



# EMERGING MARKET VIEWS

## ESG Challenges Confront The Philippines

SEPTEMBER 9, 2016

RepRisk AG, the Zurich-based provider of business intelligence on ESG (Environmental, Social and Governance) risks, in August released its latest special report on the Philippines. The report is the fourth in a series research and risk analysis the firm has undertaken focusing on the Association of Southeast Asian Nations (ASEAN), the regional economic and political organization of ten countries.

The report, which highlights the immediate ESG challenges facing the Philippines, describes what the firm points to as its three “most exposed” sectors—personal and household goods, mining, and industrial transportation. All playing a vital role in the country’s economy, these key sectors have been consistently and closely linked to issues related to poor working conditions, corruption, and bribery, as well as to various environmental risks.

The Philippines, which today is known for being one of Asia’s younger and fast-growing populations, is seeing a major demand for new jobs as growth picks up pace. Its government is actively seeking foreign direct investment (FDI) across various sectors, particularly within the service and manufacturing sectors.

RepRisk has identified significant risks confronting the sectors that the nation needs and heavily relies on the most at this moment in its growth trajectory. Personal and household goods, for example, is experiencing high levels of lax labor enforcement, trade unions are consistently warning of poor working conditions and an increase in contracted workers who don’t fall under the remit of the country’s social welfare system(s). Lack of association freedoms and collective bargaining, and bribery are plaguing this sector, posing a real ESG risk for Manila to confront.



*“There have been repeated allegations of poor working conditions in Philippine factories, and the International Peace Information Service criticized the Philippines in a report about labor rights violations and poor occupational health and safety conditions.”*

The country’s mining sector, which counts Glencore and TVI Pacific, Inc. as an example of international companies active in the country, is seeing ongoing protests against some controversial mining projects. According to the US State Department the Philippines has some of the largest copper, gold, palladium and chromite deposits in the world, as well as important resources of nickel, silver, coal, gypsum and sulfur. Both regional and international companies see opportunities, but with such initiatives comes the risk of disruption to the labor force.

The unrest facing the mining sector is ongoing, with some of it relating to previous mining operations in the country. In Marinduque, for example, communities allegedly continue to suffer from a 1996 toxic mine spill caused by the collapse of a tailings dam operated by Marcopper Mining, a subsidiary of Place Dome.

There are also concerns that a collapse at the Tapan Pit and Maguila-guila Siltation Dam, left by Marcopper when it closed down operations, would put at risk the lives of 87,000 people. RepRisk, using its proprietary research methods and risk calculations, has identified this sector as a critical one for the Philippines, pointing to numerous incidents, past and present, that pose real risk to investors entering the country.

*Impacts on communities, ecosystems and landscapes, human rights abuses and corporate complicity are just a handful of challenges mining sector unrest is bringing to the Philippines.*

Although certain sectors of Philippine society have benefited from economic growth, others have suffered from what RepRisk refers to as “precarious working conditions, indiscriminate land grabbing and environmental degradation.” The report, which places a harsh light on the country’s ESG risk factors in key sectors also brings to light the challenges posed by industrial development on the country’s environment and traditional communities.