

## 7<sup>th</sup> PH-EITI Report – Reconciliation Chapter Executive Summary

### I. Executive Summary

The Seventh PH-EITI Country Report (Report) covers the reconciliation procedures performed on the tax and other payments made by the companies engaged in large-scale mining (metallic and non-metallic), oil and gas, and coal sectors of the extractive industry and collections disclosed by the government for the fiscal year 2019. The detailed reconciliation procedures are discussed in page 84, Section II, Methodology.

In the context of the Report, a “project” is defined as a series of extractive activities in one or more sites (based on the permit granted to the holder) developed by a mining/oil and gas/coal company for exploration and commercial operation and is identified on a per contract/permit basis (i.e., per MPSA/FTAA for mining companies, per SC for oil and gas companies or per COC for coal companies). “Project” would be consistently used throughout the Report to refer to mining projects and oil and gas, and coal companies.

The Report covers a total of 39 metallic mining companies (40 metallic mining projects), 20 non-metallic mining companies (28 non-metallic projects), three (3) oil and gas companies (2 oil and gas projects), eight (8) national agencies, 66 local government units for direct payments to LGU, and 180 local government units consisting for shares in national wealth. The national agencies include the BIR, MGB, DOE, DBM, BTr, BOC, PPA, and NCIP. The details of participating projects and companies are shown in Tables 19, 20, and 21.

Both participating projects and national and local agencies completed and submitted reporting templates (templates) disclosing, among others, revenue streams paid or collected, mandatory expenditures, and funds.

#### A. Revenue streams and other taxes as reported by government agencies

Tables 1 and 2 shows the aggregate data for revenue streams and other taxes reported by the government agencies for the extractive industry segregated by sectors and the aggregate data for revenue streams reported by the government agencies for the targeted projects, respectively. Table 3 identifies which of the revenue streams of the targeted projects are scoped-in and scoped-out for further reconciliation. Note that Rio Tuba Nickel Mining Corporation is in-scope for both metallic and non-metallic mining sectors. Since some of the data cannot be segregated accurately, it will be presented under metallic mining unless otherwise stated. In addition, for the non-metallic mining sector, since the taxes cannot be disaggregated accurately, the collections reported by the BIR is attributed to the sector’s transactions for their raw mineral products as well as finished manufactured products.

**Table 1.** Aggregate data for revenue streams and other collections as reported by each government agency for the extractive industry segregated by sectors

Agency	Metallic mining	Non-metallic mining	Oil and gas	Coal	Total
BIR	7,993,109,793	9,459,912,248	8,417,213,589	926,266,622	26,796,502,251
BOC	701,133,923	2,327,744,236	32,711,535	352,529,075	3,414,118,769
DOE	Not applicable	Not applicable	26,262,395,932	3,929,503,391	30,191,899,323
LGU	992,568,159	342,873,419	6,582,402	208,838,152	1,550,862,132

MGB	1,405,446,904	-	Not applicable	Not applicable	1,405,446,904
PPA	225,534,532	12,971,398	480,343	36,224,739	275,211,012
<b>Subtotal</b>	<b>11,317,793,310</b>	<b>12,143,501,300</b>	<b>34,719,383,801</b>	<b>5,453,361,978</b>	<b>63,634,040,390</b>
NCIP	-	-	Not applicable	Not applicable	-
<b>Total</b>	<b>11,317,793,310</b>	<b>12,143,501,300</b>	<b>34,719,383,801</b>	<b>5,453,361,978</b>	<b>63,634,040,390</b>

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Figure 1. Revenue streams and other taxes as reported by government agencies in FY2019 and FY2018

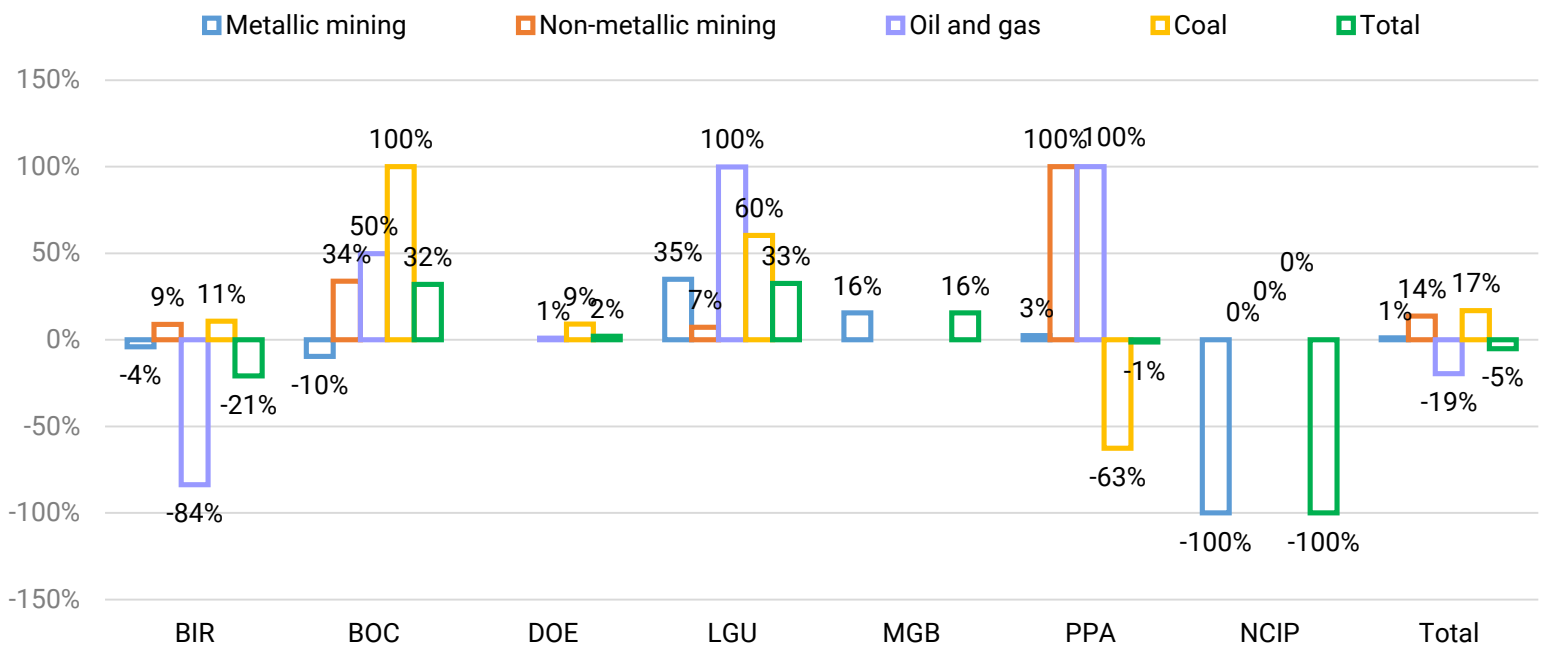


Figure 1 compares the data collected from the government agencies for FY2019 and FY2018 and it is evident that the total revenue streams and other taxes of the extractive industry decrease with the oil and gas sector being the main factor. Overall revenue streams and other taxes decreased by 5% PhP 3.2bn from FY2018 to FY2019. The revenue streams from the oil and gas sector decreased by 19% or PhP 6.8bn are the revenue streams from the oil and gas sector with BIR as the biggest contributor (-84% decrease or PhP7bn). This decrease serves an indication that reconciled revenue streams and other taxes for FY2019 would also decrease.

Among the government agencies, reported collections by LGU increased by 33% or PhP 504.5m which is the largest increase followed by BOC with 32% or PhP 1.1bn increase. BIR, on the other hand, reported 22% or PhP 5.6bn lower compared to FY2018. Further, from minimal data submitted for the sixth report, NCIP was not able to submit any data for this Report.

Table 2. Aggregate data for revenue streams and other collections of targeted projects as reported by each government agency for the extractive industry segregated by sectors

Agency	Metallic mining	Non-metallic mining	Oil and gas	Coal	Total
BIR	7,732,731,863	9,123,821,322	8,336,785,723	No BIR waiver*	25,193,338,907
BOC	701,133,923	2,327,744,236	32,711,535	352,529,075	3,414,118,769
DOE	Not applicable	Not applicable	26,262,395,932	3,927,055,360	30,189,451,292
LGU	915,179,959	126,875,919	-	41,888,508	1,083,944,386
MGB	1,405,446,904	-	Not applicable	Not applicable	1,405,446,904
PPA	225,529,492	12,971,398	480,343	36,224,739	275,205,972
<b>Subtotal</b>	<b>10,980,022,140</b>	<b>11,591,412,875</b>	<b>34,632,373,533</b>	<b>4,357,697,682</b>	<b>61,561,506,230</b>
NCIP	-	-	Not applicable	Not applicable	-
<b>Total</b>					

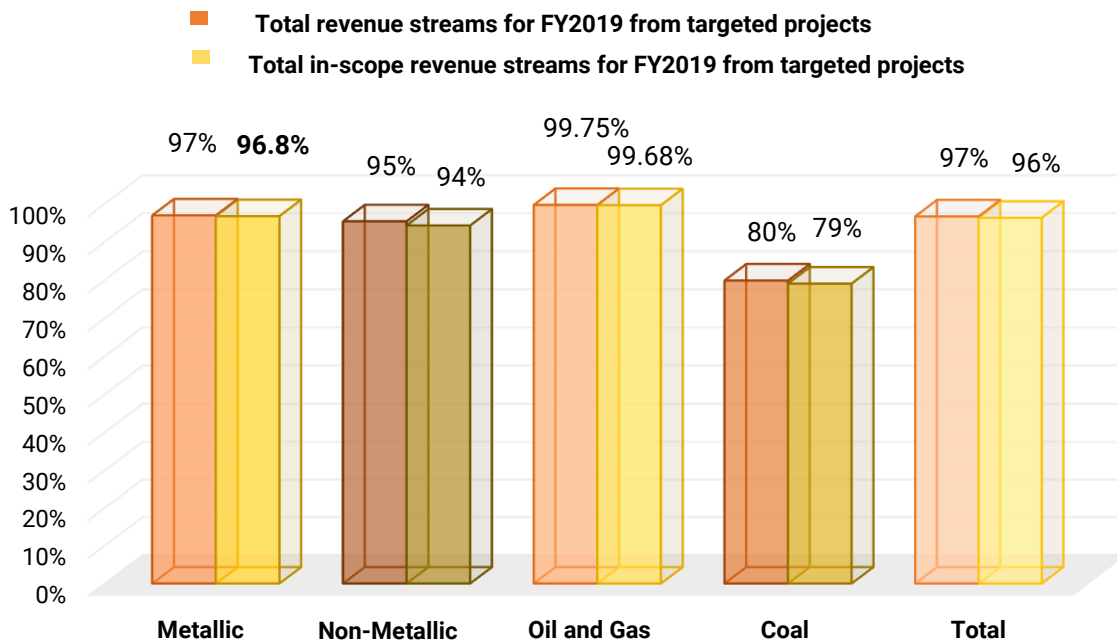
10,980,022,140    11,591,412,875    34,632,373,533    4,357,697,682    61,561,506,230

**Table 3.** In-scope and Scope-out aggregate data for revenue streams and other taxes per industry as reported by each government agency

[insert Table 3]

PhP61.5bn or 97% of the total revenue streams for FY2019 from the extractive sector reported by government agencies is represented by the revenue streams from the targeted projects while PhP61.3bn or 96% is represented by the total in-scope revenue streams from the targeted projects. Figure 2 presents the breakdown of percentage representation for each respective sector.

**Figure 2.** Percentage representation of total revenue streams and total in-scope revenue streams from targeted projects



Based on the percentages in Figure 1, it is assessed that the representation of the targeted projects and the corresponding revenue streams and other taxes that will be subjected to further reconciliation is inclusive of the extractive industry. However, similar to previous report, not all targeted projects participate in the transparency exercise. Table 4 discloses the percentage of total government collections from participating projects to total government collections in their respective sectors based on government submissions.

**Table 4.** Percentage representation of participating projects to total extractive sector based on government collections (excluding NCIP and MGB Funds)

Industry	(in PHP)		% of participating companies to total
	Total collections from extractive industry	Total collections of participating projects	
Metallic Mining	11,317,793,310	10,969,541,353	96.9%

Non-Metallic Mining	12,143,501,300	11,077,965,848	91%
Oil and gas	34,719,383,801	34,624,180,561	99.7%
Coal	5,453,361,978	-	0%
<b>Total</b>	<b>63,634,040,390</b>	<b>56,671,687,762</b>	<b>89%</b>

The coverage for large-scale metallic mining sector is at 97%. Among the eleven (11) non-participating metallic mining projects, only three (3) are producing. Represented by the twenty eight (28) producing non-metallic mining projects, the coverage for large-scale non-metallic mining sector is 91%. Since its pilot year of inclusion on the fourth country report, the coverage for large-scale non-metallic mining remains to be based on production value of non-metallic minerals, but the number of targeted projects has expanded since. Production value was considered the more appropriate indicator for non-metallic sector since some non-metallic projects don't sell their respective non-metallic minerals, but processes it further to finished products that they eventually sell. Refer to [Table 20](#) for the production details of targeted non-metallic mining projects. The coverage for the oil and gas sector is 99.7% represented by two (2) projects while for the coal sector, the lone target, Semirara Mining Corporation did not participate.

We have assessed the sufficiency of participation based on revenues reported by government for FY2019. The percentages presented in [Table 4](#) leads to the assessment that participation for the Report is sufficient. In addition, as presented in [Table 5](#), we have obtained the sales of the participating projects and compared it to the total sales in their respective sector to assess the sufficiency of participation based on the presumption that higher sales would lead to higher tax payments.

For additional details on the profile of targeted and participating projects, refer to [Section III, Scope of the report](#).

*Table 5. Percentage representation of participating projects to total extractive sector based on sales*

<b>(in PHP'000s)</b>			
<b>Industry</b>	<b>Total sales of extractive sector</b>	<b>Total sales of participating projects</b>	<b>% of participating companies to total</b>
Metallic Mining	134,269,249,014	134,268,055,981	99.999%
Oil and gas	88,095,739,041	88,022,562,932	99.9%
Coal	32,410,390,298	-	0%
<b>Total</b>	<b>254,775,378,353</b>	<b>222,290,618,913</b>	<b>87%</b>

*\*sales data for metallic mining were obtained from MGB while sales data for oil and gas and coal were obtained from DOE*

#### *B. Targeted and participating projects*

[Table 6](#) details the number of targeted and participating projects who were able to submit their templates as of 30 November 2020 (template submission cut-off).

*Table 6. Number of targeted and participating projects for the seventh report*

<b>Sector</b>	<b>Target</b>	<b>Participating</b>	<b>Non-Participating</b>
Metallic (producing)	34	31	3
Metallic (non-producing)			

Under suspension	4	2	2
Under care and maintenance	11*	6*	5
Expired with application for renewal	2	1	1
<b>Metallic - Subtotal</b>	<b>51</b>	<b>40</b>	<b>11</b>
Non-Metallic	30**	28**	2
Oil and Gas	4	2	2
Coal	1	0	1
<b>Total</b>	<b>86</b>	<b>70</b>	<b>16</b>

\*with voluntary participation of MPSA No. 072-97-XIII (SMR) (operator: Pacific Nickel Philippines, Inc.). The status of the project was reverted to exploration in 2019.

\*\*with voluntary participation of MPSA-29-95-IV and MPSA 104-98-XII (operators: Republic Cement and Building Materials, Inc.- Batangas and Republic Cement Iligan, Inc. respectively)

Targeted projects were based on nominations made by the MGB and DOE for the mining, oil and gas and coal sectors, respectively. All projects for metallic mining, whether producing or not, were targeted for this Report. Targeted non-metallic mining projects represent the top 25 projects based on production value as monitored by the MGB, but there were five (5) projects where the production line cannot be segregated which lead to 28 targeted projects. The 28 projects is 94% or PhP 5.6 billion of the total production value of the industry for FY2019.

The metallic mining sector for the seventh Report is represented by a total of 32 nickel operators, 14 mining projects for gold, copper, silver, or zinc (collectively referred to as non-nickel), six (6) chromite producers, and three (3) other metallic mining project. On the other hand, 15 limestone operators, three (3) mining projects for basalt and six (6) other non-metallic mining projects represent non-metallic mining sector.

As a result of show cause orders issued by MGB, two projects, one for each metallic and non-metallic sector, only submitted their reporting template in May 28 and June 2, 2021, respectively. These projects were MPSA No. 250-2007-III (Amended I) of Shangfil Mining and Trading Corporation from the metallic sector and MPSA No. 239-2007-IV of Montalban Millex Aggregate Corporation from the non-metallic sector. Since their submission was late, they will remain non-participating in this Report, but the amount reported will nonetheless be presented. The details of the disclosures for two projects are shown in [Table 36](#).

For oil and gas sector, producing projects were targeted while the coal sector, Semirara Mining and Power Corporation, the major player and lone target in the sector, remains to be a nonparticipant in the exercise for seven consecutive years despite continued communication and coordination with the company and the DOE, which is the lead government agency overseeing its operations.

In 2014, Semirara Mining and Power Corporation expressed their concern regarding the disclosure of their data on payments to the government which may be used against them in the global market, given the World Trade Organization (WTO) guidelines. Further, publishing their data might affect the company's cost and price competitiveness. The company also noted that the incentives they avail might be construed as government subsidy and may cause countries where they export to impose countervailing measures. A letter signed by the MICC co-chairs, DENR and DOF Secretaries was transmitted in September 2015 to DOE seeking their assistance in requiring Semirara to participate. In January 2016, DOE sent a letter to Semirara encouraging them to participate in the PH-EITI exercise. DAO 2017-07 was issued in 2017 by DENR that mandates mining contractors to participate in the PH-EITI exercise. However, Semirara continuously insists that they are not covered by this administrative order and maintained their position not to participate in the exercise.

Notwithstanding the non-participation of Semirara Mining and Power Corporation, the following information on government share, real property taxes and income taxes were obtained from government's reporting template and the company's own audited financial statements:

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Table 7. Semirara Mining and Power Corporation tax payments for FY2019

Agency	Revenue Stream	Amount	% to total reconciled revenue streams and other taxes of the entire extractive sector	% to total revenues streams and other taxes reported by government agency for the entire extractive sector
BIR	Corporate income tax	137,373,974	0.2%	0.2%
DOE	Government share in production	3,927,055,360	7%	6%
BOC	Customs duties	84,700,454	0.1%	0.1%
BOC	VAT on imported materials and equipment	259,527,517	0.5%	0.4%
BOC	Excise tax on imported goods	8,301,104	0.01%	0.01%
LGU	Local business tax	41,638,508	0.1%	0.1%
LGU	Real property tax - Basic	-	0%	0%
LGU	Real property tax - SEF	-	0%	0%
LGU	Mayor's permit	250,000	0.0004%	0.0004%
LGU	Community tax	218,791	0.0004%	0.0003%
PPA	Wharfage Fees	36,224,739	0.1%	0.1%
<b>Total</b>		<b>4,495,290,447</b>	<b>7.9%</b>	<b>7.1%</b>

The above data are presented only as a matter of information and not subjected to reconciliation procedures due to Semirara's refusal to participate in the exercise. Nonetheless, if we are to directly compare disclosures made by the DOE based on their reporting template and Semirara Mining and Power Corporation's 2019 annual report, there is no noted significant variance to total government share from coal production of PHP3.9bn. The annual report may be accessed through its website at <http://www.semiramining.com>.

A comparison to the total revenue streams and other taxes of the entire extractive sector reported by government agencies was conducted as presented in Table 7. The total of government collections attributed to Semirara Mining and Power Corporation amounting to PHP4.5bn represents 20% and 13% of total reconciled revenue streams for mining and oil and gas, respectively, and only 7.9% (2017 – 5.8%) of the entire extractive sector. Accordingly, we have assessed revenue streams for coal to be immaterial in relation to total extractive sector as a whole and does not affect the comprehensiveness of the Report, however, PH-EITI continues to pursue Semirara as it primarily represents the local coal sector having 99.41% of the total coal production for 2019.



Table 8 presents the percentage representation of participating projects based on reported government collections per sector and the extractive industry taken as a whole.

**Table 8.** Percentage representation of participating projects to total revenue streams reported by the government from the extractive industry

Sector	2019 Reported government collections	Total	% to total government collections
<b>Metallic Mining</b>			
Companies under income tax holiday	767,386,964		1%
Companies under regular income tax	10,202,154,389		16%
<b>Subtotal</b>	<b>10,969,541,353</b>	11,317,793,310	<b>17%</b>
<b>Non-metallic Mining</b>			
Companies under income tax holiday	8,116,645,845		13%
Companies under regular income tax	2,961,320,003		5%
<b>Subtotal</b>	<b>11,077,965,848</b>	12,143,501,300	<b>17%</b>
Oil and gas	34,624,180,561	34,719,383,801	54%
Coal	-	5,453,361,978	0%
<b>Total</b>	<b>56,671,687,762</b>	<b>63,634,040,390</b>	<b>89%</b>

The seventh PH-EITI Report concluded with 89% representation for the mining, oil and gas and coal sectors based on revenue streams and other taxes reported by government agencies. Without coal, combined percentage of participating projects from mining and oil and oil and gas sector would have reached 97%.

Table 8 distinguishes mining companies that availed of fiscal incentives, particularly income tax holiday (ITH). As a result, these companies were not subjected to corporate income tax on their primary business activities (i.e., metal sales). These mining companies and the details of their corresponding incentives are as follows:

**Table 9.** Mining companies that availed of fiscal incentives

Company	Project/s	Incentive-granting body	Date granted	Date of expiry
<b>Metallic Mining</b>				
FCF Minerals Corporation	FTAA No. 04-2009-II	DENR	July 17, 2017	July 16, 2022
OceanaGold Philippines, Inc.	FTAA No. 001	Board of Incentives (BOI)	April 1, 2013	March 21, 2020
<b>Non-metallic Mining</b>				
Eagle Cement Corporation	MPSA No. 181-2002-III	Board of Incentives (BOI)	September 27, 2017	April 30, 2021
Republic Cement and Building Materials, Inc.	MPSA No. 026-1994-III; MPSA No. 138-99-IV; MPSA-29-95-IV	Board of Incentives (BOI)	January 01, 2018	December 31, 2023
Republic Cement Iligan, Inc.	MPSA 104-98-XII	Board of Incentives (BOI)	February 15, 2019	December 15, 2026

For additional details on the profile of targeted, participating, and non-participating projects, refer to discussion under Page 65, Section III, Scope of the report.

### C. Government agencies

In addition to the seven (7) national government agencies, a total of 60 LGUs submitted templates for reconciliation as compared to 57 in the sixth PH EITI report. The details of these government agencies can be found in Page 65, Section III, Scope of the report.

#### D. Revenue streams and other taxes

The following tax payments and fees, as well as mandatory expenditures and funds, were included in this Report. A more detailed discussion on these revenue streams are included in Page 65, Section III, Scope of the report.

##### Taxes and fees

1. Corporate income tax
2. Customs duties
3. Excise tax on minerals
4. Government share from oil and gas production
5. Improperly accumulated earnings tax (IAET)
6. Local business taxes
7. Output Vat
8. Real property tax – Basic
9. Real property tax – Special Education Fund (SEF)
10. Royalty on mineral reservation
11. Value added tax on importations
12. Withholding tax on foreign shareholder dividends
13. Withholding tax on profit remittance to principal
14. Withholding tax on royalties to claim owners

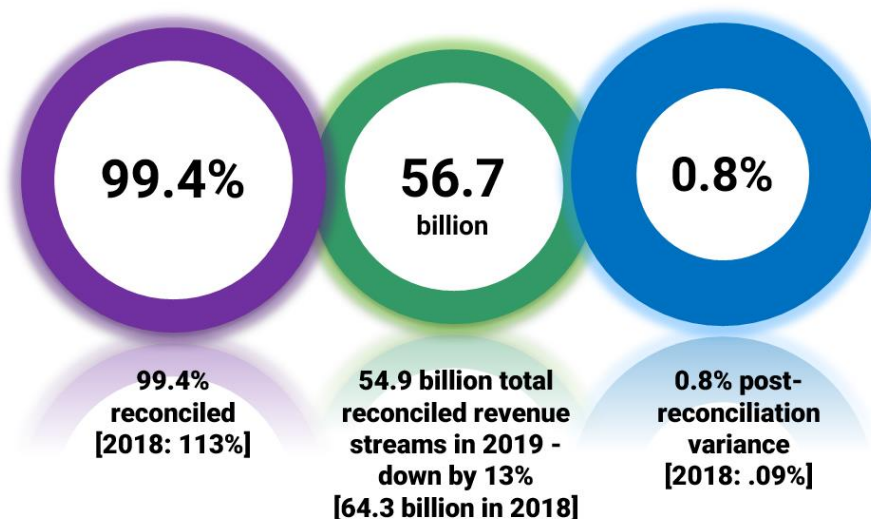
##### Other taxes

1. Royalty to Indigenous Peoples (IPs)

##### Mandatory expenditures and funds

1. Annual Environmental Protection and Enhancement Program (AEPEP)
2. Annual Safety and Health Program (ASHP)
3. Annual Social Development Management Program (ASDMP)
4. Environmental Trust Fund
5. Final Mine Rehabilitation and Decommissioning Fund
6. Compensation for claims for damages from Mine Waste and Tailing Fees
7. Mine Waste and Tailings Fees (MWTF)
8. Monitoring Trust Fund
9. Rehabilitation Cash Fund

E. Final output preview



Based on the results of reconciliation procedures performed, total reconciled revenue streams and other taxes for 2019 (excluding royalty for IPs and mandatory expenditures and funds) amounted to PHP56.7bn or 99.4% reconciled with 0.80% remaining unreconciled variance. Table 10 summarized the results of reconciliation and the details are presented in [Section IV, Reconciliation results](#).

**Table 10.** Summary of reconciliation results

	Project amount	Government agency amount***	Variance pre-reconciliation	Reconciled amount	Variance post-reconciliation	% Variance*	% Reconciled**
<b>Metallic</b>							
BIR	8,023,819,875	7,732,731,863	(291,088,012)	7,812,977,598	(10,408,654)	-0.1%	101%
BOC	641,829,365	699,647,700	57,818,335	657,105,777	43,583,302	6%	94%
LGU	1,142,199,159	894,115,059	(248,084,100)	1,203,880,911	53,447,445	6%	135%
MGB	1,307,621,214	1,405,446,904	97,825,689	1,211,989,733	2,111,979	0.2%	86%
PPA	192,698,107	225,529,492	32,831,385	199,849,379	11,991,966	5%	89%
Subtotal	11,308,167,720	10,957,471,018	(350,696,703)	11,085,803,397	100,726,038	1%	101.17%
NCIP	415,584,235	-	(415,584,235)	339,598,253	(5,779,450)	-1%	82%
Subtotal	11,723,751,955	10,957,471,018	(766,280,937)	11,425,401,650	94,946,588	1%	104%
<b>Non-metallic</b>							
BIR	9,129,515,159	9,123,821,322	21,554,129	9,058,380,273	9,067,965	0.1%	99%
BOC	1,706,845,760	2,209,032,989	502,187,229	1,706,421,558	488,314,393	22%	77.25%
LGU	529,575,806	126,459,454	(403,116,351)	276,851,010	(149,137,665)	-118%	219%
Subtotal	11,365,936,724	11,459,313,765	120,625,007	11,041,652,841	348,244,693	3%	96%
NCIP	4,141,847	-	(4,141,847)	4,141,847	-	0%	100%
Subtotal	11,370,078,571	11,459,313,765	116,483,160	11,045,794,688	348,244,693	3%	96%

Oil and gas

BIR	8,316,526,662	8,336,785,723	20,259,061	8,326,533,115	-	0%	99.9%
BOC	8,295,148	9,921,738	1,626,590	7,884,014	1,937,024	20%	79%
DOE	26,115,437,229	26,262,395,932	146,958,703	26,221,176,016	8,151,833	0.03%	99.8%
LGU	561,542.16	-	(561,542)	559,342	(2,200)	0%	0%
<b>Subtotal</b>	<b>34,440,820,581</b>	<b>34,609,103,393</b>	<b>168,282,812</b>	<b>34,556,152,486</b>	<b>10,086,657</b>	<b>0.03%</b>	<b>99.8%</b>
<b>Total (excluding NCIP)</b>	<b>57,114,925,025</b>	<b>57,025,888,176</b>	<b>(61,788,884)</b>	<b>56,683,608,724</b>	<b>459,057,389</b>	<b>0.80%</b>	<b>99.4%</b>
<b>Total (including NCIP)</b>	<b>57,534,651,107</b>	<b>57,025,888,176</b>	<b>(481,514,965)</b>	<b>57,027,348,824</b>	<b>453,277,939</b>	<b>0.79%</b>	<b>100.0%</b>

\*Percentage of variance post-reconciliation to collections reported by government agency  
 \*\*Percentage of reconciled amount to collections reported by government agency  
 \*\*\*The government agency amounts and variance pre-reconciliation and post-reconciliation includes unilateral disclosures for in-scope revenue streams reported by government agencies for non-participating entities amounting to PHP10.46m for the metallic mining sector, PHP498.47m for the non-metallic mining sector and PHP8.16m for the oil and gas sector. Refer to Section III, Reconciliation results overview, of this chapter for the details of unilateral disclosures

In this Report, NCIP was not able to submit data and as a result, the percentage reconciled and percentage variance for NCIP was based on the total amount reported by the projects. Supporting documents were obtained from participating projects to arrive at the reconciled amount. This procedure was adopted in recognition of the constraints faced by the NCIP in monitoring royalties which are, by law, paid by projects directly to the concerned IPs who are private parties. IP royalties are, therefore, not considered government revenue, but they are mandatory. While the NCIP is responsible for protecting the rights of the IPs of the Philippines, including their right to receive royalties, it is not a collecting agency. Moreover, it has had to deal with complex and serious challenges in and to its organization, including its budget. Thus, there has been considerable difficulty in getting data on IP royalties from the NCIP, even from its regional offices, most of which do not have ready access to the data themselves. The PH-EITI has put forward and followed up recommendations to help address the gaps in transparency in the NCIP, including developing a monitoring tool and conducting capacity-building activities with the agency and its stakeholders. The efforts continue. Refer to [Section VIII, Recommendations](#).

**Table 11.** Percentage of reconciled revenue streams to total sector collections reported by government agencies and to total in-scope collections reported by government agencies (excluding NCIP and MGB funds)

	Metallic mining	Non-metallic mining	Oil and gas	Total
Total reconciled revenue streams	11,085,803,397	11,041,652,841	34,556,152,486	56,683,608,724
Total sector revenue streams reported by government	11,317,793,310	12,143,501,300	34,719,383,801	58,180,678,412
Percentage reconciled to total sector revenue streams	98%	91%	99.5%	97%
Total in-scope revenue streams reported by government	10,957,471,018	11,459,313,765	34,609,103,393	57,025,888,176
Percentage reconciled to total in-scope revenue streams	101%	96%	99.8%	99.4%

Based on the submissions provided by the individual government agencies on collections made from metallic, non-metallic and oil and gas sectors, percentage reconciled for participating metallic, non-metallic, and oil and gas projects for FY 2019 are at **98%, 91% and 99.5%** (2018 - 106%, 100.3% and 118%), respectively. When scoped-out revenue streams are excluded, percentages are at **101%, 96%, 99.8%** for the metallic, non-metallic, and oil and gas sectors, (2018 - 108%, 102% and 119%), respectively.

Note that NCIP is only tasked to monitor royalty for IPs, not to collect on their behalf; thus, consistent in previous reports, royalties for IPs are considered as 'other taxes' and not a revenue stream of the government. Likewise, MGB funds are payments made by the projects to ensure availability of financing for activities ranging from social development, environmental protection, and rehabilitation, and do not form part of the government revenue collections.

It can be noted that the percentage of reconciled revenues to in-scope reported government collections is over a hundred percent (100%) for the metallic sector. This is mainly driven by revenue streams of LGU across all extractive industry sector. Similar to the previous report, the Bureau of Local Government Finance (BLGF), the agency that collects and monitors the data pertaining to the LGUs, experienced bugs and interruptions in their system, the Environment and Natural Resources Data Management Tool (ENRDMT), which was the reason why the agency submitted insufficient data. For instance, there were cases where projects paid local business tax on a quarterly basis, but payment for only one quarter appears in the ENRDMT. The projects are able to provide the supporting documents for the remaining quarters; thus, all quarters were considered as reconciled. As a result, the reported collection by the government is lower when compared to the payment reported by the project driving the percentage reconciled higher and over 100%. The ENRDMT is to be enhanced and included in the BLGF's LGU Integrated Financial Tools (LIFT) System project. Presented in the table below are the percentages without LGU data.

**Table 12.** Percentage of reconciled revenue streams and other taxes to total sector collections reported by government agencies and to total in-scope collections reported by government agencies (excluding LGU, NCIP, MGB funds)

	Metallic mining	Non-metallic mining	Oil and gas	Total
Total reconciled revenue streams	9,881,922,486	10,764,801,831	29,281,454,745	49,928,179,062
Total sector revenue streams reported by government	10,325,225,152	11,800,627,881	34,719,383,801	58,180,678,412
Percentage reconciled to total sector revenue streams	96%	91%	84%	86%
Total in-scope revenue streams reported by government	10,063,355,958	11,332,854,311	34,609,103,393	56,005,313,662
Percentage reconciled to total in-scope revenue streams	98%	95%	85%	89%

Tables 13 and 14 break down the percentages in Table 11 by government agencies.

Table 13. Percentage reconciled revenue streams and other taxes of projects to total sector revenue streams and other taxes reported by government

Agency	Metallic mining	Non-metallic mining	Oil and gas	Total
BIR	98%	96%	99%	97%
BOC	94%	73%	not in scope	77%
DOE	N/A	N/A	99.8%	99.8%
LGU	121%	81%	not in scope	110%
MGB	86%	N/A	N/A	86%
Total	98%	91%	99.5%	97.4%

Table 14. Percentage reconciled revenue streams and other taxes of projects to the total in-scope collections reported by government

Agency	Metallic mining	Non-metallic mining	Oil and gas	Total
BIR	101%	99%	99.9%	100.0%
BOC	94%	77%	79%	81%
DOE	N/A	N/A	99.8%	99.8%
LGU	135%	219%	0%	145%
MGB	86%	N/A	N/A	86%
Total	101%	96%	99.8%	99.4%

Aside from LGU, BIR also posed a percentage reconciled of over 100% for the metallic mining as indicated in Table 14, but are only due to regular causes of variances such as reporting on cash basis instead of accrual basis which the Report requires. Table 15 sets out the details of reconciliation per agency excluding the revenue streams and other taxes of non-participating projects.

Table 15. Summary of reconciliation results per agency

	Project amount	Government agency amount	Variance pre-reconciliation	Reconciled amount	Variance post-reconciliation	% Reconciled	% Variance	% Variance to total government agency amount
BIR	25,465,151,210	25,193,338,907	(244,564,337)	25,197,890,985	3,369,796	100%	0%	0%
BOC	2,356,970,272	2,418,436,652	61,466,380	2,371,411,349	33,668,944	98%	1%	0.1%
DOE	26,115,437,229	26,254,244,099	138,806,870	26,221,176,016	-	99.9%	0%	0%
LGU	1,671,180,239	1,020,113,328	(651,066,911)	1,481,291,263	(94,997,338)	145%	-9%	-0.2%
MGB	1,307,621,214	1,398,423,135	90,801,921	1,211,989,733	(4,911,789)	87%	-0.4%	-0.01%
PPA	192,680,655	224,245,158	31,564,503	199,849,379	10,725,084	89%	5%	0.02%
<b>Total</b>	<b>57,109,040,820</b>	<b>56,508,801,279</b>	<b>(572,991,575)</b>	<b>56,683,608,724</b>	<b>(52,145,302)</b>	<b>100.3%</b>	<b>-0.1%</b>	<b>-0.1%</b>
NCIP	415,584,235	-	(415,584,235)	339,598,253	(5,779,450)	82%	-1%	-0.01%

DOE, LGU, MGB, and PPA registered less than .05% unexplained variances to total government reported amounts followed by BOC at 0.1% and BIR at 2%. For DOE and MGB, only a few of the participating projects needed to be further reconciled with the agencies' collection. BOC, on the other hand, had immaterial unexplained variance due to early data submission; hence, schedules and documents were made available by the participating projects. For BIR, the minimal unexplained variances are primarily attributed to the centralization of reporting to national offices owing that most mining and oil and gas projects are considered large taxpayers, hence did not require significant level of coordination with their regional or branch offices. Despite having a low percentage of variance for LGU, it is important to note that the data from the government agency were incomplete. For NCIP, since no data were provided by the government agency, the percentage reconciled and percentage variance in Table 15 pertains to percentage reconciled and percentage variance against the amount reported by the projects. Due to the insufficient data from LGU and NCIP, supporting documents were obtained from participating projects to support the amount they have disclosed. Refer to Page 213, Section VII, Variances and discrepancies for additional details.

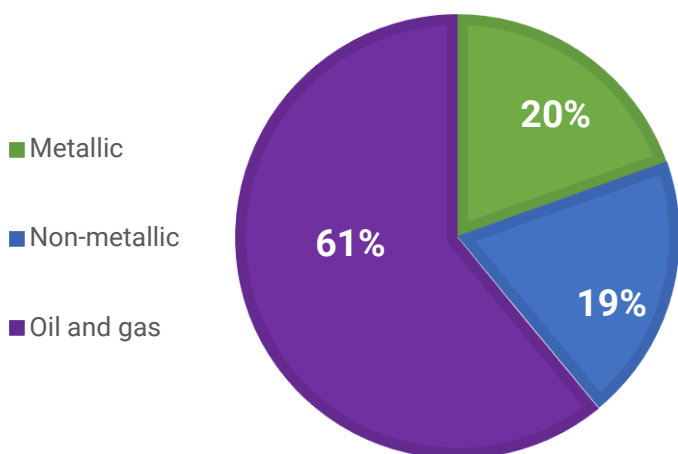
Table 16 summarizes the percentage contribution of each government agency to the total reconciled revenue streams and other taxes.

Table 16. Percentage contribution of each agency to reconciled total collections and receipts

	Metallic Mining	Non-metallic Mining	Oil and gas	Total	% contribution to total reconciled
BIR	7,812,977,598	9,058,380,273	8,326,533,115	25,197,890,985	44%
BOC	657,105,777	1,706,421,558	7,884,014	2,371,411,349	4%
DOE	not applicable	not applicable	26,221,176,016	26,221,176,016	46%
LGU	1,203,880,911	276,851,010	559,342	1,481,291,263	3%
MGB	1,211,989,733	not in scope	not applicable	1,211,989,733	2%
PPA	199,849,379	not in scope	not in scope	199,849,379	0.4%
NCIP	339,598,253	not in scope	not applicable	339,598,253	0.6%
<b>Total</b>	<b>11,425,401,650</b>	<b>11,041,652,841</b>	<b>34,556,152,486</b>	<b>57,023,206,977</b>	<b>100%</b>

The figure below shows the sector distribution of the total reconciled revenue streams for FY2019.

Figure 3. Industry sector distribution of total reconciled revenue streams in FY2019

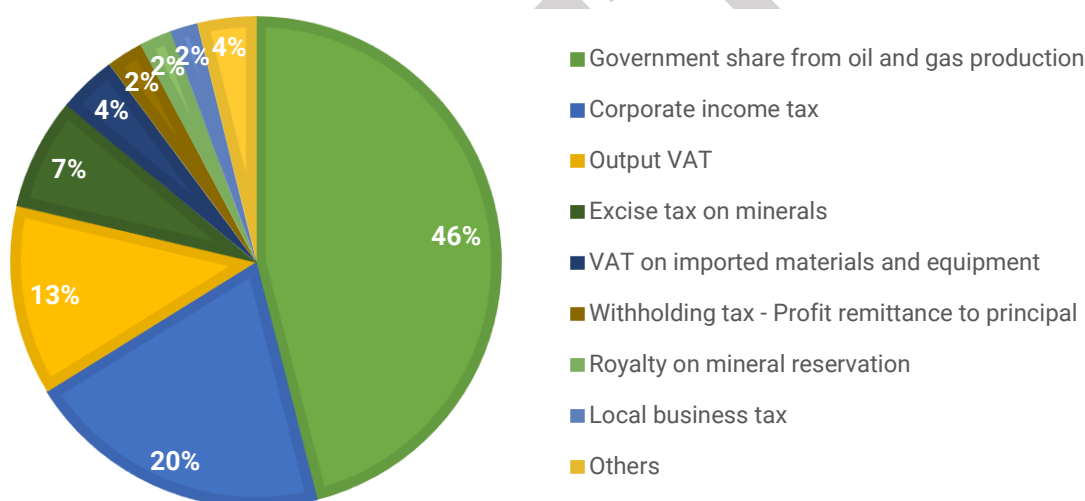


Oil and gas sector remains to be the biggest contributor to the reconciled revenue stream and other taxes with 61% or PHP35bn total reconciled revenue stream and other taxes (2018 - PHP42bn, 66%) followed by the metallic sector with 20% or PHP11.4bn (2018 - PHP11.6bn, 18%) and non-metallic sector with 19% or

PHP11.1bn (2017 - PHP11.6bn, 18%).

Similar to previous reports, payments to the DOE and BIR are the most significant revenue streams, which account for approximately 46% or PhP26bn and 44% or PhP25bn (2017 - 40% or PhP26bn and 51% or PhP33bn), respectively, of total reconciled revenue streams and other payments. This observation was not expected to change this Report in the absence of any amendments to the fiscal regimes of both sectors. Consistently, revenue streams attributed to the said agencies and their corresponding percentage to total reconciled amount in 2019 are composed of government share in oil and gas operations (PhP26bn, 46%), corporate income tax (PhP11.5bn, 20%), output VAT (PhP7 bn, 13%), and excise tax on minerals (PhP4.2bn, 7%) as presented in Figure 4.

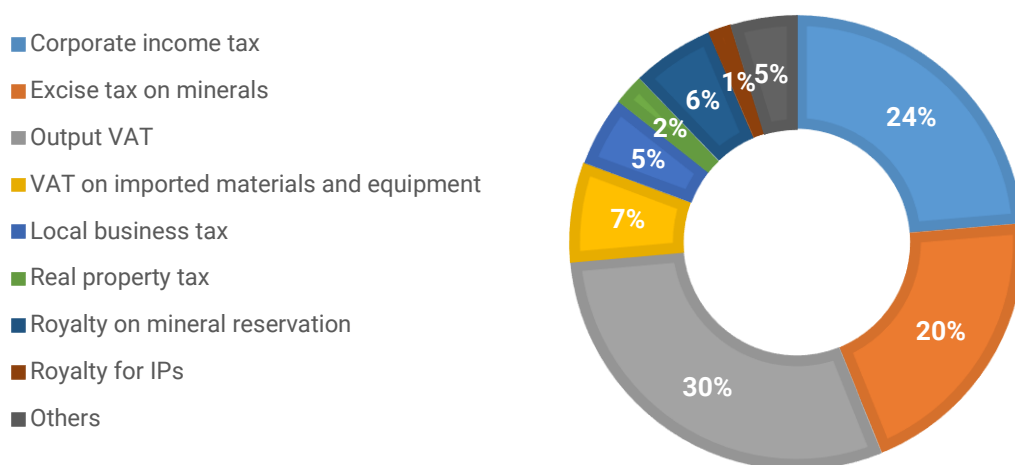
Figure 4. Proportion of reconciled revenue streams for the extractive sector



Focusing on the mining sector, corporate income tax, excise tax on minerals and output VAT remains to be the main contributors amounting to PHP4.9bn or 22%, PHP4.2bn or 19% PHP7.1bn or 32% (PHP5.9bn or 26%, PHP4.2bn or 19% PHP6.1bn or 28%), respectively as presented in Figure 5. Limestone operators were the biggest contributors to the BIR revenue streams with payments amounting to PHP8bn (2018 - PHP8bn) which included payments from Eagle Cement (PHP3.7bn) and Republic Cement Buildings and Materials (PHP2.5bn), and Northern Cement (PHP1.3bn). Another significant portion of the reconciled BIR revenue streams are provided by nickel operators contributing PhP4.3bn or 25% of total BIR collections in 2019 (2018 - PhP4.3bn, 25%). These include BIR payments of Taganito Mining (PhP1.4bn), Platinum Group Metals Corporation (PhP682m), Rio Tuba Nickel Mining Corp. (PhP491m), and Cagdianao Mining Corporation (PhP441m).

Figure 5. Proportion of reconciled revenue streams for the mining sector





Similar to prior years, for the oil and gas sector, government share and corporate income tax were the highest contributors with PHP26.2bn or 76% and PHP6.6bn or 19% (2018 - PHP26bn or 62% and PHP11.8bn or 28%) share in total revenue streams, respectively. Shell Philippines Exploration B.V., JV partner and operator of SC38, contribution amounted to PHP26bn and PHP5.4bn to government share and corporate income tax, respectively.

Figure 6. Proportion of reconciled revenue streams for the oil and gas sector

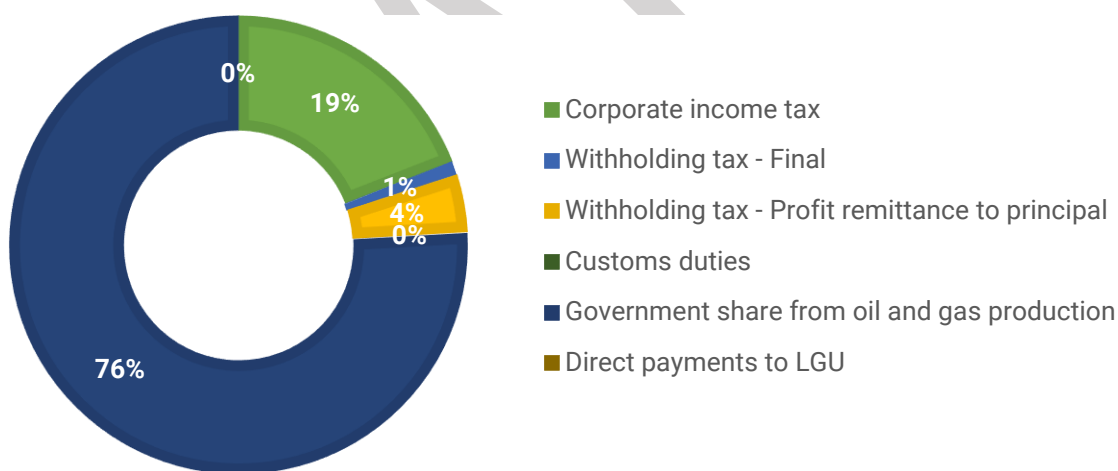
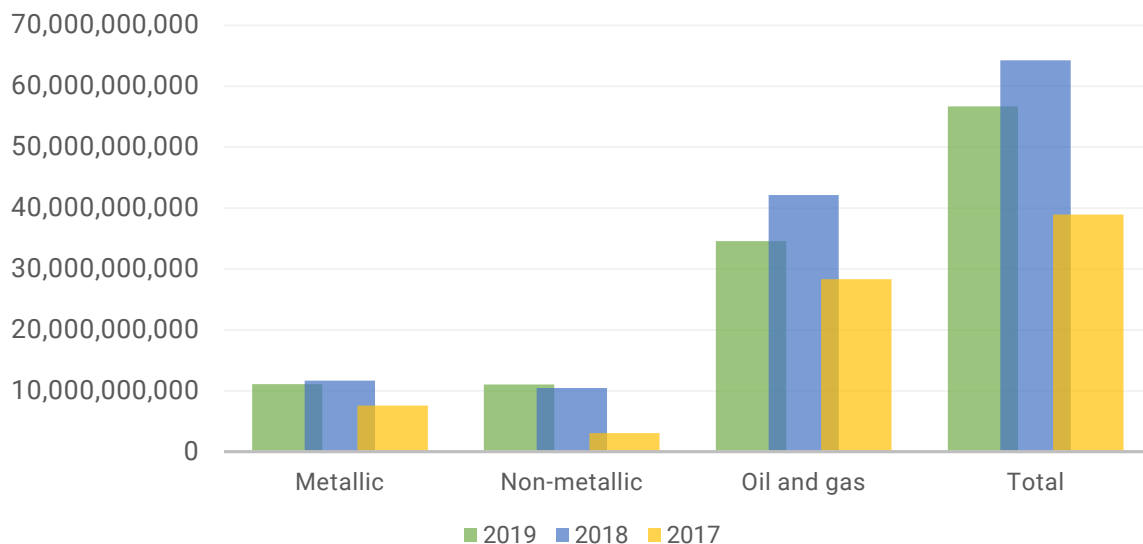


Table 17. Summary of total reconciled revenue streams in 2019, 2018, and 2017

Industry Sector	2019	2018	2017	Change (2019 vs 2018)	% change	Change (2019 vs 2017)	% change
Metallic	11,085,822,953	11,655,959,842	7,592,516,273	(570,136,889)	-5%	3,493,306,680	32%
Non-metallic	9,301,907,020	10,456,300,436	3,043,478,934	(1,154,393,416)	-12%	6,258,428,086	67%
Oil and gas	34,556,152,486	42,145,247,219	28,302,177,979	(7,589,094,733)	-22%	6,253,974,507	18%
<b>Total</b>	<b>54,943,882,459</b>	<b>64,257,507,497</b>	<b>38,938,173,186</b>	<b>(9,313,625,038)</b>	<b>-17%</b>	<b>16,005,709,273</b>	<b>29%</b>

Figure 7. Summary of total reconciled revenue streams in 2019, 2018 and 2017



The reconciled revenue and other taxes for 2019 increased by 29% compared to 2017. A factor that contributed to the increase in the overall revenue stream was the implementation of TRAIN law beginning 2018. The overall reconciled revenue for BIR increased by 27% compared to 2017. The TRAIN law significantly affected excise tax on minerals which increased from 2% to 4% of the actual market value of the gross output thereof at the time of removal. The reconciled excise tax on minerals increased by 56% (PHP2.3bn) compared to 2017 which was the main contributor in the increased reconciled revenue for metallic sector. However, reconciled revenue and other taxes for 2019 decreased by 5% compared to 2018 which is mainly due to the decrease in reconciled custom duties (8%), VAT on imported materials and equipment (17%), withholding tax on royalties to claim owners (14%), withholding tax on foreign shareholders (20%), and other final withholding tax (63%).

Non-metallic sector contributed to 67% increase for 2017 to 2019 primarily due to higher amount of reported revenue streams from both the participating projects and government agencies. Similar to the sixth report, the inclusion of the reconciliation for output VAT in this Report contributed to the increase. The amount of reconciled output VAT is PHP6.2bn which contributed to 38% increase from 2017 to 2019. However, it is important to note that the output VAT for non-metallic sector is mainly attributed to the sale of the project's final product such as cement and not necessarily on the sale of non-metallic mines. In addition, this Report expanded the coverage for the non-metallic sector to 28 projects from 20 projects in 2017. Reconciled revenue for 2019 increased by 5% compared to 2018 driven by increase in reconciled withholding tax on foreign shareholders (68%), withholding tax on royalties to claim owners (34%), output VAT (17%), custom duties (13%), and VAT on imported materials and equipment (13%),

Oil and gas sector, on the other hand, contributed to 18% of the increase from 2017 which was the result of increase in the amount of reported revenue streams due to increase of oil and gas prices. However, the reconciled revenue streams decreased in 2019 due to decrease in BIR collections by PHP7.8bn, specifically corporate income tax by PHP5.2bn and withholding tax on profit remittance to principal by PHP2.1bn.

Aside from the general decrease in reported revenue streams and other taxes by the government agencies as presented in Figure 1, another reason for the decrease of the reconciled revenue stream and other taxes is the impact of the COVID-19 pandemic to the companies that have to adapt to the new normal of working while the reconciliation process is on-going. Most of the companies were employing a flexible working arrangement, work from home or skeletal, which made it difficult for them to retrieve

requested documents and schedules. The revenue streams that were most affected by this belongs to LGU and BOC as they have voluminous transactions.

*F. Mandatory social and environmental expenditures*

Mandatory expenditures are not remitted to agencies and do not form part of government coffers, but are primarily incurred for the benefit of host communities and protection and preservation of impacted areas. These payments were also subjected to similar reconciliation procedures applied to other revenue streams, including inspection of supporting documents and discussions with management for variances noted; however, the data submitted by MGB, the government agency responsible for monitoring these expenditures, was insufficient, but a significant improvement compared to the agency's data submission in the sixth report. Similar to NCIP, since these expenditures are not revenue streams of the government, supporting documents were obtained from participating projects to arrive at the reconciled amount.

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Table 18. Summary of results of reconciliation for social and environmental expenditures

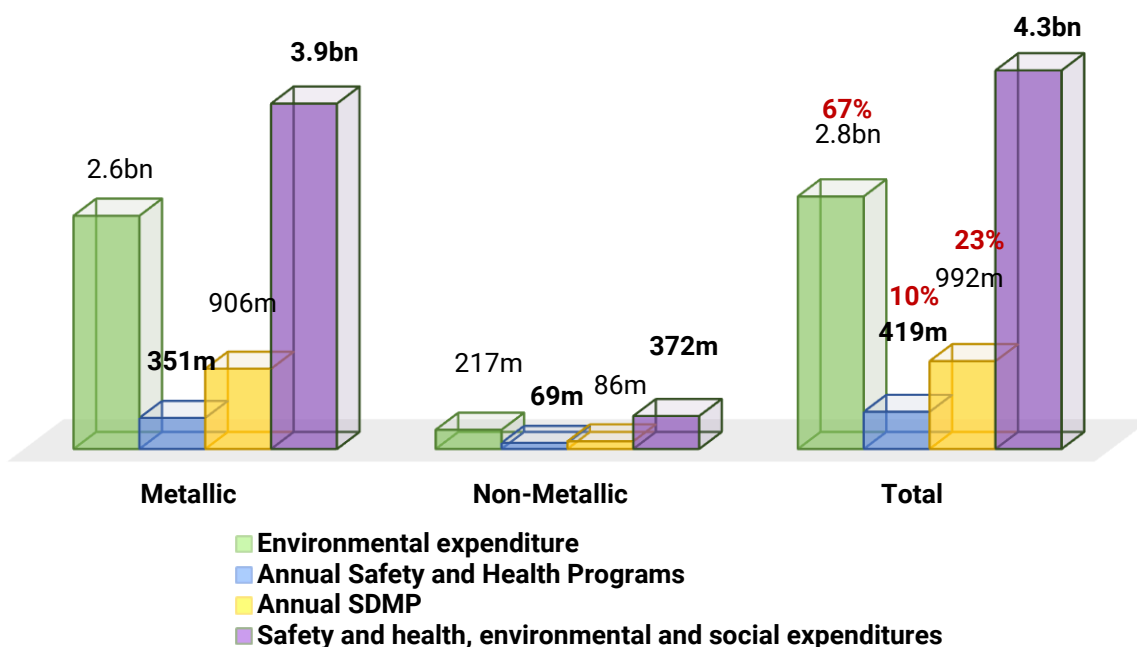
Actual social and environmental expenditures	Project amount	Government agency amount	Variance pre-reconciliation	Reconciled amount	Variance post-reconciliation
<b>Metallic mining</b>					
Annual EPEP - Environmental Protection and Enhancement Program	3,104,997,726	2,357,467,827	(747,529,899)	2,606,692,064	(75,968,535)
Annual Work and Financial Plan (WFP) for FMR/DP - Actual Expenditure	72,589,484	-	(72,589,484)	-	(72,589,484)
Compensation for claims for Damages from MWTF	28,121	-	(28,121)	-	-
Environmental Trust Fund - Actual expenditure	2,157	-	(2,157)	-	(2,157)
Final Mine Rehabilitation and/or Decommissioning Fund - Actual expenditure	-	-	-	-	-
Mine wastes & Tailing fees (MWTF)	7,479,895	14,441,996	6,962,101	10,166,929	(269,174)
Monitoring Trust Fund - Actual expenditure	5,411,934	-	(5,411,934)	4,336,655	(1,725,486)
Rehabilitation Cash Fund - Actual expenditure	1,903,600	-	(1,903,600)	1,624,433	(1,659,925)
<b>Subtotal - Environmental expenditure</b>	<b>3,192,412,915</b>	<b>2,371,909,822</b>	<b>(820,503,093)</b>	<b>2,622,820,081</b>	<b>(152,214,760)</b>
Safety and Health Programs - Actual expenditure	480,859,548	323,392,856	(157,466,692)	350,574,141	(14,545,618)
<b>Annual SDMP - Social Development and Management Programs</b>					
DHNC - Development of Host and Neighboring Communities	701,781,480	664,711,869	(37,069,611)	670,000,221	(72,948,583)
DMTG - Development of Mining Technology and Geosciences	102,084,502	99,809,912	(2,274,590)	113,351,422	(7,003,132)
IEC - Information, Education & Communication	148,852,087	140,452,842	(8,399,245)	122,291,506	(10,038,497)
<b>Subtotal - Annual SDMP</b>	<b>952,718,068</b>	<b>904,974,622</b>	<b>(47,743,446)</b>	<b>905,643,149</b>	<b>(89,990,211)</b>
<b>Subtotal - Metallic mining</b>	<b>4,625,990,532</b>	<b>3,600,277,301</b>	<b>(1,025,713,231)</b>	<b>3,879,037,371</b>	<b>(256,750,589)</b>
<b>Non-metallic mining</b>					
Annual EPEP - Environmental Protection and Enhancement Program	241,319,264	203,377,717	(37,941,547)	215,958,411	4,046,773
Annual Work and Financial Plan (WFP) for FMR/DP - Actual Expenditure	7,477,596	-	(7,477,596)	-	(7,477,596)
Compensation for claims for Damages from MWTF	-	-	-	-	-
Environmental Trust Fund - Actual expenditure	8,136,265	-	(8,136,265)	-	-
Final Mine Rehabilitation and/or Decommissioning Fund - Actual expenditure	-	-	-	-	-
Mine wastes & Tailing fees (MWTF)	29,247	18,299	(10,949)	25,300	493
Monitoring Trust Fund - Actual expenditure	723,069	-	(723,069)	1,103,549	-
Rehabilitation Cash Fund - Actual expenditure	3,435,257	-	(3,435,257)	-	(3,435,257)
<b>Subtotal - Environmental expenditure</b>	<b>261,120,698</b>	<b>203,396,016</b>	<b>(57,724,683)</b>	<b>217,087,260</b>	<b>(6,865,587)</b>
Safety and Health Programs - Actual expenditure	94,387,706	71,962,526	(22,425,181)	68,815,336	(22,482,379)
<b>Annual SDMP - Social Development and Management Programs</b>					
DHNC - Development of Host and Neighboring Communities	65,604,738	77,657,289	12,052,552	64,149,403	4,590,968
DMTG - Development of Mining Technology and Geosciences	10,506,381	14,272,413	3,766,031	9,527,021	1,109,022
IEC - Information, Education & Communication	13,801,157	13,883,739	82,582	12,317,041	(410,080)
<b>Subtotal - Annual SDMP</b>	<b>89,912,276</b>	<b>105,813,441</b>	<b>15,901,166</b>	<b>85,993,465</b>	<b>5,289,910</b>
<b>Subtotal - Non-metallic mining</b>	<b>445,420,680</b>	<b>381,171,982</b>	<b>(64,248,698)</b>	<b>371,896,061</b>	<b>(24,058,056)</b>
<b>Total</b>	<b>5,071,411,212</b>				

Total reconciled safety and health, environmental and social expenditures of participating mining projects for FY2019 amounted to PHP4.3bn (2018 - PHP3.4bn) which is 21% of reconciled mining revenue streams (2018 - 16%). Initial comparison of disclosures made by MGB and participating mining projects presented a negative variance of PHP1.1bn (2018 - PHP1.2bn). After obtaining supporting documents from participating projects, total discrepancy resulted into PhP 280m (2017 - PHP139m) or only 1.4% of reconciled mining revenue amount in 2019 (2018 - 1%). The remaining variance pertains to participating projects that were not able to provide the necessary supporting documents.

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Given the higher reported amount of participating projects, it is evident that there was still a lack of information in the central office. This could possibly be due to either non-reporting of regional offices to the central office since participating projects were able to provide reports received by the respective regional MGB offices or central office's failure to monitor the submissions from the regional offices. Nonetheless, the pre-reconciliation variance has been decreasing since 2017 with negative variance of PHP2.2bn to PHP1.2bn and PHP1.1bn in 2018 and 2019, respectively, which indicates improvement in MGB's monitoring.

Figure 8. FY2019 Safety and health, environmental and social expenditures



**Safety and health.** 10% or PHP419m (2018 - 7% or PHP235m) of the FY2019 mandatory expenditures is incurred for standard operating procedures for mining and milling operations, management and employee training, housekeeping, environmental risk management including emergency response program and occupational health and safety management. 84% (PHP351m) and 16% (PHP69m) of the total reconciled annual safety and health program was spent by the metallic and non-metallic sector, respectively.

**Environmental protection.** Of the total mandatory expenditures incurred by participating mining projects in FY2019, 67% or PHP2.8bn pertain to environmental protection and rehabilitation such as reforestation based on reported EPEP and disbursements from the Monitoring Trust Fund (2018 - PHP2.32bn or 69%). The metallic and non-metallic sector contributed 92% (PHP2.6bn) and 8% (PHP217m) to the total reconciled mandatory expenditure for environmental protection, respectively.

**Social development.** Total expenditures on social development amounted to PHP992m or 23% of the total reconciled mandatory expenditures (2018 - PHP800m or 24%). PHP905m or 91% pertains to metallic sectors' spending while only PHP85m or 9% applies to the non-metallic sector. These represent activities undertaken as part of participating projects' SDMP, which must be equivalent to 1.5% of operating expenses as mandated by existing regulations. Any difference between required and actual expenditures in a given year may be carried forward to the succeeding period as long as it is within the five year program approved by the MGB.