



VICTORIAS MILLING COMPANY, INC.

**SUSTAINABILITY REPORT**

<b>Company Details</b>	
Name of Organization	VICTORIAS MILLING COMPANY, INC. (VMC)
Location of Headquarters	VMC Compound, J.J. Ossorio St., Barangay XVI, Victorias City, Negros Occidental
Location of Operations	VMC Compound, Victorias City Brgy. Purisima, Municipality of Manapla
Report Boundary: Legal entities included in this report*	Victorias Milling Company, Inc.
Business Model, including Primary Activities, Brands, Products, and Services	Integrated Raw and Refined Sugar, Biomass Cogeneration, Bioethanol Production and Rubbing Alcohol
Reporting Period	Fiscal year ended August 31, 2023 (CY 2022-23)
Highest Ranking Person responsible for this report	Wilson T. Young, Chairman

## **Materiality Process**

**Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.**

Victorias Milling Company, Inc. (VMC or “the Company”) is committed to applying the double materiality assessment which is the New Normal in mainstream Sustainability Reporting. Unlike in previous years when the Company applied single materiality approach which accounts for how sustainable factors affect the financial value of the Company, its present application of double materiality assessment takes into account both that and how the firm affects the environment and society in general

The double materiality assessment not only determines the scope of the Company’s sustainability reporting; it also enables an efficient allocation of the resources needed to achieve Sustainability Reporting compliance and provides indispensable insights for shaping the firm strategy. A report that is based on double materiality assessment creates more transparency, contributes to better decision-making and ensures that time and resources are focused on those topics that matter most to both the organization, its stakeholders and society at large.

The Company’s Double Materiality Assessment Process has the following steps:

1. Identify and engage stakeholders.
2. Draw up a list of potentially relevant sustainability matters.
3. Define impacts, risks and opportunities.
4. Assess impacts.
5. Assess financial opportunities and risks.
6. Draw up the materiality overview.
7. Strategic implications.

The outcomes of this seven-step process determine which reporting standards, disclosures and data points should be included in the Company’s sustainability reporting , and which ones can justifiably be left out.

## ECONOMIC

### Economic Performance

#### Direct Economic Value Generated and Distributed

Disclosure	Amount (in Php 000s)
Direct economic value generated (revenue)	15,450,072
Direct economic value distributed	13,171,969
a. Payments to suppliers/contractors	12,467,363
b. Payments to employees	302,880
c. Payments to government	205,627
d. Dividends given to stockholders	191,935
e. Payments to communities	4,164

#### **What is the impact and where does it occur? What is the organization's involvement in the impact?**

The Philippines experienced the second-lowest total sugar production output in over two decades since 2001. This is due to the decline in the volume of sugarcanes milled this crop year. The total sugarcane area remained below 400,000 hectares for the fifth consecutive year.

The costs involved in sugar production remain high primarily due to rising fuel prices, as well as outdated farming and milling practices leading to production inefficiencies.

High retail sugar prices prevailed despite sporadic and aggressive importation programs of the government. The call to fully liberalize importation in favor of industrial users remains a threat to the industry. Moreover, this is seen to affect the livelihood of almost a million marginal sugarcane farmers.

Despite these industry challenges, the Company generated higher sales revenues for raw sugar, refined sugar, power and ethanol.

The Company continued to invest in capital expenditures aimed to further improve operational efficiencies, maximize production capacities and improve environmental compliance. Higher taxes were paid to the government from the different operating segments. The Company intensified its community-based investments through its various environmental protection programs, roving health clinics, renovations and repairs of daycare centers, schools and churches, and its youth development programs, focused on education and sports.

### Which stakeholders are affected?

Shareholders and Directors, Customers, Planters, Government, Community

### Management Approach

VMC has steadily integrated its sustainability goals into its business processes, and maintained its overall cost leadership strategy in managing its resources in order to address the challenges of the sugar industry. The policies and programs of the company that are seen to give support to its stakeholders and businesses are as follows:

1. Marketing strategies that aim to increase market share, offering competitive rates to sugar planters and additional support (farm road repairs, provision of organic fertilizers, etc).
2. Automation of processes through development of web applications for internal and external parties for speed of transactions and better service;
3. Balanced portfolio mix of investments alongside the core business segments: sugar, ethanol and power co-generation products, to maximize profits;
4. HROD programs on employee's training and development, health and economic well-being, and employee engagement activities to attract and retain talent; and
5. Database and information systems for monitoring environmental, economic and social impacts which will in turn provide direction for the development of programs benefiting the youth and local communities.

### What are the Risk/s Identified?

The Company recognizes the following risks:

1. Continuing decline of sugar cane production output of the province due to reduction in productivity and area planted, which is aggravated by climate change
2. Highly competitive environment among mills due to the continued decline in cane supply;
3. Lower fertilizer application due to rising prices resulting to lower yields and sugar recovery;
4. Higher rate of inflation increasing cost of goods and services;
5. Imposition of full sugar import liberalization that could adversely impact the business;
6. Increased volatility in sugar and ethanol prices; and
7. Increased environmental scrutiny and compliance requirements

<b>Which stakeholders are affected?</b>
Shareholders and Directors, Customers, Sugar Planters and Employees.
<b>Management Approach</b>
<p>To address the risks, the Company has adopted a cross-segment interoperability which refers to the standardization of practices and requirements of disparate systems and which helps the Company achieve higher efficiency and a more holistic view of information. This facilitates the implementation of the Company's horizontal strategy through the systematic integration of its core business segments: sugar mill and refinery, distillery and power co-generation. This strategy sought the introduction of better technologies and sharing of facilities and personnel among its different business segments in order to achieve corporate synergy and economies of scale and economies of scope.</p> <p>The Company adopts policies to continually explore sound cost reduction measures to protect margins; maximize the use of data analytics in strategy development and short-term decision making; develop second-tier supply chain that includes local suppliers that can fill in foreign supply delays; increased support to sugar planters to improve productivity and reduce cost through provision of organic fertilizers; continuous upgrade and adequate maintenance of plant equipment and machinery to maximize its efficiencies and capacity utilization; and maximize use of renewables to generate power. The Company continues to develop applications that will automate manual processes to ensure efficient coordination between and among business segments. This will streamline the physical operations of the different segments and in the process identify and fill up the input-output gaps in the manufacturing operations and avoid inefficiencies and wastage.</p>

<b>What are the Opportunity/ies Identified?</b>
<p>In the Company's process of improving manufacturing efficiencies that lessen negative impacts on the environment, opportunities in renewable energy arise, such as solar energy and biogas production. The Company is currently constructing a 65 tons per day carbon dioxide plant, which is an additional revenue stream of the distillery plant and can reduce carbon footprint (GHG emission). The Company is also investing in research and development activities that will help improve cane productivity and in capital expenditures to improve efficiencies, making its operations more sustainable.</p>
<b>Which stakeholders are affected?</b>
Shareholders and Directors, Customers, Suppliers and Employees
<b>Management Approach</b>
<p>The Company will maintain its investments in the sugar, renewable energy and distillery segments to ensure operational efficiencies and capacity utilization. The Company will likewise embark on utilizing funding support from the national government such as Sugar Regulatory Administration and notable Green financial institutions.</p>

## Climate-related Risks and Opportunities

### Governance

Based on its Strategic Plan, the Company has adopted a 10-20% reduction of GHG emission as its institutional target by end 2024. Toward this end, The Board of Directors has continued to support its VMC Sustainability Team which is tasked with managing climate-related risks and opportunities. The Team is composed of managers representing the Plant Operations from the Mill, Distillery and Cogen, HROD Department, Finance, Administrative, Research and Development and Quality Control and Assurance Department. The appointment of a full-time Chief Sustainability Officer (CSO) of the Company offers a new perspective to institutionalize sustainability behavior in the firm.

### Strategy

To meet its environmental sustainability objectives, the Sustainability Team has identified 4 key areas of action in the next 3 years.

1. Energy and material consumption reduction;
2. Waste minimization and improved waste treatment;
3. Renewable energy sources and energy sufficiency; and
4. Carbon sequestration.

The policy on continued reduction in energy and material consumption is being carried out through recycling and reusing used materials and by-products. The Sugar Mills and Distillery are actively involved in the recycling of water instead of discharging it back to the river and recovery and distribution of slops to the farmers for their fertilizer use. The company will also install a rainwater collection system to minimize its water requirement. It has likewise embarked on paperless reporting although its environmental impact is still not significant. While the company is engaged in developing renewable energy through the operation of biogas digesters and biomass power plants, it shall explore the viability of operating solar panels to supplement the power requirements of the mills and distillery. Towards the end of the Crop Year, VMC Distillery has started the commissioning activities of its 1.5 MW Biogas Generator Sets. The Company's carbon sequestration initiatives can be expanded from tree planting activities inside the company land to neighboring denuded or untapped lands. The company will undertake research on technologies to capture carbon dioxide.

The Company seeks to set up sustainability management systems to fully integrate the principles of Circular Economy in all its manufacturing operations to achieve zero waste through recycling and regenerative production activities. It has likewise adopted a policy of integrating all the data related to Sustainability management and reporting to the company's MIS which will target the creation of a database on climate mitigation activities which will serve as basis for adopting a comprehensive Climate Change Action Plan (CCAP) which will:

1. identify the sources of GHG emission in the Company; and
2. set targets of accomplishment for every department to reduce GHG emissions.

The said action plan forms part of the overall strategy to capitalize on renewable energy and apply the principle of 'closed loop' management system.

### Risk Management

Using the Double Materiality Assessment, the Sustainability Team together with the heads of each core business segment will identify priority risks, including but not limited to regulatory, environmental and social risks which emanate from the outside sustainability factors that affect the financial value of the Company. It is tasked with formulation and coordination of risk response strategies from corporate-wide down to departmental levels.

### Metrics and Targets

On a quarterly basis, the Sustainability Team shall monitor, among other things, climate-related data, and track progress towards sustainability goals.

### Recommended Disclosures

The Sustainability Team is tasked to gather data from the different departments and draft the Sustainability Report in compliance with the requirements of the Securities and Exchange Commission (SEC). Time horizons used for enterprise climate risk assessment when evaluating likelihood include:

1. Short term from 0-1yr;
2. Medium term from 1-3yrs; and
3. Long term from 3-5yrs. The Company shall set up multi-disciplinary and company-wide climate risk identification, assessment, and management processes and the Company's metric denominator is: Unit total / total volume.

## Procurement Practices

### Disclosure

Percentage of procurement budget used for significant locations of operations that is spent on local suppliers

94%

### What is the impact and where does it occur? What is the organization's involvement in the impact?

The Company's procurement policy helps promote local business growth in order to sustain the sugar-based agro-industries and its ancillary sectors and services. Aside from providing livelihood and employment opportunities to the community, local procurement policies seek to help reduce the Company's carbon footprint.

### Which stakeholders are affected?

Suppliers. Community. Company.

### Management Approach

The Company's procurement policy allows for a wide list of suppliers, proper and transparent bidding, convenient Purchase Order (PO) procedures and reasonable payment terms and conditions to enable the Company to adapt to supply disruptions and price fluctuations in the market. The Company gives priority to local suppliers by allowing them to match the prices offered by foreign suppliers. As the single most procurement activity that has the most significant impact on its operations, the Company's cane sourcing is efficiently administered by its Cane Sourcing and Farm Expansion Development Group.

### What are the Risk/s Identified? (suggestion to merge with Opportunities)

Supply chain disruption, surging prices of goods, increased taxes and regulation

### Which stakeholders are affected?

Shareholders and Directors. Customers. Suppliers, Employees

### Management Approach

To implement a sustainable procurement policy, the Company shall undertake a more comprehensive supply chain management framework that will guide the Management in determining the optimal ratio between the traditional suppliers and the new suppliers that offer better prices, quality and with sustainability track record. The Company shall work for the final completion of a system of suppliers' accreditation to give priority to suppliers who practice sustainability in their operations.

### What are the Opportunity/ies Identified?

Developing a second-tier local supply chain offers an opportunity to develop procurement flexibility in times of supply disruption and price fluctuations. Tapping local suppliers is an opportunity to stabilize the entire supply chain and reduce the Company's carbon footprint. While the Company has developed an automated system of receiving canes and planter-miller sharing calculation at its cane receiving station, it is also looking into possibilities of adopting an online procurement and payment system to improve transparency and efficiency of operations.

### Which stakeholders are affected?

Suppliers. Company.

### Management Approach

In the short to medium-term, the Company shall maintain a list of foreign suppliers that are exposed to high supply risk and of alternative local suppliers to have a basis for achieving a timely and adequate delivery of material requirements from existing suppliers. The Company is also planning to develop an online procurement system that can meet its requirements.

## **Anti-corruption**

### **Training on Anti-Corruption Policies and Procedures**

<b>Disclosure</b>	
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100%

#### **What is the impact and where does it occur? What is the organization's involvement in the impact?**

The company remains committed to thwarting any instances of corruption within the organization, aiming to prevent both financial losses and damage to the company's reputation. These corrupt practices encompass:

1. Receiving payments, loans, kickbacks, special privileges, or favors directly or indirectly from any source;
2. Engaging in fraudulent or irregular transactions that favor a specific employee, officer, or supplier; and
3. Committing theft, misappropriation of funds, and falsification of documents.

#### **Which stakeholders are affected?**

Shareholders and Directors, Employees

#### **Management Approach**

In order to discourage corrupt practices within the organization, the company has persistently enforced policies such as:

1. Providing comprehensive orientation for new employees and regular reminders for existing staff regarding the Anti-Corruption policy;
2. Clearly outlining offenses in the ECCD along with appropriate and applicable sanctions;
3. Implementing the Related Party Transactions (RPT) policy to ensure that all transactions involving the company and its subsidiaries with related parties are conducted at arm's length and in the best interest of the company;
4. Enforcing the Whistle-blowing policy, which both encourages and safeguards individuals reporting any incidents of corruption;
5. Upholding the No Gifts policy to discourage employees from accepting any form of bribery; and
6. Conducting trainings on occupational fraud to continuously educate the employees on how to detect and prevent fraud in the workplace.

<b>What are the Risk/s Identified?</b>
Despite the Company’s strong anti-corruption policy, there persists the risk of corruption that originates from external stakeholders especially from the whole supply chain. These risks may still affect the long-term profitability and goodwill of the Company.
<b>Which stakeholders are affected?</b>
Shareholders and Directors. Employees. Customers and Suppliers.
<b>Management Approach</b>
The Company encourages active participation of all its stakeholders in reporting corruption incidents by providing an effective anti-corruption platform that is accessible and with multiple reporting channels.

<b>What are the Opportunity/ies Identified?</b>
The Company’s planned anti-corruption policies and training program offer an opportunity to gather feedback from employees and other stakeholders on how to detect, report and remove all forms of corruption in the Company.
<b>Which stakeholders are affected?</b>
Company, Suppliers and Employees
<b>Management Approach</b>
The HR Department shall continue to conduct a regular review of compensation and benefits to ensure a fair wage structure and strengthen its programs of giving recognition to employees with outstanding ethical behavior to further motivate them and other employees.

## ENVIRONMENT

### Resource Management

#### 1. Energy Consumption

Disclosure	Quantity	Units
Energy Consumption (renewable sources)	7,682,335	GJ
Energy Consumption (gasoline)	677	GJ
Energy Consumption (LPG)	915	GJ
Energy Consumption (diesel)	58,305	GJ
Energy Consumption (electricity)	95,916,640	KW

Reduction of Energy Consumption	Quantity	Units
Energy Reduction (renewable sources)	(298,754)	GJ
Energy Reduction (gasoline)	(68)	GJ
Energy Reduction (LPG)	695	GJ
Energy Reduction (diesel)	(4,471)	GJ
Energy Reduction (electricity)	(2,173,188)	kW

#### What is the impact and where does it occur? What is the organization's involvement in the impact

The Company has increased its usage of renewable energy sources this year. This has resulted in a decrease of fossil fuel or non-renewable energy source usage in relation to the volume of its production. The newly acquired biogas generator set installed in the Distillery Plant has started its commissioning process and is expected to increase the utilization of biogas being generated from Distillery wastewater in the next crop year. This will lead to more self-sufficient operations and will significantly reduce electrical consumption from other local electricity providers.

The Company also continues to plant fast-growing plants and trees that sequester carbon in the surrounding air.

#### Which stakeholders are affected?

Shareholders and Directors, Employees. Community.

#### Management Approach

Each core business segment crafted its respective value chain map toward generating renewable energy such as biogas and reducing the GHG emissions inside the Company's compound and its surrounding communities. In the medium term, the Company has allocated an investment level that shall further improve the operational efficiency of its Biomass Cogeneration Plant to reduce non-renewable energy consumption in all of the Company's business segments (sugar mill, distillery, cogeneration facility) and administrative offices. In the short-term, the Company shall continue using energy efficient methods such as using LED lights in its lighting system.

#### What are the Risk/s Identified?

Being in the manufacturing business, the company is exposed to environmental issues and concerns that present risks to the efficiency of its core business segments and the organization as a whole.

#### Which stakeholders are affected?

Employees. Community. Government.

### Management Approach

Each business segment has created a value chain map to reduce the environmental impact of its manufacturing operations. The Distillery has committed to continue and upgrade its Liquid Fertilization Program and improve its community-based water conservation and waste water treatment.

### What are the Opportunity/ies Identified?

The Company sees the opportunity of expanding its renewable energy production through the maximization of its biogas production and biomass plant's capacity and in the process minimize the use of non-renewable energy sources.

### Which stakeholders are affected?

Customers. Directors and Shareholders.

### Management Approach

The approach includes the holistic integration of the value chains of each core segment (sugar mill, distillery and power-cogeneration) to achieve corporate synergy, economies of scale and economies of scope. Through the value chain approach, each business segment identifies and synchronizes its primary and support activities with the other segments to avoid duplicity of functions and resource wastage.

## 2. Water Consumption

Disclosure	Quantity	Unit
Water consumption	3,368,450	Cubic meters
Water recycled and reused	2,057,053	Cubic meters

### What is the impact and where does it occur? What is the organization's involvement in the impact?

Compared to the water consumption of the previous year, the Company recorded reduced usage this year, attributed to enhancements in the recycling process, particularly in the raw sugar and boiler operations. Treated wastewater from the Distillery is being utilized as organic fertilizer. Every business segment is dedicated to reinforcing the company's ongoing water conservation initiative, which advocates for the recycling and reuse of water resources to reduce reliance on groundwater and surface water extraction for factory operations. As an illustration, the Distillery is proactively undertaking measures to broaden its water recycling and reuse efforts, with a focus on its liquid fertilization program.

### Which stakeholders are affected?

Community, Employees and Customers

### Management Approach

Each core business segment is committed to undertake initiatives to reduce water consumption through water recycling and reuse. Specifically, the Distillery Plant is committed to reduce fifty percent of its waste water through direct fertigation and fifty percent will be hauled to planter farms. To prevent overflow of wastewater and/or spent wash. The Distillery Plant has already installed high density polyethylene (HDPE) lined ponds to eliminate seepage to groundwater. Sugar Mill has improved the distribution system for its reuse of treated wastewater in irrigation of nearby sugarcane fields. Charcoal walls were installed around the ponds both in Sugar Mill and Distillery Plants to help absorb odors that may be emitted during the wastewater treatment processes. Additional storm drain canals are to be built in the medium-term to contain more rain water and prevent flooding. Part of the operational commitments of the core business segments is the installation of monitoring devices for the flare stack of the new anaerobic digester, and an effluent pond level sensor and alarm.

### What are the Risk/s Identified?

Being in the manufacturing business, the Company is vulnerable to environmental issues and concerns.

### Which stakeholders are affected?

Employees. Community. Government.

### Management Approach

The Company continues to implement the circular economy across the value chains of the three core business segments whereby a by-product of one segment serves as an input to another segment. This is concretized in the value chain map of the three segments. Specifically the said framework covers the following key operational commitments of the business segments:

1. Complete and upgrade its new facilities for pollution prevention and control;
2. Rehabilitate the lagoons and support infrastructure; and
3. Engage in various community projects such as tree planting and river rehabilitation programs to protect the environment.

### What are the Opportunity/ies Identified?

The Company recognizes the huge opportunity in achieving significant cost savings in water consumption. To realize and institutionalize this cost savings, the Company sees the need to improve its current water harvesting and containment system that can increase groundwater table, decrease pumping cost, increase surface water supplies, and lessen water contamination. The most notable manifestation of this opportunity is evident in the practices of the Distillery Plant, which has dedicated itself to recycling and reusing its wastewater, consequently decreasing the consumption of fresh water.

### Which stakeholders are affected?

Shareholders and Directors, Community.

### Management Approach

The three business segments share the common operational commitment to achieve cost savings in terms of water consumption and improve efficiency in its established system for the recirculation, recycling and reuse of treated wastewater. An example of operational initiatives by the business segments is improving equipment efficiencies such as the Distillation and Fermentation set-up thereby reducing water volume requirements.

### 3. Materials Consumption

Disclosure	Quantity	Units
<b>Renewable</b>		
~ Sugarcane	2,758,513	Tons
~ Molasses	115,391	Tons
<b>Non-renewable</b>		
~ Fuels and Liquid process materials	11,077,263	L
~ Solid process materials	8,351,395	kg

#### What is the impact and where does it occur? What is the organization's involvement in the impact?

For this crop year, the Distillery increased its molasses consumption due to an increase in its operating capacity to 36 million liters annual production.

#### Which stakeholders are affected?

Company, Employees, Community, NGO's

#### Management Approach

The Company has adopted a key initiative of developing a more robust incentive scheme to encourage the sugar planters to supply their canes and molasses to the Company.

#### What are the Risk/s Identified?

The Company recognizes the following priority risks: low supply of materials, especially sugar cane, which can affect the manufacturing plants' operating efficiency; low sugar cane supply causes the price of molasses to increase thereby affecting the operating efficiency of the Distillery, low farm productivity.

#### Which stakeholders are affected?

Company, Customers, Planters.

### Management Approach

In the short to medium term, the Company shall implement the following priority programs:

1. A more robust incentive program for the sugar planters;
2. A supplemental livelihood program to the sugar planters;
3. A periodic review of and upgrading of the manufacturing operations' efficiency which can help maximize output such as molasses' recovery rate and bagasse's conversion to power; and
4. Engage the local government and NGO's to partner with the Company in this livelihood project
5. Free distribution of liquid fertilizer to planters

### What are the Opportunity/ies Identified?

The Company sees the expansion of the manufacturing capacity of its core business segments: Sugar Mill, Distillery and Power Co-generation as a result of stable supply of sugar cane (as a result of a more effective cane sourcing strategy) and its by-products (bagasse and molasses).

### Which stakeholders are affected?

Sugar Planters, Company. Community. Customers.

### Management Approach

The Company has identified the following operational commitments and initiatives:

1. Increase the operating capacity of the each core segment following market demand;
2. Ensure the synergistic integration of the value chains among the manufacturing operations of the Sugar mill, Distillery and Power Co-gen; and
3. Expand environmental conservation programs such as the liquid fertilization program of the Distillery.

**Environmental impact management**

**1. Air Emissions**

GHG

Disclosure	Quantity	Unit
Direct (Scope 1) GHG Emissions (for 7 boilers, Cogen Plant and Distillery Taihu Boiler)	829	Tons CO/year

Air Pollutants

Disclosure	Quantity	Unit
NOx	119	Tons/year
SOx	115	Tons/year

What is the impact and where does it occur? What is the organization’s involvement in the impact?
Air pollutants are evident in the Sugar mill and Power Cogeneration. To address the energy requirements of its manufacturing facilities, the company has embraced an environmentally-friendly energy mix that includes renewable sources alongside some conventional sources like diesel. The company is moving towards adopting a renewable energy blend in the medium to long run.
Which stakeholders are affected?
Employees. Community. Government.
Management Approach
In the past crop years, the Company has continued the installation of new facilities and adopted various measures in pollution prevention across the manufacturing plants. However, it was found out that there is a need for installing air pollution measuring devices to constantly monitor and devise measures to proactively reduce if not eliminate the sources of air pollution. This has formed part of the operational commitments of each core business segment.

What are the Risk/s Identified?
Being in the manufacturing business, the Company is vulnerable to air emissions and pollution which may pose health risks to the employees and surrounding communities.
Which stakeholders are affected?
Company, Community, Employees, Government and NGO’s.

<b>Management Approach</b>
The Company has committed to the decommissioning of old boilers and smoke stacks that contribute to air pollutants. To address the management of air pollutants, the constant training of manpower in charge of handling the boilers and air pollution control devices will be implemented.
<b>What are the Opportunity/ies Identified?</b>
The Company continues to explore opportunities in controlling its air emission and pollution through the upgrading of its inefficient equipment such as boilers and in tapping renewable sources of energy. Beginning 2020, the Company has adopted the key initiative to upgrade equipment and technologies to reduce if not eliminate air emissions and pollution.
<b>Which stakeholders are affected?</b>
Company, Community, Employees, Government, NGO's
<b>Management Approach</b>
After applying a value chain approach in formulating its Operational Plan for 2022-23, each business segment is committed to installing sustainability management systems (that include policies, process standardization and procedures) that are critical in creating sustainable value for the company and its local communities. These systems identify and eliminate risks that waste vital resources and replace them with innovative ones that support operational commitments of each business segment. The increased reduction of air emission and pollution has become a key indicator of how effective the setting up of sustainability management systems in each business segment

## 2. Solid and Hazardous Wastes

### *Solid Waste*

Disclosure	Quantity	Unit
Recyclable	107,595	Tons
Residuals/Landfilled	139	Tons

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>
During the crop year under review, the Company's milling and distillery operations had lower recyclable by-products due to lower TCM and lower residuals due to our policy in the use of reusable food containers. The potential impacts of the company's policy on solid waste disposal are evident on: a) The reduced use of sanitary landfill for residual wastes which harm the environment; and b) The reduced degradation of land and water resources due to contamination of the ground aquifer. The Company is mindful of its role in managing solid wastes which if not properly managed may cause negative environmental impacts.
<b>Which stakeholders are affected?</b>
Employees. Community. Government.

<b>Management Approach</b>
<p>The Company seeks to manage the impacts through the integration of the following approaches in the value chain of the core business segments over a three-year solid waste management strategy:</p> <ol style="list-style-type: none"> <li>1. The application of the Life Cycle Perspective Approach;</li> <li>2. The strict Implementation of integrated waste management;</li> <li>3. Introduction of materials that are reusable and recyclable and;</li> <li>4. The continuous implementation of the closed loop production system.</li> </ol>
<b>What are the Risk/s Identified?</b>
<p>Based on Double Materiality Assessment, the Company recognized that inadequate management of solid waste poses potential health hazards and can diminish employee productivity. Consequently, this leads to a reduction in working hours and profitability. It exposes the company to the risk of government penalties and negative public perception.</p>
<b>Which stakeholders are affected?</b>
Company. Employees. Government

<b>Management Approach</b>
<p>The Company has completed the installation of new facilities and measures for the effective management of its solid and hazardous wastes. The recycling of mud press from sugar mills into organic fertilizer and the liquid fertilization program of the Distillery plant are good examples of how the Company reduces its landfill use and helps the sugar planters adopt organic fertilization that restores the good health of their soils.</p>

<b>What are the Opportunity/ies Identified?</b>
<p>Each core business segment has embedded in its respective value chain various initiatives that explore the following opportunities:</p> <ol style="list-style-type: none"> <li>1. The search for available recyclable material in the market;</li> <li>2. The search for available new technologies of recycling and reuse of solid and hazardous waste; and</li> <li>3. The forging of joint ventures with private companies and NGO's in recycling projects.</li> </ol>
<b>Which stakeholders are affected?</b>
Shareholders and Directors, Community, Government and NGO's
<b>Management Approach</b>

While it is the operational commitment of each core business segment to adopt sustainable material usage, it is imperative that this commitment be institutionalized through a consistent sustainable resource management policy and systems. It shall then execute such policy alongside of the following strategies:

1. Adopt the framework of 'circular economy' where waste is an input to another business segment of the Company;
2. Apply the Product Life Cycle for every product of the company to extend the life and use of its products; and
3. Forge collaborative ventures with universities and research companies in piloting certain recycling technologies.

*Hazardous Waste*

Disclosure	Quantity	Unit
Total weight of hazardous waste currently stored in storage facility (the same)	18	Tons
Total weight of hazardous waste transported	zero	Tons

**What is the impact and where does it occur? What is the organization's involvement in the impact?**

The generation of hazardous and toxic waste in the vicinity has significant implications, impacting the environment, human health, and the overall sustainability of the business.

**Which stakeholders are affected?**

Community, Government, Employees, Company

**Management Approach**

The Company shall undertake the following courses of actions:

1. Compliance with RA 6969 Control of Toxic Substances and Hazardous and Nuclear Wastes;
2. Implementation of a Procedural Manual for Chemical Management; and
3. Employees' training/ proactive measures to prevent environmental contamination

**What are the Risk/s Identified?**

The Company has identified the possibility of disease outbreaks and disruption of livelihood as risks.

<b>Which stakeholders are affected?</b>
Community, Government, Employees, LGU
<b>Management Approach</b>
In the short to medium term, the Company shall undertake the following measures: <ul style="list-style-type: none"> <li>1. Renewal of contract with Hazardous Waste Treater and Hauler accredited and authorized by the government;</li> <li>2. Conduct of regular supplier's audit to ensure compliance with the standards;</li> <li>3. Regular monitoring and improvement of storage/containment areas for Hazardous Waste; and</li> <li>4. Active participation in environmental advocacy programs of the government.</li> </ul>

<b>What are the Opportunity/ies Identified?</b>
The Company has identified the following opportunities: <ul style="list-style-type: none"> <li>1. The utilization of available biodegradable material in the market;</li> <li>2. The utilization of new technologies of disposing hazardous materials; and</li> <li>3. Possible joint ventures with private companies, universities and NGO's in the disposal and replacement of hazardous materials.</li> </ul>
<b>Which stakeholders are affected?</b>
Shareholders and Directors, Community, Government and NGO's
<b>Management Approach</b>
The Company shall manage the opportunities by forging collaborative ventures with universities and research companies in piloting certain technologies in the storage and disposal of hazardous materials and their eventual replacement by biodegradable and environment-friendly materials.

*Effluents*

Disclosure	Quantity	Units
Total volume of water discharges	zero	cubic meters
Percent of wastewater recycled	85	%

**What is the impact and where does it occur? What is the organization's involvement in the impact?**

As in the past, the Company's recycled and reused water has reduced sustained groundwater and surface water pumping to its mill, distillery and cogeneration plants, leaving more for the community to benefit from. Such water recycling practice recharges the area's aquifer and allows for sustained livelihood for the community.

**Which stakeholders are affected?**

Shareholders and Directors, Community, Government and NGO's.

**Management Approach**

The installation of a sustainability management system on the business segment level is the key to the implementation of the closed loop system which is part of the company's commitment to minimize its dependence on water streams for water. Moreover, this management system will institutionalize plans and policies such as developing the natural lagoons and its surroundings into a recreation spot for the residents and visitors. To effectively execute this approach, each business segment has prioritized effluent management as its key operational commitment starting 2022.

**What are the Risk/s Identified?**

Unnecessary water discharges and poorly maintained waste-water lagoons are common causes of health risks and loss of livelihood opportunities in the community.

**Which stakeholders are affected?**

Company, Employees, Community

**Management Approach**

In the short-term, the Company has adopted the following measures: a) Separation of wastewater streams from storm drainage to prevent contamination of bodies of water; and b) Water levels are constantly monitored especially during heavy rains. In the medium-to-long-term, the Company shall design a more robust and cost-effective water-recycling-liquid-fertilization scheme, especially in the Distillery Plant.

**What are the Opportunity/ies Identified?**

While the company has adopted short-term effluent management programs, it shall adopt operations manuals to ensure effective implementation in the long-term. The said Operations Manual shall cover the following measures:

1. Research on water-recycling and aquifer recharging technologies;
2. The area has a vast potential source of recharging its aquifer through rain water harvesting; and
3. There exist many local and international water conservation programs that the Company may avail of to effectively manage its water conservation issues.

Which stakeholders are affected?
Community. Shareholders and Directors, Government and NGOs
Management Approach
In the medium term, the Company through its Sustainability Team will continue implementing the following measures in the Sugar Mills, Distillery and Power Cogeneration plants: <ol style="list-style-type: none"> <li>1. Improvement of piping system for recirculation, recycling and reuse of treated wastewater;</li> <li>2. Joint rainwater harvesting projects initiated by NGOs, LGU's and community; and</li> <li>3. Company-initiated greening and green landscaping activities that will help recharge aquifers in the area.</li> </ol>

### **Environment compliance**

#### **1. Non-compliance with Environmental Laws and Regulations (do we want to disclose, since we have penalties)**

Disclosure	Quantity	Unit
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	23,579	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	zero	Php
No. of cases resolved through dispute resolution mechanism	zero	Php

What is the impact and where does it occur? What is the organization's involvement in the impact?
The Company's regulatory compliance efforts help build trust among the members of the community, customers and its employees and stockholders. In this regard, it is the company's policy to undertake consistent monitoring of the continuing environmental impacts of all its manufacturing and administrative operations.

Which stakeholders are affected?
Community. Government. Customers and Shareholders.
Management Approach
The need to integrate in its Management Information System the design of a Sustainability Report Database is necessary to ensure its compliance with all environmental laws and regulations. With the formation of VMC's Sustainability Management Team, the Company is able to monitor and adopt corrective measures to manage all its environmental impact.

<b>What are the Risk/s Identified?</b>
The untimely acquisition of knowledge of new environmental laws and regulations may hamper the adequate preparation of the Company to adjust to the changing governmental environmental policies and regulations. Since the enforcement of new environmental regulations may require time to adjust, retrofit some equipment and re-train its technical personnel, the Company is vulnerable to being unduly penalized.
<b>Which stakeholders are affected?</b>
Shareholders and Directors, Employees, Community and Government.

<b>Management Approach</b>
The VMC Sustainability Team is tasked to conduct on-going research on new government environmental laws and regulations and to ensure proper and timely information dissemination among the Company's core business segments. The upgrading of the Company's MIS to include information on environmental management will be of great help.
<b>What are the Opportunity/ies Identified?</b>
Through its policy of environmental self-awareness and self-regulation, the Company has identified the following opportunities: <ol style="list-style-type: none"> <li>1. The search for available new technologies that can enhance the Company's environment-friendly manufacturing processes;</li> <li>2. The search for available government and private environmental programs with which the Company can leverage its resources toward adopting environment-friendly technologies; and</li> <li>3. The search for local and international Green Finance institutions that support the Company's sustainability programs.</li> </ol>
<b>Which stakeholders are affected?</b>
Shareholders and Directors. Community. Government.
<b>Management Approach</b>
The Company shall continue to monitor its strengths and weaknesses in implementing new environmental regulations and align its manufacturing operations with the Company's environmental conservation targets. To achieve its short and medium term objectives, the Company has crafted an Operational Plan which calls for the active involvement and collaboration of each business segment in managing its respective value chain and achieving the corporate-wide horizontal strategy and sustainability goals and objectives.

**SOCIAL**

**Employee Management**

**Employee Hiring and Benefits**

*Employee Data*

Disclosure	Quantity	Unit
Total number of employees	649	-
a. Number of female employees	117	-
b. Number of male employees	532	-
Attrition rate	12.48%	%
Ratio of lowest paid employee against minimum wage	1	ratio

*Employee Benefits*

List of Benefits	Y/N	% of male employees who availed for the year	% of female employees who availed for the year
SSS	Y	15.79%	6.84%
PhilHealth	Y	0.19%	1.71%
Pag-ibig	Y	31.2%	11.97%
Parental leaves (male lower   female)	Y	1.32%	5.13%
Vacation leaves	Y	100%	100%
Sick leaves	Y	20.86%	30.77%
Medical benefits (aside from PhilHealth)	Y	100%	100%
Housing assistance (aside from Pag-ibig)	Y	22.18%	33.33%
Retirement fund (aside from SSS)	Y	6.02%	5.98%
Further education support	Y	0%	0%
Company stock options	N	NA	NA
Telecommuting	Y	0%	1.71%
Flexible-working hours	N	NA	NA
(Others) Group Life Insurance	Y	100%	100%

**What is the impact and where does it occur? What is the organization's involvement in the impact?**

While the Company consistently adheres to a corporate policy that prioritizes the economic and social well-being of all its employees, it strives to adopt Sustainability Management System (SMS) throughout its diverse business segments and administrative offices. This SMS is aimed at creating a positive work environment for employees which is overseen by the Human Resources and Organizational Development (HROD) Department. This underscores the company's continued commitment to institutionalize the policy of enhancing the overall welfare of its workforce in both professional and social dimensions within the workplace.

**Management Approach**

The Human Resources and Organizational Development (HROD) Department at VMC has strategically integrated into the Value Chain maps for each business segment a comprehensive range of compensation packages and employee programs. These initiatives are designed to optimize employee performance, enhance employee retention, maximize overall productivity, minimize absenteeism, and foster continuous motivation among the workforce. By integrating these components into Value Chain maps, the HROD Department aligns HR strategies seamlessly with overall business operations. Compensation packages are designed not only to attract top talent but also to ensure employee motivation and commitment to the company's objectives. Tailored employee programs create a positive work environment, contributing to sustained engagement and satisfaction. This strategic approach addresses immediate workforce needs and plays a vital role in the long-term success and sustainability of each business segment. It reflects the department's commitment to fostering a work culture that values employee contributions and actively promotes their professional growth and well-being.

**What are the Risk/s Identified?**

Considering the geographical location of the mill and plant operations in Victoria's City, there exists a challenge due to the restricted availability of a diverse talent pool. This circumstance raises concerns for the company regarding the potential risk of employee poaching.

**Management Approach**

The Company shall implement the key Initiative on carrying out the flexible deployment of its technical and rank and file personnel across all its business segments. This endeavor will enhance the current company's employee retention program by necessitating retraining, improving employee productivity, and introducing additional benefits. It will also support retention programs that provide flexible benefits tailored to an employee's career path and skills. In the medium term (Crop year 2022-23), each primary business segment will introduce shared services and personnel programs to ensure collective economies of scale and corporate synergy.

**What are the Opportunity/ies Identified?**

In light of its strategy to promote corporate synergy, the Company sees the following opportunities:

1. A learning curve on implementing horizontal strategy in a diversified company like VMC;
2. A knowledge capital development on the nature and mechanics of flexible deployment of technical and rank and file personnel across all business segments;
3. A training opportunity for cross-functional and technical skills training and upgrading; and

4. A technical opportunity to engage in digitalization of operations of each business segment and virtual training programs amid the pandemic-induced constraints.

**Management Approach**

The Company shall implement the key initiative on designing cross-functional and cross-technical training and development programs. For medium-term (Crop year 2022-23), the Company shall design and roll out mixed on-line, virtual and face-to-face training modules for the employees.

**Employee Training and Development**

Disclosure	Quantity	Unit
Total training hours provided to employees		
a. Female employees	1,368	hours
b. Male employees	3,147	hours
Average training hours provided to employees		
a. Female employees	5.22	hours/employee
b. Male employees	4.27	hours/employee

**Labor-Management Relations**

Disclosure	
Number of employees covered with CBA	425
Number of consultations conducted with employees concerning employee-related policies	4

**Diversity and Equal Opportunity**

Disclosure	
% of female workers in the workforce	18 %
% of male workers in the workforce	82 %

**Workplace Conditions, Labor Standards, and Human Rights**

**Occupational Health and Safety**

Disclosure	
Safe Man-hours	1,027,813 man-hours
Number of work-related injuries	3
Number of work-related fatalities	2
Number of safety drills	3

**What is the impact and where does it occur? What is the organization’s involvement in the impact?**

Adhering to Occupational Health and Safety standards necessitates implementing measures that actively diminish, eliminate, or replace potential hazards in the workplace. OSH programs go beyond acknowledging the presence of hazards, adopting a comprehensive approach that includes initiatives aimed at mitigating the adverse effects associated with these workplace risks. The company derives significant benefits from prioritizing occupational safety and health measures as employees in good health are assuredly more productive.

**Management Approach**

Strict implementation of Occupational Safety and Health (OSH) programs is ensured by the Safety Officers.

**What are the Risk/s Identified?**

The company acknowledges the potential risk to its reputation in the event of workplace accidents.

**Management Approach**

The Company’s OSH programs are in place and are implemented strictly by the Safety Officers.

**What are the Opportunity/ies Identified?**

The Company can achieve from its OSH programs the following benefits:

1. A safer and healthier work environment for its employees;
2. Increased employee’s morale; and
3. An opportunity to attract smart, talented and high caliber persons to be part of the Company.

**Management Approach**

The HROD shall initiate programs that build a culture that values the importance of safety, quality and health of the workers.

Disclosure	
Number of legal actions or employee grievances involving forced or child labor	zero

Do you have policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If yes, cite reference in the Company policy
Forced labor	Y	Code of Conduct's provision that company's policies adhere to Philippine laws and regulations
Child Labor	Y	
Human Rights	Y	

### **Supply Chain Management**

Topic	Y/N	If yes, cite reference in the Company policy
Environmental performance	Y	Sustainability Team's preferred policy to environment-friendly suppliers.
Forced labor	Y	Sustainability Team's preferred policy to those with no forced labor practices.
Child Labor	Y	Sustainability Team's preferred policy to those with no child labor workers.
Human Rights	Y	Sustainability Team's preferred policy to those with good human rights records.
Bribery and corruption	Y	Sustainability Team's preferred policy to those with no bribery practices.

### **Relationship with Community**

#### **Significant Impacts on Local Communities**

MC *	Operations	Location	Description	Mitigating / enhancement measures
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<p>Water Conservation Program and Access to Clean Water</p>	<p>Malihao and Sicaba River</p>	<p>VMC conducts regular clean-up drives of the Malihao and Sicaba Rivers where over 50 employee volunteers collect biodegradable, non-biodegradable and residual waste. Over 2,000 kilos of waste were collected this year.</p>	<p>Mitigates water pollution and siltation and enhances livelihood in the community</p>
<p>Environmental Programs</p>	<p>Manapla Distillery area and Sugar Mill WWTP</p>	<p>Involves the planting of over 275,000 seedlings in more than 250 hectares of land in the surrounding areas of Manapla Distillery and Sugar Mill, used in operations as feedstock for additional fuel.</p> <p>Under the company's Greening Program, VMC employees plant trees every year in strategic locations around the mill. 300 Acacia mangium and Indian tree seedlings were planted this year in Brgy Purisima in Manapla.</p>	<p>Helps in sequestering carbon dioxide to combat climate change, and cooling the community's surroundings, aids in providing cleaner water and serves as a natural filter to reduce foul odor in the area.</p>
<p>Logistics Operations</p>	<p>Manapla Distillery and Sugar Mill</p>	<p>Involves community planning projects like road and bridge construction, canal widening, and street lighting to address the basic needs of the surrounding communities.</p>	<p>Facilitates sugarcane planting and hauling of sugar cane to the sugar mill.</p> <p>The road construction projects are VMC's way of taking care of the planters (around 400 of them) and making sure that their sugarcane will get to the mills faster. This ensures that the cane's quality will be preserved. Aside from that, this also helps planters save costs on truck maintenance because the roads are in good condition. The residents of the communities along these roads get to enjoy the benefits of having cemented</p>

			<p>roads—safety, ease of travel, and improved livelihood.</p> <p>The streetlight project was developed to ensure safety and security among the residents.</p>
Waste Management	Manapla Distillery and Sugar Mill	<p>Under VMC’s Fertilization Program, organic slops, a by-product from the plant, is given to farmers as an alternative to chemical fertilizers. VMC employees from the Cane Supply department collaborate with the planters themselves as they select the farmer-beneficiaries.</p> <p>Furthermore, the production of the fertilizers (the distillery’s treated wastewater) is aligned with the company’s zero waste and sustainability policy. From 2019 up to the present time, the project has benefited a total of 66 haciendas or a total fertilized area of over 1,242 hectares, with about PHP35,000 in cost savings per hectare.</p> <p>Moreover, during sugar production, ash generated from the boilers as well as the mud press, generated from the raw house, which can be used as solid conditioner and fertilizer respectively, are given away for free to nearby farmers. This crop year, a total of approximately 97,482 tons was distributed to the farmers; covering about 679 hectares of farm land.</p>	<p>Mitigates water pollution and enhances waste recycling and farmers’ livelihood, as it improves the yield of sugar cane, and also assists them amidst the rising fertilizer prices.</p> <p>Involves the recycling of slops into organic fertilizer. Reuse of solid waste as soil conditioner in sugarcane fields.</p> <p>Production of these fertilizers supports VMC’s zero waste and sustainability policy.</p>

\* excluding CSR projects

<b>What are the Risk/s Identified?</b>
Negative feedback or criticism from community stakeholders in the unlikely event of a mismanaged air or water issue arising from daily mill or plant operations.
<b>Management Approach</b>
Establish relationships with barangays and implement a feedback mechanism process wherein:  ~ negative inputs are properly evaluated to determine the proper response ~ response to the community is swift and actionable, and ~ an open communication line with the community is maintained through quarterly meetings and updates with the barangay council.
<b>What are the Opportunity/ies Identified?</b>
Enables a collaborative culture among key community players, the government, residents and the Company in order to work towards the improvement of the community's quality of life.
<b>Management Approach</b>
Design programs that respond to the needs and aspirations of the community and enrich the livability of their community.

**Customer Management**

**Customer Satisfaction**

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer Satisfaction	The Company conducts an internal customer satisfaction survey.	No.

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>
Over the years, the company has established trust and loyalty among its customer base.
<b>Management Approach</b>
The Company will continue to enhance its Customer Claim & Complaint Management Procedure which aims to provide solutions and improvements in a timely manner and to prevent the recurrence of complaints.

**What are the Risk/s Identified?**

The Company recognizes the risk of losing customers due to product and service quality issues.

**Management Approach**

The Company continues holding regular meetings to address quality issues as well as to ensure that measures are in place to prevent the incidence of such.

**What are the Opportunity/ies Identified?**

Enhance and innovate upon existing products to strategically explore untapped market segments.

**Management Approach**

Engage in R&D in spearheading the creation of inventive products and processes for the company. This involves motivating R&D to play a proactive role in conceiving and implementing creative concepts, thereby promoting innovation throughout the organization.