth to seek out and make a better future for himself, his community and his country,”

-says Ms. Juris Umali-Soliman, corporate communications director of CEMEX