

2014



ANNUAL CORPORATE GOVERNANCE REPORT
AS OF 01 SEPTEMBER 2014

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Note: All changes & updates 2014 are in italics and underlined for easy reference.

A. BOARD MATTERS

1. Board of Directors

Number of Directors per Articles of Incorporation	Eleven (11)
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Actual number of Directors for the year	Eleven (11)
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a. Composition of the Board

Complete the table with information on the Board of Directors:

Director	Type [Executive (ED), Non Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)	Elected when (Annual /Special Meeting)	No. of years served as director (<u>as Sept. 1, 2014</u>)
Manuel V. Pangilinan	NED	First Pacific Company Limited	Manuel V. Pangilinan	11/28 2008	<u>6/25/2014</u>	Annual meeting	<u>5 yrs. 9 months</u>
Juan B. Santos	NED	SSS	Juan B. Santos	9/28 2010	<u>6/25/2014</u>	Annual meeting	<u>3 yrs. 11 months</u>
Eulalio B. Austin, Jr.	ED	Two Rivers Holding Corp.	Manuel V. Pangilinan	6/29 2011	<u>6/25/2014</u>	Annual meeting	<u>3 yrs. 2 months</u>
Eliza Bettina R. Antonino	NED	SSS	Juan B. Santos	4/27 2011	<u>6/25/2014</u>	Annual meeting	<u>3 yrs. 4 months</u>
Marilyn V. Aquino	NED	Two Rivers Holding Corp.	Manuel V. Pangilinan	12/7 2009	<u>6/25/2014</u>	Annual meeting	<u>4 yrs. 9 months</u>
Oscar J. Hilado	ID	N/A	Manuel V. Pangilinan Relationship None	12/7 2009	<u>6/25/2014</u> (ID: has served as ID 10 yrs. 9 months)	Annual meeting	<u>4 yrs. 9 months</u>
Bienvenido E. Laguesma	NED	SSS	Juan B. Santos	2/27 2013	<u>6/25/2014</u>	Annual Meeting	<u>1 Year 6 months</u>
Robert C. Nicholas	NED	First Pacific Company Limited	Manuel V. Pangilinan	11/28 2008	<u>6/25/2014</u>	Annual meeting	<u>5 yrs. 9 months</u>
Wilfredo A. Paras	ID	N/A	Juan B. Santos Relationship None	6/29 2011	<u>6/25/2014</u> (ID: has served as ID for <u>3 yrs. 2 months</u>)	Annual meeting	<u>3 yrs. 2 months</u>
Edward A. Tortorici	NED	First Pacific Company Limited	Manuel V. Pangilinan	12/7 2009	<u>6/25/2014</u>	Annual meeting	<u>4 yrs. 9 months</u>
Barbara Anne C. Migallos	ED	First Pacific Company Limited	Manuel V. Pangilinan	6/26 2013	<u>6/25/2014</u>	Annual meeting	<u>1 year 2 months</u>

b. Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The corporate governance policies adopted by the Governance Manual (the "CG Manual") on 27 February 2014 and further revised on 31 July 2014.

Please see summary of changes in company policies and practices 2014:

< Organizational changes:

- Ø Formation of Corporate Governance Committee at Board level the majority of which are independent directors
- Ø Appointment of the Corporate Governance Officer (CGO) Danny Y. Yu, who has rank of Senior Vice President (SVP)
- Ø Formalization of creation of Corporate Governance Office at management level, and appointment of a Deputy CGO to assist the CGO.

< Formalized and/or approved adopted the following CG policies and practices:

(i) Code of Business Conduct and Ethics Policy (Approved last 26 February 2014) is the basic code of behavior and ethics that will apply to all directors and employees in line with principles of integrity, teamwork, work excellence, respect for individuals, corporate responsibility, social and environmental responsibility,

(ii) Whistle Blowing & Protection from Retaliation Policy (Approved last 26 February 2014) which lays down the formal system and venue for blowing the whistle complaints and disclosures, including protection against retaliation.

(iii) Conflict of Interest Policy (Approved last 26 February 2014) ensures that all work related decisions, actions or inactions of directors, officers, employees and consultants are above board and based on sound business principles and judgment.

(iv) Policy on Gifts, Entertainment and Sponsored Travels (Approved last 26 February 2014) which provides the general guidelines for directors, employees and consultants on the handling of gifts, entertainment and/or sponsored travels offered by external parties.

(v) Contractor/Vendor Relations Policy (Approved last 26 February 2014) governs business dealings with suppliers in the procurement of products and/or services in the accordance with professional standards, core values and ethics.

(vi) Related Party Transaction (RPT) Policy (Approved last 25 June 2014) provides a system of review and approval of significant or material related party transactions.

(vii) () # which formalizes the disclosure and reporting period requirements of the directors and key officers.

(viii) Company has adopted a policy of paying dividends, if any, within thirty (30) days to all shareholders of record from date of declaration of such dividend.

Copies of the policies are available at the Company website.

< Company has likewise fine-tuned related documents and practices, in line with best practices, for the benefit of shareholders and stakeholders, as follows:

- Ø Notice of 2014 Annual Stockholders Meeting (ASM) is released early (or at least 28 days) before actual meeting with detailed agenda toward encouraging more informed participation in the open forum;

- Ø Minutes of 2014 ASM contained open forum, voting results per agenda, and attendance;
- Ø Year 2013 audited results were released within 60 days from end of financial year
- Ø Year 2013 annual report contains CG section that summarizes all the initiatives of the Company related to CG;
- Ø Company website is updated and contains CG section which includes copies of policies, and contact details of responsible officers for concerns of clients, suppliers or investors.

(1) Governance structure

- (i) Board composition, qualifications and disqualifications of directors (Sec. 2.1.1; 2.2.2)
- (ii) General responsibilities of the Board and the directors (Sec. 2.1.3)
- (iii) Specific duties and functions of ~~the~~ Board (Sec. 2.1.4)
- (iv) Specific duties and responsibilities of directors (Sec. 2.1.5)
- (v) Schedule of board meetings and attendance obligation (Sec. 2.1.6)
- (vi) Requirement of presence of independent ~~directors~~ Director (Sec. 2.1.6[c])
- (vii) Holding of an executive session without ~~Executive Director~~ Executive Director at least once a year (Sec. 2.1.6 [e])
- (viii) Compensation of directors; directorships in other Boards (Sec. 2.1.7; 2.1.8)
- (ix) Board committees composition, duties and responsibilities (Sec. 2.2)
- (x) Responsibilities and compensation of the ~~Chairman and~~ CEO and ~~COO~~ Management (Sec. 2.3; 2.4)
- (xi) Duties and responsibilities of Corporate Secretary, Internal Auditor; Compliance Officer (Sec. 2.5; 2.6; 2.8)
- (xii) Selection, functions and restrictions of the External Auditor (Sec. 2.7)
- (xiii) Adequate and timely information (Sec. 3)
- (xiv) S t o c k h o l d e r s ' r i g h t a n d p r o t e c t i o n (S e c . 4)

(2) Stockholders rights and protection

- (i) Timely, full and fair disclosure of material information ~~The~~ right of shareholders to information and the duty of the Board and the Company to disclose are regularly discussed at Board or Senior Management level, and disclosures of significant matters such as financial results are reviewed to ensure that material information is complete and fairly presented.

In reference to calendar year 2013, the Company released its annual financial results within sixty (60) days from end of year. As matter of policy, the quarterly results will be released thirty (30) days from end of quarter.

- (ii) The right to vote (Sec. 4.1. CG Manual). The rule is one share, one ~~vote~~ vote ~~in~~ in voting, which enhances the ability of minority shareholders in voting for the election of directors, is allowed. All shareholders have the right to vote ~~to vote~~ each year.¹

- (aa) E l e c t i o n o f d i r e c t o r s (S e c . 2 4 , C o r p o r a t i o n A m e n d e d B y l a w s) ;
- (bb) A p p r o v a l o f t h e M i n u t e s o f s h a r e h o l d e r s ' m e e t i n g s ;
- (cc) A p p r o v a l o f t h e a n n u a l r e p o r t a n d t h e a u d i t e d f i n a n c i a l s t a t e m e n t s (S e c . 7 5 , C o d e) ;
- (dd) S e l e c t i o n o f e l e c t i o n i n s p e c t o r s f o r t h e e n s u i n g y e a r ; a n d
- (ee) S e l e c t i o n o f t h e e x t e r n a l a u d i t o r

Shareholders also have the right to vote on the matters enumerated ~~below~~ below. 66 2/3 of total outstanding capital stock is required for the following:

¹ All of these items are in the Agenda and in the Information Statement for ~~each~~ each annual mee

¹ ~~the~~ # -Laws may be viewed on its website

(<http://www.philexmining.com.ph/userfiles/Amended%20BY.pdf>)

² When these items are ~~taken~~ taken up at a meeting, they are included in the Agenda and an explanation is contained in the Information

- (ff) Amendment to Articles of Incorporation (Sec. 16, Code)
- (gg) Increase of capital stock (Sec. 38, Code)
- (hh) Sale or disposition, including the constitution of a mortgage or a pledge, of all or substantially all of the Company's assets (Sec. 39, Code)
- (ii) Investment of corporation funds for a purpose (Sec. 42, Code)
- (jj) Waiver of preemptive rights for specific transactions (Sec. 39, Code); and
- (kk) Mergers and consolidations (Sec. 77, Code).

An amendment to the Bylaws will also require a vote of a majority of the total outstanding capital stock (Sec. 48, Code)

- (iii) Preemptive right Shareholders have the preemptive right to all issuances of shares of stock. The Board, exercising its best judgment may, in an offering of shares for cash, except shareholders not resident of the Philippines from having preemptive rights where in the best judgment of the Board the cost of meeting the requirements to allow the Company to offer such shares in the foreign jurisdictions where such shareholders reside exceeds the benefit to the Company (Sec. 4.1[b], CG Manual, Articles of Incorporation, Sec. 39, Code).
- (iv) Transparency and fairness in the conduct of annual and special shareholders meetings (Sec. 4.2[b], CG Manual).

Copies of the Information Statement and Management Report are distributed to all shareholders for each shareholders meeting at least 30 days in advance (in accordance with best practice). For the annual meeting, shareholders are also provided copies of the audited financial statements. The latest quarterly report is also provided. The Company undertakes to furnish a copy of the detailed Annual Report (on SEC Form 17) to all shareholders who may request a copy.

The Information Statement, Management Report and financial reports, with proxy forms that indicate each item to be voted upon and the dates for election (with spaces to indicate Yes, No or Abstain on each item, are distributed at least 28 days before the meeting. The notice is also prominently published in three newspapers of general circulation at least three times for each newspaper a total of nine publications prior to the meeting.

For special meetings held after the audited financial statements have been distributed to shareholders, copies of the latest quarterly report under SEC Form 17 is distributed.

The Information Statement contains information on the following: voting rights and procedures; shareholders who hold 5% or more of the shares; directors and officers with their shareholdings and the compensation of the four highest ranking officers; the list of candidates for election, including the independent directors with their certifications of qualification as independent directors attached; a discussion of significant Board actions taken during the preceding year; and a discussion of matters to be voted upon. The Management Report contains the management discussion and analysis and other pertinent information.

Meetings are held in a comfortable venue that is easily accessible to most shareholders with

Statement.

<http://www.philexmining.com.ph/userfiles/Amended%20Articles%20of%20Incorporation.pdf>

access for the able. Companions of elderly or disabled shareholders are welcome. Administrative and unnecessary expenses are minimized; for instance, notarization of proxies is not required.

Shareholders have the opportunity to raise questions during meetings and are answered as exhaustively as possible considering the time constraints. When the answer to a question requires more detailed information than time permits, the shareholder is provided with the name of the officer or manager they can contact for a more exhaustive discussion.

The minutes of the latest Annual General Meeting including the portion of the Q&A during the open forum, _____ #

- (v) Right to dividend (Sec. 4.1[e], CG Manual) The Company's policy is to distribute at least 25% of core net income as dividends within thirty (30) days to all shareholders of record from date of declaration

In 2014 Company declared cash dividends on February 26, 2014 as of record date of March 12, 2014 and paid the same on March 26, 2014, or within 30 days from date of declaration.

- (vi) The right to inspect corporate books and (Sec. 4.1[c], CG Manual; Sec. 74, Code). Shareholders are provided information that they may request subject to relevant rules for the protection of corporate and shareholders'

- (vii) The appraisal right (Sec. 4.1[f], CG Manual). Shareholders have the appraisal right in the instances enumerated below. The Information Statement distributed to shareholders prior to a meeting contains a detailed explanation regarding the procedure for the exercise of appraisal right. Shareholders have appraisal right in the following instances:

- (aa) Sale or disposition, lease, exchange, mortgage or pledge of all or substantially all of the assets of the company (Sec. 81, et seq., Code);
- (bb) Investment of corporate funds in a business other than the primary purpose of the corporation (Sec. 42, Code)
- (cc) Mergers and consolidations (Sec. 76, et seq., Code);
- (dd) In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any shareholder or class of shares or of authorizing preferences in any respect superior to those of outstanding shares of any class or of extending or shortening the term of corporate existence (Sec. 81, Code)

- (viii) Fair treatment, without discrimination, of all shareholders; propose meetings and agenda. (Sec. 4.2, CG Manual). It is the policy of the Board, where feasible or practicable, to give minority shareholders the right to propose the holding of a meeting and the item for discussion in the agenda that relate directly to the business of the Company, as provided in the CG Manual.

- (ix) Clear procedure for addressing the concerns of shareholders. (Sec. 4.2, CG Manual) There is a clear procedure for addressing the concerns of shareholders.

⁴The right to receive dividends is subject to the provisions of the Corporation Code.

A copy of the Company's CG Manual is available on

(3) Disclosure duties

- (i) The Board commits to cause the timely disclosure of material information and/or transaction that could potentially affect the market price of the Company's shares and information which are required to be disclosed pursuant to the Securities Regulation Code and its implementing rules and the rules of the SEC Philippine Stock Exchange, including without limitation, earnings, acquisition or disposal of significant assets, off-balance sheet transactions if any, related party transactions, Board membership changes, shareholdings of directors and officers (Sec. 5.1, CG Manual)
- (ii) The Board shall cause the filing with SEC and the Philippine Stock Exchange all written disclosures or reports on material information and/or transactions (Sec. 5.2, CG Manual)
- (iii) The Company, its directors, officers, executives and employees shall not communicate material non-public information about and involving the Company, including any act, transaction, development or event, unless the Company is ready to simultaneously disclose the material non-public information to the SEC, Philippine Stock Exchange and other regulatory bodies having jurisdiction (Sec. 5.2, CG Manual)

(4) Rights of other stakeholders

SEC Memo Circular No. 6 defines "corporate governance" as the processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to shareholders. Recognizing that respect for the rights of other stakeholders redound to protection of shareholder interest and the preservation of value, the Company has adopted measures to enhance the relationship with its stakeholders. Please see the discussion on the Role of Stakeholders and Corporate Social Responsibility Initiative (Section L) of this Report

c. How often does the Board review and approve the mission?

The Company's mission is reviewed during the annual budget presentations to and approved by the Board under the responsibility and leadership of the President and CEO

d. Directorship in Other Companies

(i) Directorship in ⁷the Company's Group

Identify, as and if applicable, the members of the Company's Board of Directors of director in other companies within its Group:

⁵ <http://www.philexmining.com.ph/userfiles/Corporate%20Governance%20Manual.pdf>

⁶ <http://www.philexmining.com.ph/corporate-governance/our-values-and-principles/vision-and-mission/>

⁷ The Group is composed of the Company as parent, its subsidiaries, associates and joint ventures.

Director's	Corporate Name of	Type of Director (Executive, Non-Executive, Independent) Indicate if also the
Manuel V. Pang	Philex Gold Philippines Philex Incorporated Philex Gold Holdings Silangan Mindanao Silangan Mindanao Lascogon Mining Corporation	Chairman of Companies NED
Juan B. Santos	Philex Gold Philippines	NED
Eulalio B. Aus	Philex Gold Philippines Philex Petroleum Corporation Silangan Mindanao Brixton Mining and	ED NED ED NED
Robert C. Nic	Philex Gold Philippines Philex Petroleum Corporation Silangan Mindanao Forum Energy Plc Pitkin Petroleum P	NED NED NED ED ED
Marilyn A. Aqu	Philex Gold Philippines Philex Petroleum Corporation Silangan Mindanao Pitkin Petroleum P	NED NED NED NED
Barbara Ann C	Philex Petroleum Corporation	ED
Edward A. Tor	Philex Gold Philippines Silangan Mindanao Forum Energy Plc	NED NED NED
Eliza Betna R	Philex Gold Philippines	NED
Bienvenido A.	Philex Gold Philippines	NED

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the public listed companies outside of its Group:

Director's	Name of Listed	Type of Dir
Manuel V. Pan	First Pacific Comp Philippine Long D (PLDT) Manila Electric C Metro Pacific Inve k _____ = _____ @ V _____)	CEO/Executive No-executive D V _____) No-executive D V _____)
Juan B. Santo	PLDT Alaska Milk Corpo First Philisi p Corpor	No-executive D No-executive D Independent
Eulalio B. Au	None	N/A
Eliza Betna R	Union Bank of the	No-executive D
Marilyn V. Ag	First Pacific Comp	Assistant Di
Oscar J. Hila	Phinma Corporaton Trans Asia Oil & Development Corpo First Philippine A. Soriano Corpor	No-executive D No-executive D Independent No-executive D
Bienveldá gloe Em	None	N/A
" _____) #	U _____ t _____ #	V _____)
Robert C. Nic	First Pacific Comp Metro Pacific Inve QPL International (Hong Kong) Pacific Basmiint eSch i(p Kong)	Executive Dir Executive Dir Independent Independent
Wilfredo A. P	GT Capital Holdin	Independent
Edward A. Tor	First Pacific Comp Metro Pacific Inve PT Indofood Sukse	Executive Dir Executive Dir No-executive D

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors which links them to significant shareholders in the company and/or in its group:

Director's	Name of the Significant Shareholder	Description of the relationship
Manuel V. Pangilinan	First Pacific Group	Managing Director & CEO
Juan B. Santos	Social Security System (SSS)	Chairman
Eliza Bettina R. Antonino	SSS	SSS Commissioner
Marilyn A. Aquino	First Pacific Group	Assistant Director
Bienvenido A. Laguesma	SSS	SSS Commissioner
Robert C. Nicholson	First Pacific Group	Executive Director
Edward A. Tortorici	First Pacific Group	Executive Director

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit on board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

The Company observes a limit of five board seats in other listed Companies in line with the Manual (Sec. 2.1.8) that provides for the adoption of guidelines on the number of directorships that members of the Board may hold and that the capacity of the directors to diligently and intelligently perform their duties and responsibilities to the Company should not be compromised.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	See discussion above	See discussion above
Non-Executive Director	See discussion above	See discussion above
CEO	See discussion above	See discussion above

e. Shareholding in the Company

Complete the following table on the members of the Company who own or indirectly own shares in the company. *In certain cases, the shares may be held in a broker account in the name of the Director. This is classified as*

Name of Director	Number of Direct shares as of December 31, 2013	Changes	Number of Direct shares as of September 1, 2014	Number of Indirect shares Through (name of record owner)	% of Capital Stock
Manuel V. Pangilinan	4,655,000	0	4,655,000	Direct	0.09%
Juan B. Santos	1	3,000,000	3,000,000	Direct	0.06%
Eliza Bettina R. Antonino	1	0	1	Direct	0.00%
Marilyn V. Aquino	500,100	0	500,100	Direct	0.01%
Oscar J. Hilado	173	0	173	Direct	0.00%
Bienvenido E. Laguesma	1	0	1	Direct	0.00%
Robert C. Nicholson	1,250	0	1,250	Direct	0.00%
Edward A. Tortorici	3,285,100	0	3,285,100	Direct	0.07%
Wilfredo A. Paras	1	0	1	Direct	0.00%
Eulalio B. Austin, Jr.	1,360,937	0	1,360,937	Direct	0.03%

Name of Director	Number of Direct shares as of December 31, 2013	<u>Changes</u>	<u>Number of Direct shares as of September, 1 2014</u>	Number of Indirect shares Through (name of record owner)	% of Capital Stock
Barbara Anne C. Migallos	203,875	0	203,875	Direct	0.00%
TOTAL	10,006,439	0	13,006,439		0.2%

Note: The Company has adopted a Revised Policy on Dealings in Company Shares of Stock to formalize the required period of disclosure by Company to three (3) business days from date of actual transaction by a director.

2. Chairman and CEO

a. Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes

No

Identify the Chair and CEO:

Chairman of the Board	Manuel V. Pangilinan
CEO/President	Eulalio B. Austin, Jr.

b. Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	Ensure that the Board functions effectively; and in ensuring compliance with and performing corporate governance policies and practices (Sec. 2.3, CG Manual) <u>To assist the Board and the Chairman, a Corporate Governance Committee at Board level was formed in year 2014.</u>	Provide general care, management, and administration of the business of the Company (Sec. 2.4, CG Manual) <u>The Corporate Governance Officer and Compliance Officer reports to the President.</u>
Accountabilities	Provide leadership to Board; ensure that Board works effectively and key issues are discussed in a timely manner, taking into account proposals and recommendations of the CEO and management (Sec. 2.3, CG Manual) Ensure that the lines of communication and information between Management and the Board are maintained (Sec. 2.3, CG Manual) As a director, the specific duties and responsibilities or accountabilities of the Chairman, like that of other directors, are to ensure that his personal interests do not conflict with the interest of the Company; that he devotes the time and attention necessary to properly discharge his fiduciary duties and responsibilities; that he judiciously on matters brought before the Board, thoroughly evaluating the issues involved before making any decision that he exercises independent judgment; observe and safeguard	Ensure that operations and financial affairs are managed in a sound and prudent manner and that operational, financial and internal controls are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations, and safeguarding of assets and compliance with laws, rules and regulations (Sec. 2.4.1[a], Code) Provide leadership to management in developing and implementing business strategies and budgets to the extent approved by the Board (Sec. 2.4.1[(b)], Code). As a director, his accountabilities are the same as those of the Chairman and other directors (please see the accountabilities as a director of the Company)

	Chairman	Chief Executive Officer
	the confidentiality of information acquired by reason of being a director and the Chairman has a working knowledge of the statutory and regulatory requirements that affect the Company and its operations (Sec. 2.1.5, CG Manual)	
Deliverables	<p>Ensure that an annual schedule of Board meetings is adopted at the start of the year and that meetings are held in accordance with such a schedule and the Bylaws (sec. 2.3, CG Manual)</p> <p>Supervise the preparation of the agenda in coordination with the Corporate Secretary, into consideration the proposals of the CEO, Management and Directors</p> <p>Ensure that lines of communication and flow of information between Management and the Board are maintained</p> <p>Encourage directors with different views to voice their concerns, allowing sufficient time for discussion and ensure that board decisions reflect board consensus.</p> <p>Promote culture of openness and debate; facilitate the effective contribution of executive directors (including independent directors) and ensure constructive relations between executive and non-executive directors</p> <p>Ensure that appropriate steps are taken to ensure effective communication with shareholders so that views of shareholders are communicated to the board as a whole</p> <p>Oversee the preparations for and the conduct of shareholders' meetings so that all shareholders are respected</p>	<p>Realize the objectives set by the Board; implement the Company's policies and processes</p> <p>Ensure that the Board is informed as necessary to enable it to monitor the performance of management</p> <p>Develop long and short-term business plans, budgets and strategies for consideration of the board and, to the extent approved by the board, implement the same.</p> <p>Identify and manage operational and other risks and where those risks could have a material impact on the Company, formulate strategies for managing these risks for consideration by the board</p> <p>With the CFO, manage the Company's current financial and other reporting mechanisms and monitoring systems to ensure that all relevant material information are reported on a timely basis and acted accordingly.</p> <p>With the CFO, establish and maintain proper internal controls and systems</p> <p>Discharge such duties and authority as may be delegated in writing to him by the Board</p>

3. Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

Planning for succession for key corporate positions is done by the Board in an executive session, taking into account the needs of the Company and other relevant factors.

4. Other Executive, Non-Executive and Independent Directors

a. Does the company have a policy of the diversity of experience and background of directors in the board? Please explain.

Yes. The Nominations Committee considers the background and experience of the nominees to the Board of Directors and diversity in the Board is among the considerations. Nominees must have practical understanding of the business of the Company or have substantial business experience. (Qualifications for Directors, Annex B, CG Manual)

The diversity statement reads:

The BoardThe Company recognizes that human capital remains as its most valuable asset and as such, is committed to fostering, cultivating, and preserving a culture of diversity and inclusion. The collective sum of the diversity of terms of background, race, ethnicity, religion, gender, life experiences, knowledge, inventiveness, innovation, unique capabilities, and talents represents a significant part of Philex Minings Culture, reputation, and

b. Does it ensure that at least one executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes. The policy is that at least one and preferably more than one executive director has experience in mining and natural resources.

Specifically, Mr. Oscar J. Hilado, Independent Director, has extensive experience in the mining and natural resources industry. Atty. Marilyn V. Aquino, who is an executive director brings a wealth of experience from legal practice where she has extensive experience in the mining and natural resources industry. She represented a number of natural resource companies and financial institutions and other participants in the mining sector of the Philippines. Also, Atty. Aquino is presently a member of the Finance Committee of the Chamber of Mines of the Philippines.

c. Define and clarify the roles, accountabilities and deliverables of the Executive and Independent Directors

	Executive	Non-Executive	Independent Director
Role	The Company has one Executive Director, the President and CEO. Please refer to 2(b) (third column) for the role of the CEO.	Plan and make policy Oversee performance of CEO and of Management See provisions on duties, responsibilities and functions of Directors in the CG Manual.	Independent Director should always be present to promote transparency. See role of Directors and provisions on independent directors in the CG Manual (Annex A, CG Manual Independent Directors)
Accountabilities		All directors, both executive and non-executive, must observe duties of obedience, diligence and loyalty to the Company and must: (1) Act within the scope of power and authority of the Company as prescribed by its Articles, Bylaws and applicable rules and regulations. (2) Exercise best care, skill and judgment and observe utmost good faith in the conduct and management of the business of the Company. (3) Act in the best interest of the Company and for the common benefit of its stockholders and other stakeholders (Sec. 2.1.3, CG Manual)	Independent directors must exercise their independent best judgment for the interests of the Corporation and its shareholders and other stakeholders (Annex A of CG Manual) Independent directors' accountabilities are generally the same as those of other directors. They must serve as members of the <u>Audit and Risk Committee</u> the Chairman of which must be one an independent director, and must be members of the Compensation and Nominations Committees (Sec. 2.2, CG Manual)

	Executive	Non-Executive	Independent Director
			<i>An Independent Director should always be present promote transparency and provide an objective and independent view.</i>
Deliverables	<p>Realization of the objective of the Company as set by Board</p> <p><i>(See also the deliverables for all directors, as discussed under the Executive)</i></p>	<p>Comply with the duties and functions of the Board, as set forth in the Corporation Code Manual (Sec. 2.1.4), among others</p> <p>Oversee the establishment and maintenance of effective and adequate financial reporting internal control systems.</p> <p>Adopt and oversee implementation of a system to monitor, identify and manage key risk areas and review report on major risk exposures and actions taken to monitor, minimize, control or manage such risk.</p> <p>Adopt plans for compensation and for the professional development of officers and succession planning for senior management.</p> <p>Ensure that the Company has an internal audit system that can reasonably assure that the Company's internal operational controls are complied with.</p> <p>Monitor performance of executive director and management</p> <p>Protect the interests of the corporation and its stakeholders (Sec. 2.1.4, CG Manual)</p>	<p>Always exercise independent judgment in all matters relating to the Company and its business</p> <p><i>(See also the deliverables for all directors, as discussed under the Non-Executive)</i></p>

d. Provide the company's definition of "independence" definition.

The Company adopts the common and ordinary meaning of and defines an independent director as a person independent of management and who, apart from his shareholdings, free from any business or other relationship with the Company which could, or could reasonably be perceived to, materially interfere in the exercise of independent judgment in carrying out his duties and responsibilities to the Company (Independent Director, Annex A, CG Manual). The CG Manual sets forth the disqualifications of independent director (Independent Director, Annex A, CG Manual). The Company strictly complies with the definition of independent director in the Securities Regulation Code (SRC) and implementing rules, and ensures that independent directors have the qualifications and disqualifications set forth in the applicable SEC compliance, the nominations procedure is as follows:

(1) The Corporate Secretary informs the Nominations Committee of the names of the nominees and provides the members with the curriculum vitae of each of the nominees. The Committee is also provided with copies of the pertinent provisions of the CG Manual and the governing independent directors, and copies of SRC Sec. 38 and SRC Rule 38.

(2) The Corporate Secretary makes an initial evaluation of the qualifications and disqualifications of each of the nominees and reports the results of the evaluation to the Committee.

(3) The Committee meets to deliberate on the nominees and propose candidates. Where there is a question on whether the choices are consistent with the rules, the matter is brought to the Board for deliberation.

- e. Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does the company limit the term for no more than four additional years? Please explain.

Yes Independent directors may serve as such only for a total of five (5) years in SEC Memo Circular No. 9, Series of 2011. If an independent director has served for the maximum allowable period, he cannot be re-elected until a period of two (2) years has lapsed. If an independent director is re-elected after the lapse of the 2-year period, the independent director is limited to a total of four (4) years. Thereafter, he can no longer be elected as independent director. No independent director has served for more than five consecutive years.

5. Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

a. Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period (2014):

Name	Position	Date of Cessation	Reason
<i>None</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

b. Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors and the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Please note that under Philippine law, directors are elected, not appointed. Election takes place at annual meeting of stockholders. Where there is a vacancy in the remaining directors, and if they still constitute a quorum, they may elect another director to fill up the vacancy (Sec. 29, Corporation Code of the Philippines).

In the selection/appointment, election, disqualification, removal, reinstatement and suspension of directors, the Board ensures that its structure comprises ethical and honest experts who are knowledgeable, experienced, and skillful in diverse fields relevant to the conduct of business, and that members are selected without discrimination of gender, race, religion, age, professional skill, or other qualifications. As needed, the Board may use professional search firms to fill in Board vacancies.

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	<p>All directors are elected each year a term of one year.</p> <p>(1) The election process starts with nomination of candidates. Any shareholder may nominate a candidate, regardless of the number of shares of the Company the nominating shareholder may have. Directors, who by law must be shareholders, may also nominate.</p> <p>(2) The Nominations Committee considers the qualifications of nominees based on curriculum vitae and other available information.</p> <p>(3) The Committee prepares a list of qualified candidates.</p> <p>(4) The names and the biographic details (including other directorships held in listed public companies and other major appointments) of the nominees are contained in the notice of the meeting to assist shareholders to make an informed decision on the election.</p>	<p>The Nominations Committee sets criteria for the selection of qualified candidates, which criteria will primarily consider the ability and capacity of the nominee to comply with the duties and responsibilities of directors, as set forth in the Company's (See CGS. 2.1.3 and 2.1.5, CG Manual)</p> <p>The most important factors or criteria considered are expertise and experience in the principal business of the Company and in other businesses, probity and good reputation.</p> <p>Qualifications for Directorship, Annex B, CG Manual</p> <p>Directors are required to attend a seminar on Corporate Governance (Item 6, Qualifications for Directorship, Annex B, CG Manual)</p>
(ii) Non-Executive Directors	For the selection and election of executive directors, the same procedure as for executive directors observed (See above)	For the selection of qualified candidates for non-executive directors, the same criteria as those for executive directors are followed. Experience and expertise in the Company's line of business are given greater weight in the selection of nominees for executive directors.
(iii) Independent Directors	<p>For the selection and election of independent directors the same procedure as for executive and non-executive directors observed (See above)</p> <p>Further the Nominations Committee determines whether the nominee is independent under the definition of independence and applicable rules of the SEC.</p>	For the selection of independent directors, the same criteria as those for executive directors are followed. Independence is an essential consideration. (Independent Director, Annex A, CG Manual)
b. Reappointment		
(i) Executive Directors	The same procedure as for the initial selection and election is followed for re-election (please see [a] above).	The same criteria as for the initial selection and election are considered.
(ii) Non-Executive Directors	The same procedure as for the initial selection and election is followed for re-election (please see [a] above)	The same criteria as for the initial selection and election are considered
(iii) Independent Directors	The same procedure as for the initial	The same criteria as for initial selection and election are considered

Procedure	Process Adopted	Criteria
	selection and election is followed re-election (please see [a] above).	
c. Permanent Disqualification		
(i) Executive Directors	<p>During the initial selection process (described in [a] above), the Nominations Committee will determine whether any ground for permanent disqualification exists. If it is determined that ground/s exist, the nominee will not be included in the list of candidates for election at the shareholders' meeting.</p> <p>With respect to a sitting director, when there is reasonable ground to believe that a ground for disqualification exists (as provided in the CG Manual and the relevant SBC rules), this is brought to the attention of the Nominations Committee, which submits its recommendation to the Board.</p> <p>Note that under the Corporation Code, the removal of a sitting director requires the vote of 2/3 of the entire outstanding capital stock at a shareholders meeting duly called and convened. Where the Board, after consideration, determines there is ground for disqualification, the Board acting alone does not have the authority to remove the director as to do so would violate the Corporation Code.</p>	The criteria for permanent disqualification are as set forth in the Revised Corporate Governance Code (SEC Memo Circular No. 6, Series 2009) and the Company Manual. (Grounds for Disqualification from Directorship, Annex C).
(ii) Non-Executive Directors	The same process as for permanent disqualification of executive directors is followed for non-executive directors.	The criteria for permanent disqualification are as set forth in the Revised Corporate Governance Code and the Company Manual. (Grounds for Disqualification from Directorship, Annex C).
(iii) Independent Directors	The same process as for permanent disqualification of executive directors is followed for independent directors.	The criteria for permanent disqualification are as set forth in the Revised Corporate Governance Code and the Company Manual. (Grounds for Disqualification from Directorship, Annex C).
d. Temporary Disqualification		
(i) Executive Directors	<p>The procedure for determining permanent disqualification is followed.</p> <p>In the event it is determined that</p>	The criteria for temporary disqualification are as set forth in the Revised Corporate Governance Code and the Company Manual. (Grounds for Disqualification from Directorship, Annex C).

Procedure	Process Adopted	Criteria
	<p>ground for temporary disqualification exists, the nominee is not included in the list of candidates for election at the annual meeting.</p> <p>In the case of a temporary disqualification of a sitting director, the process and discussion in (c)(i) above will apply.</p>	
(ii) Non-Executive Directors	The same procedure as for executive directors is followed.	The criteria for temporary disqualification are as set forth in the Revised Corporate Governance Code and the Company's (Grounds for Disqualification from Directorship, Annex C).
(iii) Independent Directors	The same procedure as for executive directors is followed.	The criteria for temporary disqualification are as set forth in the Revised Corporate Governance Code and the Company's (Grounds for Disqualification from Directorship, Annex C).
e. Removal		
(i) Executive Directors	<p>The Corporation Code mandates that under Sec. 27 the procedure and requirements for the removal of directors. Removal without compliance with such legal requirements would be illegal and would expose the Company to liability.</p> <p>Directors who hold executive positions in the Company serve in such executive position at the pleasure of the Board. They may be removed from such executive position on the basis of loss of trust and confidence by the Board, or for commission of wrongful acts or for the omission to take action when required.</p>	Please see note to the left.
(ii) Non-Executive Directors	See first paragraph under e(i) above	
(iii) Independent Directors	See first paragraph under e(i) above	
f. Reinstatement		
(i) Executive Directors	There is no set procedure for reinstatement of any director. Once removed, reinstatement can only be by election as provided in the Corporation Code.	
(ii) Non-Executive Directors		

Procedure	Process Adopted	Criteria
	There is no set procedure for reinstatement of any director. Once removed, reinstatement can only be by election as provided in the Corporation Code.	
(iii) Independent Directors	As stated above, there is no set procedure for the reinstatement of any director. Once removed, reinstatement can only be by election as provided in the Corporation Code.	
g. Suspension		
(i) Executive Directors	See answer regarding reinstatement	
(ii) Non-Executive Directors	See answer regarding reinstatement	
(iii) Independent Directors	See answer regarding reinstatement	

Voting Results in the 2014 Annual General Meeting (AGM):

Name of Director	Approving	Dissenting	Abstaining
Manuel V. Pangilinan	<u>3,397,692,153</u>	<u>0</u>	<u>0</u>
Juan B. Santos	<u>3,397,692,153</u>	<u>0</u>	<u>0</u>
Eliza Betna R. Lim	<u>3,397,692,153</u>	<u>0</u>	<u>0</u>
Marilyn V. Aquino	<u>3,397,692,153</u>	<u>0</u>	<u>0</u>
Eulalio B. Austero	<u>3,397,692,153</u>	<u>0</u>	<u>0</u>
Robert C. Nichols	<u>3,397,692,153</u>	<u>0</u>	<u>0</u>
Bienvenida Gloriosa	<u>3,397,692,153</u>	<u>0</u>	<u>0</u>
Edward A. Torto	<u>3,397,692,153</u>	<u>0</u>	<u>0</u>
Barbara Anne C. Tan	<u>3,397,692,153</u>	<u>0</u>	<u>0</u>
Oscar J. Hilado	<u>3,397,692,153</u>	<u>0</u>	<u>0</u>
Wilfredo A. Parilla	<u>3,397,692,153</u>	<u>0</u>	<u>0</u>

6. Orientation and Education Program

a. Disclose detail orientation program for new directors, if any.

A briefing is held for new directors, who are provided with materials regarding the Company and its business. A visit to the mine site is also arranged.

b. State any in-house training and external courses attended by Directors and Senior Management⁸ from the past three (3) years

Name of Director /	Date of	Program	Name of training Sponsor
Manuel V. Chairman;	2/2/2012	Future Proofing Our	First Pacific Academy
	3/15/201	On Higher Ground: the Philippines B	First Pacific Academy
	3/21/201	Innovation Follow	First Pacific Academy
	8/3/2012	Executive Talks: T	First Pacific Academy
	11/19/20	Corporate Governance "Navigating the Ne	First Pacific Academy
	12/2/201	Ensuring Effective Ethics and Compliance and Lessons Learn	First Pacific Leadership Academy
Juan B. Sa Vice Chair Director	11/19/20	Corporate Governance "Navigating the Ne	First Pacific Leadership Academy
	12/2/201	Executive Compensation Governance Enhancement Sessi	First Pacific Leadership Academy
Eulalio B. Pres. & CE Director	3/8/2013	Lifting the hood: aThe how it worked fro	First Pacific Leadership Academy
	7/24/201	Talent Management Successi Developme	First Pacific Academy
	Sept. 2	Advance Management	Harvard Business
Oscar J. H Independent	6/20/201	Business Continuity Training	SGV & Co.
Mairlyn V. Director	11/19/20	Corporate Governance "Navigating the Ne	First Pacific Academy
	12/2/201	Corporate Governance Enhancement Session	First Pacific Leadership Academy

⁸Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and control activities of the company.

Name of Director /	Date of	Program	Name of train Sponsor
Robert C. Director	11/19/2011	Corporate Governance "Navigating the New World"	First Pacific Leadership Academy
	2/2/2012	Future Proofing Our Business	First Pacific Leadership Academy
	5/2/2013	Hong Kong Corporate Governance Update	Pacific Basin Institute
	8/27/2013	Diversity on Board Regulatory Development Governance	First Pacific Leadership Academy
	12/5/2013	Synopsis on Legal and Regulatory Updates	First Pacific Leadership Academy
Edward A. Director	11/19/2011	Corporate Governance "Navigating the New World"	First Pacific Leadership Academy
	12/5/2013	Synopsis on Legal and Regulatory Updates	First Pacific Leadership Academy
Wilfredo A. Independent Director	8/12/2011	Corporate Governance: Money Laundering Act Seminar	Philippine Securities Consultancy Corporation
	2/28/2013, 8/2013, 12/2013	Professional Directorship Course	Institute of Corporate Directors (ICD)
	12/16/2013	Inducted as a Fellow	(ICD)
Eliza Batm Director	3/2/2011	Orientaton Course on Governance	Institute of Corporate Directors
Bienvenido Laguesma Director	12/21/2011	Orientaton Course on Governance	Institute of Corporate Directors
	3/21/2012	New Rules on Taxation Income & Other Issues Financial Institut	House Training Institute
	1/12/2013	Philippine 2013: The Economic Outlook	First Metro In Corporation
	1/30/2013	Philippine Invest Nouriel Roubini	First Metro In Corporation
	3/21/2013	New Rules on Taxation Income & Other Issues Financial Institut	First Metro In Corporation
Barbara Amigallos Corporate Director	5/18/2011	SEC's Revised Code of Governance	Center for Global Practices
	8/22/2013	Corporate Governance Institutional Invest	Truventus Kuala Lumpur, Malaysia
Danny-SW.P & Chief Financial Chief Comp	9/9/2013	Talent Management Succession and Development	First Pacific Leadership Academy

Name of Director /	Date of	Program	Name of train Sponsor
Officer / Corporate Governance	11/7/2011	The Business Innovation	First Pacific Academy <i>Philex Mining Corporation Human Resources: Learning and Development Department</i> <i>Center for Global Best Practices</i> <i>Center for Global Best Practices</i>
Benjamin R. SVP Human Resources	9/1/2011 11/20/2011 11/23/2011 7/24/2011 10/18/2011 11/07/2011	Orientaton Course Governance Corporate Governance " Navigating the New Leading the Self Talent Management Succession and Development Se-Mastery The Business Innovation	Institute of Corporate Directors First Pacific Academy First Pacific Academy First Pacific Academy Organizational Consultants Inc. First Pacific Academy
Michael T. SVP Corporate Governance	4/18/2011 5/16/2011 7/18/2011 8/3/2012 11/20/2011 11/29/2011 1/30/2012	Executive Leadership Special -MBCI nGtMMMAoPh " Philippine Foreign Aquino Administration Murdock Capital & Partners Symposium : Mining Executive Talks: Talk with coach Erik S Executive Talks: New World of Business Donaldson ACCRA-MAW Forum on Business: A Proactive Investment Friendly Philippines The Philippine 2011 The Philippine Economic bright spot in Asia Arangkada Philippines	First Pacific Academy MA PMBC Murdock Capital & Partners First Pacific Academy First Pacific Academy Management Associates of the Philippines The Pinnacle of International Joint Foreign

Name of Director /	Date of	Program	Name of train Sponsor
	2/26/2011	the potential (Pre Sereno: Keynote s	Philippines
	3/8/2013	Executive Talks: L Mr. Roger Fisk	First Pacific Academy
	7/24/2011	Talent Management Succession and De	First Pacific Academy
	11/7/2011	The Business Inno	First Pacific Academy
Redempta P VP Explora	9/18/2011	Senior Exploraton	Western Mining (WMS)
	3/8/2013	Lifing the hood T how it worked fro	First Pacific Academy
	7/24/2011	Talent Management Succession and De	First Pacific Academy
Enrique C. Jr. VP for Leg	3/28/2011	Investment Forum	Institute of C Directors
	11/16/2011	Best Practices for Community Dispute	The Core Group
	3/8/2013	Executive Talks	First Pacific Academy
	7/24/2011	Talent Management Succession and De	First Pacific Academy
	11/7/2011	The Business Inno	First Pacific Academy
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Victor A. VP Community Relations	7/24/2011	Talent Management Succession and De	First Pacific Academy
	9/5/2013	Top Management Pr	Asian Institute Management
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Name of Director /	Date of	Program	Name of train Sponsor
Raymund Br Medel VPI nformatc Technology	9 / 20 / 2011	Leading the Self	First Pacific Academy
	11 / 20 / 2011	Corporate Governance " Navigatng the Ne	First Pacific Academy
	3 / 8 / 2013	Lifing the hood T how it worked fro	First Pacific Academy
	7 / 24 / 2013	Talent Management Succession and De	First Pacific Academy
	8 / 2 / 2013	Info Session: Pro Trafc	Philex Mining Supply Chain af Department
	-	0 _____ 7 _____ @ _____	Z _____ h _____ _____

B. CODE OF BUSINESS CONDUCT & ETHICS

- Discuss briefly the company's policies on the following business senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<p><i>The Company has in place a Conflict of Interest Policy approved by the Board in February 2014.</i></p> <p><i>As matter of policy, all transactions which are or may have the potential of being deemed as Conflict of Interest transactions are prohibited. All business decisions of the Directors must be based on the best interest of the company and its subsidiaries and affiliates and must not be motivated by personal considerations or other relationships that can interfere with their independent judgment.</i></p> <p><i>The policy covers all directors, officers and employees. In case of conflict, the policy requires that senior management and/or employees must disclose in writing any actual or potential instances of conflict of interest situations where they may have a Conflict of Interest or the appearance of a Conflict of Interest.</i></p> <p>_____ # _____ such actual or potential instances and/or situations.</p>		
(b) Conduct of Business and Fair Dealings	<p><i>The Company has in place the following related policies: (i) Code of Business Conduct and Ethics; (ii) Relations Policy; (iii) Policy on Dealings in Company Shares of Stock as amended.</i></p> <p><i>All directors, officers and employees must refrain from making unfair advantage of anyone through manipulations, concealment, and abuse of privileged information, misrepresentation of material facts or any unfair practices, and must deal fairly with the customers, service providers, suppliers, contractors and employees.</i></p> <p><i>Further, all concerned directors, are required to report to the Compliance Officer their dealings in company shares within three (3) business days from date of transaction to the PSE.</i></p>		

9. _____ # _____ # _____ " _____ 26, 2014# and may be viewed on its website. _____ h
[http://www.philexmining.com.ph/userfiles/Code%20of%20Business%20Conduct%20and%20Ethics\(1\).pdf](http://www.philexmining.com.ph/userfiles/Code%20of%20Business%20Conduct%20and%20Ethics(1).pdf)

Business Conduct & Ethics	Directors	Senior Management	Employees
(c) Receipt of gifts from third parties	<p><u>The Company has in place Policy on Gifts, Entertainment and Sponsored Travel which is approved by the Board in February 2014.</u></p> <p><u>Directors senior management and all employees shall refrain from putting themselves in situations or acting in a manner that could significantly affect the objective, independent or effective performance of their duties and responsibilities in the Company. Policy provides that concerned individuals who receive gifts from third parties shall inform their donor that these were received in behalf of the Company and shall be in accordance with Company policy on Gifts (gifts valued equal to or below P4,000.00 regardless of whether it is perishable or nonperishable) voluntarily given by a Third Party to a Director. Management and all employees may be accepted and kept by the recipient.</u></p>		
(d) Compliance with Laws & Regulations	<p><u>All directors, senior management and employees should engage in honest conduct and comply with applicable laws, rules, and regulations; adhere to the standards and restrictions imposed by these laws and regulations; and avoid the direct or indirect commission of bribery and corruption by themselves or their representatives (Code of Business Conduct and Ethics).</u></p>		
(e) Respect for Trade Secrets/Use of Non-public Information	<p><u>Directors senior management and employees should maintain and safeguard the confidentiality of information entrusted by the Company, except when disclosure is authorized or legally mandated. Confidential information includes any non-public information that might be used to compete with or be harmful to the Company, its subsidiaries, affiliates, customers, business partners, or such other parties that it relates to if disclosed. (Code of Business Conduct and Ethics)</u></p>		
(f) Use of Company Funds, Assets and Information	<p><u>Directors officers and employees must ensure that records are not altered, concealed, destroyed or falsified to impede, obstruct or influence any investigation by, or proceeding before any official Company committee or body, governmental, regulatory or judicial body having jurisdiction. Do not use Company property and resources including Company time, supplies and software efficiently, responsibly and only for legitimate business purposes. Protect the assets of the Company from loss, damage, misuse or theft. (Code of Business Conduct and Ethics Policy)</u></p>		
(g) Employment & Labor Laws & Policies	<p>The Board and the directors must comply strictly with employment and labor laws and policies in their dealings with officers and employees of the Company.</p> <p>Note that directors (except the President and CEO) are not employees of the Company.</p>	<p>Senior management must comply strictly with employment and labor laws and policies in their dealings with other officers and employees of the Company.</p>	<p>Employees must comply strictly with employment and labor laws and policies in their dealings with other fellow employees.</p>
(h) Disciplinary action	<p>There is no policy or procedure under which a director may be subject to disciplinary action.</p> <p>Directors are not employees of the Company. Erring directors may be removed only in accordance with the Corporation Code and may be disqualified from being re-elected.</p> <p>Directors may be subject to criminal prosecution or civil action when warranted under the Philippine law.</p>	<p>Senior management and employees of the Company are subject to the Code of Conduct and Discipline for Employees. Penalties, including suspension or termination may be imposed on them as provided in this Code.</p> <p>Further, they may be subject to criminal prosecution or civil action when warranted under Philippine law.</p>	<p>Employees are subject to the Code of Conduct and Discipline for Employees. Penalties including suspension or termination may be imposed on them as provided in this Code.</p> <p>Further, they may be subject to criminal prosecution or civil action when warranted under Philippine law.</p>

¹⁰Copy h 8 o u
<http://www.philexmining.com.ph/sites/default/files/Policy%20on%20Gifts%20Entertainment%20and%20Sponsored%20Travels.pdf>

Business Conduct & Ethics	Directors	Senior Management	Employees
(i) Whistle Blower	<p><u>The Company has in place a Whistle Blowing Policy approved by the Board in February 2014.</u></p> <p><u>The Policy provides</u></p> <p><u>complaints or disclosure regarding violations of corporate governance rules, questionable accounting</u></p> <p><u>Policy also provides provision against retaliation.</u></p>		
(j) Conflict Resolution	<p>The Board must establish a maintain an alternative dispute resolution system in the Company that can, where practicable feasible, amicably settle conflict differences between the Company and its stockholders and Company and third parties, including regulatory authorities.</p>	<p>Management must work toward a fair and amicable resolution of all disputes</p>	<p>See column on left.</p>

2. Has the code of ethics or conduct been disseminated to all directors, senior management and employees

Yes. The Code of Business Conduct and Ethics was reviewed and approved by the Board of Directors on 26 February 2014 and was disseminated to the senior management and employees. A copy of the policy is available at Company website.

3. Discuss how the company implements and monitors compliance with the code of ethics or conduct.

u #

Business Conduct and Ethics:

- Directors, officers, and employees of the Company commit to comply with both the letter and spirit of this Code and the Company endeavors to obtain the same commitment from its business partners. In this connection, directors and officers should explain to employees and business partners the Company's principles and values set forth in this Code, and emphasize the importance of conducting themselves in accordance with the standards set by this Code in order to attain financial rewards for the Company and to deter wrongdoing.
- The Corporate Governance Office is responsible for applying the Code to specific situations in which questions or concerns may arise, and has the authority to interpret and decide on such issues arising from the implementation of the Code.
- There shall be no waiver of any of the provisions of this Code in favor of any directors, officer or employee, except when expressly granted by the Board of Directors, in the case of waivers for directors and officers, or by the Corporate Governance Office in the case of waivers for employees. Any such waiver for any director or executive officer or any material amendment to the Code must be promptly disclosed to the shareholders of the Company.
- Any director, officer or employee is encouraged to contact the Corporate Governance Office if in doubt about the best course of action in a particular situation relating to a subject matter of the Code.
- Any director, officer or employee who is aware of any existing or potential violation of the Code is required to notify the Corporate Governance Office promptly. The Corporate Governance Office shall take all action it considers appropriate to investigate any violations reported to it. If a violation has occurred, the Company shall take such disciplinary or preventive actions as it deems appropriate.

6. Disciplinary actions against violators include measures such as dismissal and/or filing of appropriate civil and criminal actions. For purposes of this Code, "violators" are defined as (a) person who commit prohibited acts or who fail to implement prescribed acts when there is an obvious opportunity to do so; (b) employees who knowingly abet such acts of commission or omission or who fail to report such acts that violate the Code; (c) persons of authority who fail to impose the necessary disciplinary measures against violators.
7. Retaliation of discrimination, whether direct or indirect and in any form against any director, officer or employee who reports, honestly and in good faith, any violation or perceived violation of this Code shall not be tolerated.
8. All policies, systems, practice, orders and similar official corporate issuances, whether existing or to be issued shall be revisited and revised as soon as practicable in order to be consistent with the letter and spirit of this Code. Pending the finalization of such amendments, the provisions of this Code shall prevail over any policies, systems in practice, orders, and similar corporate issuances inconsistent with this Code.

4. Related Party Transactions

Describe the company's policies for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

a. Policies and Procedures Related Party Transactions

The Company has in place a Related Party Transaction Policy which was approved by the Board on June 25, 2014.

Rules and procedures are summarized as follows:

- (1) The Company shall at all times observe and adhere with the provisions of the Corporation Code, Articles of Incorporation and Bylaws, and all other relevant laws, rules and regulations, as may be applicable in the Philippines, at all times observe, uphold and respect the rights of its shareholders, minority and majority alike, through this RPT Policy.
- (2) In the review and approval of RPT, the Company shall at all times abide by the following standards:
 - (i) That the RPT is in the best interest of the Company and its stockholders, based under relevant circumstances which include as follows:
 - < Basic terms of the transaction
 - < Knowledge of the transaction
 - < Purpose and timing of the transaction
 - < Value of the transaction
 - < Cost basis and other relevant information if involving sale of assets
 - < Information on potential counterparties in the transaction including market prices for similar products and services
 - < Description of any provisions or limitations that may be imposed as a result of the transaction
 - < Any potential reputational risk issues that may arise as a result of or in connection with the transaction.

¹¹ "Fair & at Arm's Length" refers to transactions in which the parties are independent, informed, and who act independently without regard to any relationship with each other.

- (3) For purposes of this Policy, a Material and/or Significant RPT is defined as those transactions with Related Party which involve an aggregate amount or value to or greater than Fifty Million Pesos
h U
- (4) As matter of policy and procedure, all Material and/or Significant RPT shall be subject to review and endorsement # 8 #
Board except those covered under - k h u
- (5) The Board, where necessary may require the following Material and/or Significant RPT be submitted to the stockholders for ratification and final approval:
- (i) contract between an officer and the Company (Board approval only);
 - (ii) contract between a director and the Company (Board approval), but when the presence of such director in the Board meeting in which the contract was approved was necessary to constitute a quorum and the vote of such director
stockholders is also required;
 - (iii) contract between the Company and another corporation with interlocking directors (Board approval), but if the interest of the interlocking director in the Company is nominal and his interest in the other corporation is substantial, #
contract was approved was necessary to constitute a quorum and the vote of such director was necessary for the approval of the contract, approval by the
#
 - (iv) management contract where the Company undertakes to manage or operate all or substantially all of the business of another corporation or vice versa.
- (6) All Material and/or Significant RPT shall be reported by the Compliance Officer to the Audit Committee to ensure full and timely disclosure in the annual and quarterly reports to the Securities and Exchange Commission and in the Notes to the Financial Statements, whether on an interim or annual basis, as required under PAS 24 on Related Party Transaction Disclosures and other disclosure requirements.

Company shall ensure that the review and approval of Material/Significant RPT carried out by its subsidiaries are conducted in accordance with this Policy.

Related Party Transactions	Policies and Procedures
(1) Parent Company	The Company does not have a parent company. No shareholder 50% or more of its outstanding shares.
(2) Joint Ventures	See policies and procedures outlined above
(3) Subsidiaries	See policies and procedures outlined above
(4) Entities Under Common Control	See policies and procedures outlined above
(5) Substantial Stockholders	See policies and procedures outlined above
(6) Officers including spouse/children/siblings/parents	See policies and procedures outlined above
(7) Directors including spouse/children/siblings/parents	See policies and procedures outlined above
(8) Interlocking director relationship of Board of Directors	See policies and procedures outlined above

b. Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

None.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None
Name of Officer/s	None
Name of Significant Shareholders	None

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

Company has in place a Conflict of Interest Policy approved by the Board last February 2014.

The Policy sets forth the mechanism as follows:

- (1) Primarily, Directors, Employees and Consultants must disclose in writing any actual or potential instances and/or situations where they may have a Conflict of Interest or the appearance of a Conflict of Interest to the relevant authorities specified herein, as soon as they become aware of such actual or potential instances and/or situations. Depending on the nature of the conflict situation, conflicted Directors, Employees and Consultants may be required to comply with other requirements.
- (2) The Director, Employee or Consultant concerned shall likewise inhibit himself from any direct or indirect participation or involvement at any stage of the transactional process flow and cannot sign any paper or document related to the transaction.
- (3) In addition to the requirements of Sections 31 to 33 of the Corporation Code (where applicable), business transactions involving a conflicted Director shall be subject to the approval of the Board; while those involving a conflicted officer shall be subject to the approval of the President and CEO; and those involving a Consultant and other Employees shall be subject to the approval of the Management Committee; Provided, however, that in any transaction involving a conflicted Employee (including a Director or Consultant) where the amount of such transaction exceeds the level of approving authority of the President and CEO or Management Committee, as the case may be, the approval of such transaction shall be made by the relevant authority or authority having the power to approve such transaction based on the Board approved approval matrix in effect at the relevant time. Provided, further, that in all cases, the actual evaluation of the commercial and technical aspects of the transaction, including recommendation to award, shall be made and conducted by the appropriate management bodies or business units in accordance with the established procedures of the Company. Accordingly, the supporting documents, such as disclosures, reports and recommendations shall be provided to the said relevant authorities who are authorized to approve the transaction involving the conflicted Director, Employee or Consultant.

	Directors/Officers/Significant Shareholders
Company	<p>For significant transactions that are not in the ordinary course (such as corporate acquisitions, financing activities, etc.), possible conflict is considered in the course of analysis, evaluation and planning, and any possible findings are addressed in the report to the Board. Such transactions require Board approval, and the matter, if a conflict, potential or actual, is included in the presentation to the Board for its exercise of judgment in respect of this matter.</p> <p>For transactions that are in the ordinary course, there is a process for supplier/contractor selection and vetting, which calls for comprehensive information regarding the supplier/vendor (please see pages 61 to 62 of the Report). Possible conflict may be detected and addressed in this process.</p>

Directors/Officers/Significant Shareholders	
Group	Please see discussion above

5. Family, Commercial and Contractual Relations

a. Indicate, if applicable, any relation of a family, commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent they are known to the Company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
First Pacific Group	Creditor of the Company	In 2012, the Company experienced financial constraints due to suspension of operations of its Padcal mine. First Pacific extended a loan facility to the Company of US\$ 200 Million under terms and conditions that are favorable to the Company. In 2013, the Credit facility was reduced to U.S.\$150 Million which U.S.\$80 Million was outstanding as of September, 2014.

b. Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

There is no relationship of a commercial, contractual or business nature between holders of significant equity (5% or more) and the Company, except for the credit facility of US\$150 Million extended by the First Pacific Group to the Company, as described above.

Names of Related Significant Shareholders	Type of Relationship	Brief Description
First Pacific Group	Significant shareholder of the Company	Extended a US\$50 Million credit facility to the Company

c. Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

The Company is not aware of, and has no reason to believe that there exist, any shareholder agreements that relates to or may have an impact on the control, ownership and strategic direction of the Company

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None		

6. Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities

¹² Family relationship up to the fourth civil degree either by consanguinity or affinity.

Alternative Dispute Resolution System	
Corporation & Stockholders	<p>The policy is to assiduously pursue an amicable resolution of differences or conflicts with shareholders for the best interest of the Company and its stakeholders. Procedure:</p> <p>(1) Referred to the Corporate Secretary, who makes an initial evaluation and consultation with the CEO, the Compliance Officer and the officer involved, if any. Where warranted, the matter is reported to the Chairman and his attention is sought.</p> <p>(2) The Corporate Secretary and/or the external counsel are tasked to pursue an amicable resolution with the concerned shareholder that is fair to both parties. The Corporate Secretary invites the shareholder to a meeting where the matter is discussed in detail. Every effort is made to favor the shareholder without prejudice to the Company and its stakeholders.</p> <p>(3) Depending on the nature of the dispute and the significance of the matter, Board approval is sought before entering into a compromise settlement.</p>
Corporation & Third Parties	<p>In the case of disputes with third parties, the policy is to pursue a fair and avoid protracted and costly litigation. Procedure:</p> <p>(1) Referred to the Vice President for Legal Affairs, who makes an initial evaluation and consultation with the CEO and the officer who may be directly involved. External counsel may be consulted. Where the matter is significant or material, it is brought to the attention of the Chairman.</p> <p>(2) The Vice President for Legal Affairs is tasked to pursue an amicable settlement with the third party. External counsel may also be involved in this process. Where possible litigation is avoided, subject always to the policy that the corporation must be the first consideration.</p> <p>(3) Depending on the nature of the case or the amount involved, a compromise settlement will require the prior approval of the CEO and ultimately the Board.</p>
Corporation & Regulatory Authorities	<p>Any dispute with a regulatory authority is always deemed to be of the highest priority. The policy of the Company is to adhere to all applicable laws, regulations and to always cooperate with regulatory authorities consistent with the interests of the Company and of its stakeholders. Procedure:</p> <p>(1) Referred immediately to the Vice President for Legal Affairs or for the CFO, who must bring the matter to the attention of the President/CEO. If the SEC or the PSE is involved, the matter is immediately referred to the Corporate Secretary, who will also consult with the CEO and the CFO. Significant matters are immediately reported to the Chairman.</p> <p>(2) Significant matters are reported to the Board.</p> <p>(3) The Vice President for Legal Affairs or the Corporate Secretary, as the case may be, is tasked to pursue an amicable settlement with the regulatory authority. In tax matters, the CFO consults tax counsel and pursues a fair and lawful resolution of the matter with the tax authority.</p> <p>(4) Where warranted under the circumstances (depending on amount, nature of the matter), Board approval is obtained. This must be done expeditiously and without delay.</p>

C. BOARD MEETINGS AND ATTENDANCE

1. Are Board of Directors' meetings scheduled before or after the start of the year?

Yes. A schedule of meetings for the entire year is approved at the beginning of each year.

2. Attendance of Directors (30 September 2013) -

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Manuel V. Pangilinan	11/28/2009	6	6	100%
Member	Juan B. Santos	9/28/2010	6	5	83%
Member	Eliza Bettina R. Antonino	4/27/2011	6	4	67%
Member	Marilyn VAquino	12/9/2009	6	6	100%
Member	Eulalio B. Austin, Jr.	6/29/2011	6	5	83%
Member	Bienvenido Elaguesma	2/27/2013	6	5	83%
Member	Robert C. Nicholson	11/28/2009	6	6	100%
Member	Edward A. Tortorici	12/9/2009	6	2	33%
Member	Barbara Ann C. Migallos	6/26/2013	6	6	100%
Independent	Oscar J. Hilado	12/9/2009	6	5	83%
Independent	Wilfredo A. Paras	6/29/2011	6	6	100%

3. Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

Yes, a separate meeting of non-executive directors without the presence of the CEO or any of the executive officers is held at least once a year.

4. Is the minimum quorum requirement for Board decisions - three (3) or five (5) directors? Please explain.

There is no rule requiring a ~~thirds~~ vote for Board decisions. Effort is exerted for the Board to reach a consensus before a vote is taken. When a consensus is not reached, the vote may be deferred to allow more time for discussions.

5. Access to information

a. How many days in advance are board papers¹³ provided to the board?

The policy is that board papers are provided to directors at least five (5) days in advance. Company practice is to send copy of the complete set of board papers to its directors at least 5 days in advance and the hard copy physically distributed on the day of the meeting or earlier upon request of a Director

b. Do board members have independent access to Management and the Secretary?

Yes, Board members have independent access to the Management and the Corporate Secretary.

¹³ Board papers consist of complete and adequate information about the matters to be taken in Information meetings, the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

- c. State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.?

The Corporate Secretary is responsible for the efficient administration of the affairs of the Board of Directors; ensures that directors receive accurate and sufficient information that will enable them to arrive at well-informed decisions on matters requiring their approval; advises the Board on corporate governance principles and practices and on relevant statutes and regulations; acts as a liaison between the Company and its shareholders. The Corporate Secretary is responsible for the safekeeping and preservation of the integrity of the Minutes of the Board and the Committee, as well as other official records of the Company.

Yes, the role of the Corporate Secretary includes assisting the Chairman in preparing the Board agenda, facilitating training of directors, and keeping directors updated regarding any relevant statutory and regulatory change, including new policies or rules of the SEC and the Philippine Stock Exchange.

Likewise, the Corporate Secretary, in coordination with the Legal Department of the Company, assists the Company in the handling of various regulatory and/or legal matters involving different government agencies, e.g. SEC, PSE, DENR, MGB, PAB, Indigenous Group, Local Government, etc.

- d. Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes, the Corporate Secretary is a member of the Philippine Bar with many years of experience in corporate law and practice, and has sufficient understanding of financial reporting rules and practices.

- e. Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable information necessary to be able to prepare in advance for the meetings of different committees:

Yes

No

Committee	Details of the procedures
Executive	The Corporate Secretary is responsible for ensuring that the members of Committee are provided with information necessary, appropriate and adequate to enable the members to discharge their duties, and to provide the members with information and/or documents requested.
<u>Audit and Risk</u> <u>(*) The Audit Committee renamed to Audit Risk</u>	<p>(1) Reports and other materials are provided to the members of the Committee to the meeting.</p> <p>(2) The CFO, the Division Manager Corporate Finance, the Group Manager Internal Audit and the Division Manager Risk Management are primarily responsible for providing the members of the Committee with information appropriate and adequate to enable the members to discharge their duties. Requests for information are generally coursed through the CFO or the Corporate Secretary.</p> <p>(3) There is a clear policy that requests for further information regarding the agenda and other relevant items must be attended to promptly.</p> <p>(4) The Audit Committee meets with the external auditors on a quarterly basis and a meeting may be necessary.</p>
Nomination	The Corporate Secretary is responsible for ensuring that the members of Nominations Committee are provided with information necessary, appropriate and adequate to enable the members to discharge their duties, and to provide the members with information and/or documents requested.

Committee	Details of the procedures
Remuneration	The Senior Vice President for Human Resources is responsible for ensuring members of the Compensation Committee are provided with information appropriate and adequate to enable the members to discharge their duties, and provide the members with information and/or documents requested.
Others (specify) Finance Committee	The CFO, the Division Manager Corporate Finance and the Group Manager Treasury are primarily responsible for providing the members of the Committee with information necessary, appropriate and adequate to enable the members to discharge their duties.
<u>Corporate Governance</u> <i>(**)</i> <u>The Corporate Governance Committee at Board level formed in February 2014.</u>	<u>The Corporate Governance Officer (CGO) and the Deputy Corporate Governance Officer shall provide the Committee with information necessary, appropriate and adequate to enable the members of the committee to discharge their duties responsibilities</u>

6. External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if provide details:

Directors of the Company may receive external advice where the circumstances so warrant.

Procedures	Details
The Board as a whole may decide to seek external advice on legal or technical matters. This is discussed at a Board meeting and consensus is reached on whether external advice is obtained.	The Board either designates a committee of directors or a senior officer to choose an independent consultant and to formulate the objectives and parameters of the study to the desired end product or deliverable. For technical matters, this is implemented by the SVP, Chief Resident Manager and the Vice President for Exploration. For legal matters, this may be implemented by the Corporate Secretary or the Vice President for Legal Affairs.
The Audit Committee or a director or group of directors may retain and obtain advice from special consultants or experts at reasonable fees without need for Board approval (Art. II, Sec. 2.1, Audit Committee Charter)	The Audit Committee or the director/s who wish to obtain external advice will implement the decision. The only restriction on the CEO and other officers of employees is to provide information as requested.

7. Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) to existing policies that may have an effect on the business of the company and the reason/s for the change:

¹⁴ <http://www.philexmining.com/str/files/Revised%20Audit%20Committee%20Charter.pdf>

Existing Policies	Changes	Reason
<u>Revised Corporate Governance Manual</u>	<u>Made duties and responsibilities the Company under the Manual stakeholders</u>	<u>Change is to comply with SEC Memorandum Circular No.9, Series of 2014.</u>
<u>Amended Policy in Dealings in # _____ o</u>	<u>The amendment required all concerned directors, officers and employees to report to Compliance Officer all respective dealings in company shares within two (2) business days and for the Compliance Officer to disclose the same within three (3) business days from date of transaction.</u>	<u>Change is to formalize the period of disclosure and/or reporting dealings in company shares of stock by Company directors. This to align with corporate governance best practices.</u>
<u>Dividend Payment Policy</u>	<u>The Company will pay the dividend (if any) within Thirty (30) Days date of declaration.</u>	<u>Change is to align with corporate governance best practices based on Organization for Economic Cooperation and Development (OECD) Corporate Governance Principles.</u>

D. REMUNERATION MATTERS

1. Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Compensation Committee in consultation with Chairman	Compensation Committee in consultation with CEO and the SVP for Human Resources
(2) Variable remuneration	<p>Compensation Committee in consultation with the Chairman. Stock option grants that are determined by the said Committee are subject to approval.</p> <p>Variable compensation for the CEO in the form of:</p> <p>(1) Stock options under Stock Option Plan</p> <p>(2) Bonuses under duly approved plans applying to groups or levels of employees (may be across the board based on productivity)</p> <p>The CEO receives bonuses solely under the above plans. No bonuses are paid to any officer outside these plans.</p>	<p>Compensation Committee in consultation with CEO and SVP for Human Resources. Stock option grants that are determined by the said Committee are subject to Board approval.</p> <p>Variable compensation for the 4 highest management officers are in the form of:</p> <p>(1) Stock options under Option Plan</p> <p>(2) Bonuses under duly approved plans applying to groups or levels of employees (may be across the board or based on productivity)</p> <p>The officers receive bonuses solely under the above plans. No bonuses are paid to any officer outside these plans.</p>

Process	CEO	Top 4 Highest Paid Management Officers
	$\frac{d}{O}$ is paid to the CEO outside of these	
(3) Per diem allowance	The Board determines the per diem. No per diems other than for attendance at meetings are paid to directors.	There is a schedule of per diems for official travel.
(4) Bonus	Compensation Committee in consultation with the Chairman The CEO does not receive any bonus other than bonuses under duly approved plans that apply generally to particular groups or levels of officers or employees.	Compensation Committee in consultation with Chairman and with the CEO, with inputs provided by the SVP for Human Resources Officers do not receive any bonus other than bonuses under duly approved plans that apply generally to particular groups or levels of officers or employees.
(5) Stock Options and other financial instruments	Compensation Committee (grants are submitted to the Board for confirmation)	Compensation Committee (grants are submitted to the Board for confirmation)
(6) Others (specify)	As a director, the CEO shares in the compensation of directors as provided in the By-Law of the Company The By-Laws provide that directors may receive compensation in an amount not exceeding 1½% of net income before income tax, distributed among all directors as approved by the Board.	None

2. Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the Company's policy on remuneration and the structure of the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Remuneration of executive director and other officers must be competitive and at a level that will attract and retain talent and motivate them to continue their efforts in contributing to long-term success of the Company.	Four components: (1) Fixed salary; (2) Bonus under duly approved plans that apply generally to particular groups or levels of officers or employees; (3) Stock options under the duly approved Stock Option Plan (4) Share in the net income from net income as provided in the By-laws (Applicable to executive	Compensation Committee determines the first three items: fixed salary, bonus under the bonus plan, and stock options in consultation with the Chairman and with inputs from an external consulting firm with expertise in HR. With respect to a share in the fees of directors, the By-Law allows a maximum of 1½% of net income before income tax to be shared among the directors as

		<i>directors only.)</i>	determined by the Board.
Non-Executive Directors	<p>Compensation of non executive directors is in accordance with the Corporation Code, which permits only two kinds of fees for directors:</p> <p>(1) A reasonable per diem for attendance at Board meetings; and</p> <p>(2) A share in the net income before income tax, which must be provided in the By-Laws or approved by the shareholders. The law allows director's total fee amount of 10% of net income before income tax.</p> <p>The Company sets the limit at 1½%, significantly lower than allowed under the law.</p>	<p>There is no package for executive directors.</p> <p>In accordance with law, there are two components:</p> <p>(1) A reasonable per diem for attendance at Board meetings; and</p> <p>(2) A share of 1½% of net income before income tax to be shared among executive and non-executive directors as determined by the Board.</p>	<p>(1) The Board determines the first component, the per diem for attendance at Board meetings, which must be reasonable and provided by law. At present, the per diem for attendance at meetings of the Board and its Committees is set at Php 8,000 (about US\$200) for each meeting attended.</p> <p>(2) Directors' fees are calculated on the basis of the audited financial statements, with a limit of 1½% of net income before income tax.</p>

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
Directors' fees not to exceed income tax, based on the Company's financial statements	Provided in the By-Laws duly approved by the shareholders, and reported to the shareholders in materials provided at each annual meeting
Stock Option Plan	Approved by vote of 66 2/3% of outstanding shares June 2011 annual shareholders meeting
NIL	NIL

3. Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

As of report date, a total of P10.7M was paid to all executive and non-executive directors, amount represents the fee of 1% of net income as provided in the By-Laws wherein directors are to receive up to 1 ½% of net income before tax. The fee also includes per diems amounting to P8,000 per meeting attended.

Total remuneration of the top 5 executive officers, the CEO, who is an executive director, is reported in the Company's Annual Report on SEC Form 17

¹⁵ u # k
http://www.philexmining.com.ph/userfiles/8E2013_PMC.pdf

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Please see remuneration portion in 2013 Annual Report (17-A) for items under this column	Please see remuneration portion in 2013 Annual Report (17-A) for items under this column	Please see remuneration portion in 2013 Annual Report (17-A) for items under this column
(b) Variable Remuneration			
(c) Per diem Allowance			
(d) Bonuses			
(e) Stock Options and/or other financial instruments			
(f) Others (Specify)			
Total			

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
(a) Advances	N/A	N/A	N/A
(b) Credit granted	N/A	N/A	N/A
(c) Pension Plan/s Contributions	In accordance with the Company's Retirement Plan approved by the Bureau of Internal Revenue (BIR)	N/A	N/A
(d) Pension Plans, Obligations incurred	Other than the benefit under BIR approved Retirement Plan, no other pension benefit	N/A	N/A
(e) Life Insurance Premium	N/A	N/A	N/A
(f) Hospitalization Plan	The Company has a medical insurance plan and executive director covered; no other medical benefit	N/A	N/A
(g) Car Plan	The Company has a car plan for executives & managers. Executive director is covered; no other car plan. <i>In 2012, the car plan was suspended due to loss incurred by the Company on that year.</i>	N/A	N/A
(h) Others (Specify)		N/A	N/A
Total	-----	-----	-----

4. Stock Rights, Options and Warrants

a. Board of Directors

Complete the following table, on the members of the Board of Directors entitled to stock rights, options or warrants over the company's shares:

General notes:

- (1) The Company submits regular reports to the SEC and the Philippine Stock Exchange on the exact number of stock options granted to each eligible participant, including directors. All exercises of stock options are duly reported to the Exchange and the SEC in accordance with the rules.
- (2) Under the Stock Option Plan approved by a vote of 66 2/3% of the outstanding capital stock and approved by the SEC, and consistent with an amendment to the Plan approved by a vote of 66 2/3% and by the SEC, the total number of shares for the Stock Option Plan cannot exceed 5% of the outstanding capital as of the date of the approval of the Plan by the shareholders.

Director's	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
Manuel V. Pangilinan	See General Note 1	N/A	One share for each option granted	See General Note 2
Juan B. Santos	See General Note 1	N/A	One share for each option granted	See General Note 2
Eulalio B. Austin, Jr.	See General Note 1	N/A	One share for each option granted	See General Note 2
Robert C. Nicholson	See General Note 1	N/A	One share for each option granted	See General Note 2
Marilyn V. Aquino	See General Note 1	N/A	One share for each option granted	See General Note 2
Edward A. Tortorici	See General Note 1	N/A	One share for each option granted	See General Note 2

b. Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Meeting
2007 Stock Option Plan	Adjusted in view of the effects of following stock dividend declarations: (1) 30% stock dividend; and (2) 25% stock dividend	(1) 21 February 2008 special stockholders meeting (2) 21 April 2009 special stockholders meeting
2011 Stock Option Plan	No amendment	N/A

5. Remuneration of Management

a. Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year 2013

Name of Officer/Position	Total Remuneration
Renato N. Migriño	P53.3M
Michael T. Toledo	
Benjamin R. Garcia	
Redempta A. Baluda	
Brett C. Medel	

(*) This will be updated for the year by end of 2014.

E. BOARD COMMITTEES

1. Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	1	4	None	None	As provided in Sec 35 of the Corporation Code.	See column to the left.	The Executive Committee may act on such specific matters within the competence of the Board in accordance with Sec. 35 of the Code.
<u>Audit and Risk</u>	None	3	2	Yes	As provided in the Audit Committee Charter (Art. II, Sec. 1)	As provided in the Audit Committee Charter (Art. II, Sec. 3)	As provided in the Audit Committee (Art II, Sec. 3)
Nomination	None	4	1	Yes	As provided in the CG Manual (Nominations Committee, Annex E)	As provided in the CG Manual (Nominations Committee, Annex E)	As provided in the CG Manual (Nominations Committee, Annex E)
Remuneration	None	3	2	Yes	As provided in the CG Manual	As provided in the CG Manual	As provided in the CG Manual (Compensation)

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
					(Compensation Committee, Annex F)	(Compensation Committee, Annex F)	Committee, Annex F)
Finance	1	3	1	None	The Finance Committee has primary responsibility for oversight of the Company's corporate finance activities including management of equity; financial risk management; and financing for major acquisitions	See column to the left.	To recommend program for corporate finance activities relating to financial management of equity, financial risk management and financing for major acquisitions.
<u>Corporate Governance</u>	<u>None</u>	<u>1</u>	<u>2</u>	<u>Yes</u>	<u>As provided in the Charter of the Corporate Governance Committee which sets forth its purposes, authorities, duties and responsibilities, structure and procedures in accordance with the Revised Code of Corporate Governance.</u>	<u>See column to the left.</u>	<u>The Committee, in coordination with the Corporate Governance Officer, shall report directly to the Board of Directors on its decision or recommendation unless there are legal and/or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).</u>

2. Committee Members

Number of Meetings held and attended in September 2014

a. Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Manuel V. Pangilinan	Appointed first on 11/28/2008; last appointed on 06/25/2014	N/A	N/A	N/A	<u>5yrs 9 months</u>
Member (ED)	Eulalio B. Austin, Jr.	Appointed 06/25/2014	N/A	N/A	N/A	<u>1 year, 2 months</u>

Member (NED)	Robert C. Nicholson	Appointed first on 01/26/2010; last appointed on 06/25/2014	N/A	N/A	N/A	<u>4 years, 7 months</u>
Member (NED)	Juan B. Santos	Appointed first on 09/28/2010; last appointed on 06/25/2014	N/A	N/A	N/A	<u>3 years, 11 months</u>
Member (NED)	Edward A. Tortorici	Appointed first on 01/26/2010; last appointed on 06/25/2014	N/A	N/A	N/A	<u>4 years, 7 months</u>

b. Audit and Risk Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Oscar J. Hilado	Appointed first 01/26/2010; last appointed on 06/25/2014	<u>4</u>	<u>3</u>	<u>100</u>	<u>4 years, 7 months</u>
Member (ED)	No ED on Committee					
Member (NED)	Robert C. Nicholson	Appointed first on 11/28/2008; last appointed on 06/25/2014	<u>4</u>	<u>4</u>	<u>100</u>	<u>5 yrs, 9 month</u>
Member (NED)	Eliza Bettina R. Antonino	Appointed first on 07/27/2010; last appointed on 06/25/2014	<u>4</u>	<u>3</u>	<u>75</u>	<u>3 years, 1 month</u>
Member (NED)	Marilyn A. Victoria Aquino	Appointed first on 01/26/2010; last appointed on 06/25/2014	<u>4</u>	<u>4</u>	<u>100</u>	<u>4 years, 7 months</u>
Member (ID)	Wilfredo A. Paras	Appointed first on 07/27/2011; last appointed on 06/25/2014	<u>4</u>	<u>4</u>	<u>100</u>	<u>3 years, 1 month</u>

Disclose the profile or qualifications of the Audit Committee members.

- Oscar J. Hilado, Chairman; Independent Director: A Certified Public Accountant, Mr. Hilado completed his undergraduate studies at the De La Salle College (Bacolod) and obtained his Masters in Business Administration from the Harvard Graduate School of Business Administration (Smith Mundt/Fulbright Scholar). He is Chairman of the Board of the Philippine Investment Management (PHINMA), Inc., Phinma Corporation, Trans Asia Oil and Energy Development Corp., Phinma Properties and Land Corp. He is a Director of A. Soriano Corporation and other corporations and is an Independent Director of Philippine Holdings Corporation. He has been President of the Management Association of the Philippines (MAP) and was honored as MAP Management Man of the Year for 1991. He holds a Doctorate in Business Management, Honoris Causa, from the De La Salle University and a Doctorate of Laws, Honoris Causa, from the University of St. La Salle.
- Wilfredo A. Paras, Member; Independent Director: Mr. Paras completed his undergraduate studies at the University of the Philippines (Bachelor of Science, Industrial Pharmacy), his Master in Business Administration from the University of the Philippines (MBA) and his Doctorate in Business Administration from the University of the Philippines (DBA).

Administration at the De La Salle University, and the Managing Managers Program at the University of Michigan in Ann Arbor, Michigan. He is currently President of WAP Holdings, Inc., a director of CIIF Oil Mills Companies, Granexport Manufacturing Corporation, Cagayan de Oro Oil Mills, Inc. and Iligan Oil Mills, Inc., Independent Director of GT Capital Holdings, Inc. and Trustee of Dual Tech Training Center. He was formerly President/COO and a director of JG Summit Petrochemical Corporation, President of Union Carbide Philippines, President and Director of Union Carbide Indonesia, Managing Director of Union Carbide Singapore, and Business Director for Union Carbide Asia and the Pacific.

- (3) Robert C. Nicholson is a graduate of the University of Kent at Canterbury in the United Kingdom, Mr. Nicholson qualified as a solicitor in England and Wales and in Hong Kong. He is currently Director of First Pacific Company Limited (since November 2003). He is an Executive Chairman of Forum Energy plc, Commissioner of PT Indofood Sukses Makmur TBK and a director of Metro Pacific Investments Corporation. He is an independent executive director of QPL Investment International Holdings Limited and Pacific Basin Shipping Limited. Previously, he was a Senior Partner at Reed Smith Richards Butler, where he established a corporate and commercial department. He was Senior Adviser to the Board of Directors of PCCW Limited between August 2001 and September 2003.
- (4) Marilyn V. Aquino is a graduate of the University of Santo Tomas (AB) and the University of the Philippines (LLB, cum laude), where she was Salutatorian. She passed the nationwide Philippine Bar Examination in 1980. She is currently Assistant Director of First Pacific Company Limited and Director of Philex Gold Philippines, Inc., Silangan Mindanao Mining Corporation, Philex Petroleum Corporation, Pitkin Petroleum plc (all part of the Philex Group) and of Lepanto Consolidated Mining Company, an investee company of Philex. She joined the Sycip Salazar Hernandez and Gatmaitan Law Offices in 1981, and was Senior Partner from 1989 to 2012. Ms. Aquino has extensive experience in mining and natural resources, having represented companies, junior resource companies, as well as financial institutions and other participants of the Philippine Mining sector. Ms. Aquino is also a member of the Finance Committee of the Philippine Chamber of Mines.
- (5) Eliza Bettina R. Antonino is a graduate of the University of the Philippines (Bachelor of Science in Hotel and Restaurant Administration), Ms. Antonino is presently a Commissioner of Social Security Commission. She is a director of Union Bank of the Philippines and a member of its Executive, Operational Risk Management, Audit and Nominations Committees, and a director of Philam Life Tower Management Corporation. She was formerly consultant of the Philippine Senate's Director V, Office of Senator Manuel A. Roxas II, a consultant of the Commission on Appointments, an independent Constitutional body, and was Vice President of Wemilco Management and Development Company.

Describe the Audit Committee's responsibility relating to the External Auditor.

With respect to the External Auditor, the responsibility of the Audit Committee is oversight. The External Auditor reports directly to the Board and the Committee has the direct responsibility for the appointment, setting of compensation, retention, removal and oversight of the work of the External Auditor, in a manner consistent with applicable laws, regulations and valid corporate practice. The responsibilities of the Audit Committee include the duty to:

- a) Review and evaluate the qualifications, performance and independence of the External Auditor and its lead audit partner primarily on financial accounts;
- b) Recommend to the Board, for appropriate action as may be required by law, regulation or corporate practice, the selection and appointment of the External Auditor and, should the Committee deem necessary or appropriate, the removal or replacement of the External Auditor;

- c) Review and approve in consultation with the Internal Audit Head and the head of the finance organization, all audit and audit services to be performed by the External Auditor and all fees to be paid to the External Auditor for such services; and ensure that such services, if allowed or approved, are disclosed in the ()
- d) Periodically review fees for audit services paid to the External Auditor in relation to their significance to the total annual income of the organization, consultancy expenses, and disallow any audit services that will conflict with the External Auditor's duties to the Company as such or may
- e) Ensure that the External Auditor prepares and delivers annually a formal written statement delineating all relationships between the External Auditor and the Company (Statement to Independence) as required by the prevailing applicable Independence Standards, and discuss with the External Auditor and evaluate any relationships or services disclosed in such Statement that may impact the objectivity, independence or quality of services of the External Auditor and take appropriate action in response to such Statement to satisfy its of the External Auditor's independence;
- f) Review, based upon the External Auditor's form submitted at least annually, the External Auditor's material issues raised by the most recent internal control review or peer review of the External Auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five (5) years, regarding one or more Independent audits carried out by the External Auditor; and steps taken to deal with any such issues; and ensure that the External Auditor, or its lead audit partner primarily responsible for the audit or review of the Company's financial accounts such shorter or longer period provided under applicable laws and regulations.

c. Nominations Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Manuel V. Pangilinan	Appointed first 03/30/2011; last appointed on 06/25/2014	<u>1</u>	<u>1</u>	<u>100</u>	<u>3 years 5 months</u>
Member (NED)	Juan B. Santos	Appointed first on 09/28/2010; last appointed on 06/25/2014	<u>1</u>	<u>1</u>	<u>100</u>	<u>3 years, 11 months</u>
Member (ID)	Wilfredo A. Paras	Appointed first on 07/27/2011; last appointed on 06/25/2014	<u>1</u>	<u>1</u>	<u>100</u>	<u>3 years 1 month</u>
Member (NED)	Robert C. Nicholson	Appointed first on 11/28/2008; last appointed on 06/25/2014	<u>1</u>	<u>1</u>	<u>100</u>	<u>5 years 9 months</u>
Member (NED)	Marilyn A. Victorie Aquino	Appointed first on 01/26/2010; last appointed on 06/25/2014	<u>1</u>	<u>1</u>	<u>100</u>	<u>4 years 7 months</u>

d. Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Juan B. Santos	Appointed first on 09/28/2010; last appointed on 06/25/2014	1	1	100	<u>3 years, 11 months</u>
Member (ED)	No ED in Compensation Committee.					
Member (NED)	Robert C. Nicholson	Appointed first on 11/28/2008; last appointed on 06/25/2014	1	1	100	<u>5 years, 9 months</u>
Member (NED)	Edward A. Tortorici	Appointed first on 01/22/2010; last appointment on 06/25/2014	1	0	-	<u>4 years, 7 months</u>
Member (ID)	Oscar J. Hilado	Appointed first on 06/23/2010; last appointment on 06/25/2014	1	1	100	<u>4 years, 2 months</u>
Member (ID)	Wilfredo A. Paras	Appointed first on 07/27/2011; Last appointed on 06/25/2014	1	1	-	<u>3 years, 1 month</u>

e. Others (Finance Committee and Corporate Governance Committee)

Provide the same information on all other committees constituted by the Board of Directors:

Finance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Robert C. Nicholson	Appointed first on 11/28/2008; last appointed on 06/25/2014	0	0	-	<u>5 years, 9 months</u>
Member (ED)	Eulalio B. Austin, Jr.	Appointed first on 07/27/2011; last appointed on 06/25/2014	0	0	-	<u>3 years, 1 month</u>
Member (ID)	Oscar J. Hilado	Appointed first on 01/13/2010; last appointed on 06/25/2014	0	0	-	<u>4 years, 2 months</u>
Member (NED)	Juan B. Santos	Appointed first on 09/28/2010; last appointed on 06/25/2014	0	0	-	<u>3 years, 11 months</u>
Member (NED)	Bienvenido E. Laguesma	Appointed first on 11/05/2013; last appointed on 06/25/2014	0	0	-	<u>9 months</u>

Corporate Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in th Committee
<u>Chairman</u>	<u>Marilyn A. Victorio Aquino</u>	<u>Appointed first on 2/26/2014 last appointed on 06/25/2014</u>	<u>1</u>	<u>1</u>	<u>100%</u>	<u>6 months</u>
<u>Member (ID)</u>	<u>Oscar J. Hilado</u>	<u>Appointed first on 2/26/2014 last appointed on 06/25/2014</u>	<u>1</u>	<u>1</u>	<u>100%</u>	<u>6 months</u>
<u>Member (ID)</u>	<u>Wilfredo A. Paras</u>	<u>Appointed first on 2/26/2014 last appointed on 06/25/2014</u>	<u>1</u>	<u>1</u>	<u>100%</u>	<u>6 months</u>

3. Changes in Committee Members

Indicate any changes in committee members that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	No change in 2014	
Audit and Risk	No change in 2014	
Nomination	No change in 2014	
Remuneration	No change in 2014	
Others (specify) Finance Committee	No change in 2014	
<u>Corporate Governance</u>	<u>New members</u>	<u>Committee will assist the Board in developing and improving the corporate governance platform of the Company with corporate governance best practices.</u>

4. Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	N/A	N/A
<u>Audit & Risk</u>	Complied with duties and responsibilities under the Audit Committee Charter	<p>Review of the 2013 annual audited financial statements and discussion with External Auditor of various issues relating there recommendation for Board approval financial reports and financial disclosure</p> <p>Review and approval of the external audit work and all audit fees</p> <p>Review of Hawcroft Risk Survey Report insurance risk surveyor engaged by Company to secure additional pro</p>

Name of Committee	Work Done	Issues Addressed
		<p>insurance coverage from international reinsurers)</p> <p>Review and approval of the Internal Audit Plan</p> <p>Review of Quarterly Financial Statements</p> <p>Review of the Safety Performance of Mine and</p> <p>Review and Audit of Environmental, Health and Safety Risk</p> <p>Review of Insurance Coverage and Rates</p> <p>Review of Internal Audit Quarterly Accomplishment Report</p>
Nomination	Reviewed and evaluated the qualifications of nominees to the Board and nominated positions requiring Board approval	Qualifications or disqualifications, if any, of nominees to the Board and nominated positions requiring Board approval
Remuneration	<p>Designated levels of remuneration sufficient to attract and retain the services of qualified and competent directors and senior officers needed to run the Company successfully</p> <p>Overseen the implementation of the Company Stock Option Plan</p>	<p>An important issue addressed in 2012 was whether the Exercise Price of outstanding options under the Stock Option Plan should be adjusted in view of the significant decline in the share price when the Mine temporarily suspended operations. The Committee decided it would not be appropriate to adjust the Exercise Price</p> <p>*No meetings held in 2013,</p>
<p>Others (specify)</p> <p>Finance Committee</p> <p><u>Corporate Governance Committee</u></p>	<p>The Finance Committee has primary responsibility for oversight of the Company's corporate financial performance, including management of equity, financial risk management; and financing for acquisitions.</p> <p><u>The Corporate Governance Committee assists the Board of Directors of the Company in performing the corporate governance responsibilities of the Company. The Committee oversees the Company's compliance with the Corporate Governance Manual, the Revised Code of Corporate Governance of the Securities and Exchange Commission and the Corporate Governance Guidelines and the listing rules of the Philippine Stock Exchange (PSE).</u></p>	<p>(1) Adopted hedging policy for the gold and copper production of the Company</p> <p>(2) Studied options for the raising of funds for corporate purposes and evaluated obtaining a loan versus raising of equity</p> <p><u>(1) Review and approval of Related Party Transaction Policy.</u></p> <p><u>(2) Review and approval of Amended Policy on Dealings in Company Shares of Stock</u></p> <p><u>(3) Review and approval of other corporate governance best practices based on ASEAN Corporate Governance Scorecard, Compliance Surveys and SEC Memorandum Circulars.</u></p>

5. Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in improvement or enforcement of effective governance for the coming year.

The Committees will monitor activities and will undertake regular review of matters under their respective areas. The Audit Committee will work to further refine and strengthen internal audit controls and risk management policies. The Compensation Committee will work with the CEO and the SVP for Human Relations towards enhancing policies on compensation. The Finance Committee will evaluate financials for Company activities, including a stock rights offering which is in process.

The Corporate Governance Committee is formed to assist the Board of Directors of the Company in performing

Corporate Governance of the Securities and Exchange Commission (SEC), Corporate Governance Guidelines and the listing rules of the Philippine Stock Exchange (PSE).

u # # 8 \ # 8 \ #
Committee of the Board to discuss pertinent changes and
practices and procedures.

Name of Committee	Planned Programs	Issues to be Addressed
Executive		
<u>Audit and Risk</u>	See discussion above	See discussion above
Nomination		
Remuneration	See discussion above	See discussion above
Others (specify) Finance	See discussion above	See discussion above
<u>Corporate Governance</u>	<u>See discussion above</u>	<u>See discussion above</u>

F. RISK MANAGEMENT SYSTEM

1. Disclose the following:

a. Overall risk management philosophy of the company;

" The PHILEX Group shall undertake a Risk Management physical, social, ecological and economic risks inherent in its mining business thereby ensuring a productive and profitable operation.

Accordingly, the PHILEX Group employs a comprehensive, integrated risk management program, effected across all levels of the organization, with the goal to an acceptable level, so as to enhance opportunities and thus sustain competitive advantage. The Group believes that an effective risk management program will contribute to the attainment of objectives of PHILEX and its subsidiaries, thereby creating value for the business and stakeholders. "

¹⁶ <http://www.philexmining.com.ph/corporate-governance/risk-management>

- b. A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Audit and Risk Committee issued in writing on 01 August 2014 as follows:

The Audit and Risk Committee of Philex Mining Corporation has conducted a review of the effectiveness of the risk management system for the period January to June 2014. The review covered all material controls, including financial, operational and compliance controls and risk management. In the course of the review, we had a discussion with the internal auditor, we would like to confirm that the internal controls (including financial, operational and compliance controls) are adequate and effective. Based on our evaluation of the external auditor, we have assured ourselves that the material risks have been identified,

- c. Period covered by the review

The review by the Audit and Risk Committee covered 01 January to 30 June 2014.

- d. How often the risk management system is reviewed and an assessment of its effectiveness

The review is conducted at least a year. The Board, principally through the Audit and Risk Committee sets the criteria consistent with the Audit Committee Manual and sound business and risk management principles.

- e. Where no review was conducted during the year, an explanation why not.

Not applicable; a review was conducted

2. Risk Policy

- a. Company

Give a general description of the company's risk management policy, set out in the risk management system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Resource Nationalism Government seeking a greater take from the mining sector	<u>Build strong relationship with government and regulators</u>	<u>Maintain existing excise tax regime as terms of Mineral Production Sharing Agreement (MPSA)</u>
Maintaining a social license to operate	<u>Full cooperation with the regulators to comply with governmental requirements in ensuring safety and environmental protection in all aspects of operations</u> <u>Ensure that safety and environmental aspects of our operations are managed to protect the environment and to avoid events that would cause harm to the environment.</u>	<u>Acceptance of mining and exploration activities by the LGUs.</u>

Risk Exposure	Risk Management Policy	Objective
Capital Project Execution	<u>Employ high calibre management and Consultants for engineering, geology and exploration work knowledgeable about similar Silangan orebody.</u>	<u>Resolve technical and exploration challenges on a timely manner.</u>
Capital Management and access	<u>Review the options for raising through the public markets.</u>	<u>Continue to explore and develop existing exploration projects with potentials, possible declaration of additional ore reserves, thereby ensuring business continuity declared at 2020.</u>
<u>Margin protection and Productivity Improvement</u>	<u>Constantly review and refine Padcal operations to ensure operating costs managed properly.</u>	<u>To Increase production at the Padcal mines to compensate for the tail grades.</u>

b. Group

Give a general description of the Group's risk management covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The Group's risk management policy and the risks it must manage for the Company. Note that all companies within the Group are natural resource companies.

Risk Exposure	Risk Management Policy	Objective
Please see discussion under 2 (a) the Company	Please see discussion under 2 (a) the Company	Please see discussion under-2 (a) the Company

c. Minority Shareholders

Indicate the principal risk of the exercise of control by the majority shareholder/s:

Risk to Minority Shareholders
<p>As with any other corporation that has various shareholder groups with differing philosophies, control of the exercise by the major shareholder/s of voting power may place the minority shareholders at risk and interests may not be prioritized, or that the interests of the major shareholder/s may be given priority over the interests of the minority shareholders.</p> <p>To address this risk, policies are in place towards ensuring that the Board will act in the best interests of the corporation and its shareholders and the duties of care and prudence: (i) Emphasis on the fiduciary responsibilities of the Board and the officers and directors; (ii) Emphasis on the avoidance of conflicts of interest; (iii) Prompt disclosure of potential conflict; (iv) Prompt, full and fair disclosure of material information; (v) Policies on related party transactions; and (vi) other policies towards avoidance of actions that will favor the majority shareholder/s at the expense of the minority shareholder</p>

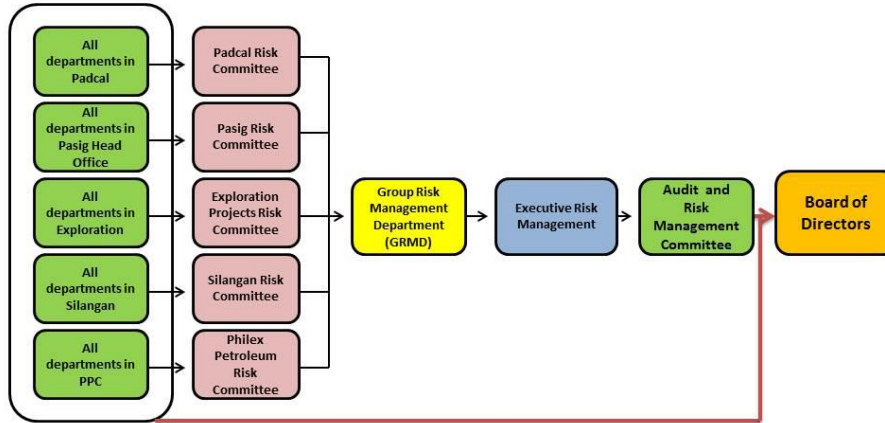
3. Control System Set Up

a. Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

The Company's risk and control process is illustrated in the chart below:

PROCESS FLOW – REPORTING OF ENTERPRISE RISKS TO THE BOD



Major risks and other concerns on safety, operations, exploration, and legal matters which need immediate attention, are discussed separately by each respective Officer during the regular board meetings.

<i>Risk Exposure</i>	<i>Risk Assessment (Monitoring and Measurement Proc</i>	<i>Risk Management and Control (Structures, Procedures, Actions T</i>
	<i>Probability (P) X Impact (I) = Severity</i> **	
<i>Resource Nationalism Government seeking a greater take from the mining sector.</i>	$4 \times 3 = 12$	<p><i>Continue to build strong relationship government directly and indirectly through the Chamber of Mines of the Philippines.</i></p> <p><i>Increase the transparency of taxes payments to the Government for public awareness. For this, the Company formally joined the EITI (Extractive Industry Transparency Initiative) being advocated by the Chamber.</i></p> <p><i>Make representations to government through public forums.</i></p> <p><i>Continue to effectively communicate the positive impacts of mining through public forums, print and TV media.</i></p>

<i>Risk Exposure</i>	<i>Risk Assessment (Monitoring and Measurement Proc</i>	<i>Risk Management and Control (Structures, Procedures, Actions T</i>
<p><u>Maintaining a social license to operate</u></p> <p><u>Environmental concerns</u></p>	<p>$4 \times 3 = 12$</p>	<p><u>Full cooperation with the regulators to comply with governmental requirements, ensuring safety and environment protection in all aspects of operations.</u></p> <p><u>Continue to actively participate in LGUs Community Development Programs on education and alternative learning systems, construction of community infrastructure and livelihood projects.</u></p> <p><u>Continue to effectively communicate the positive impacts of mining through our Community Relations Office and Corporate Affairs.</u></p>
<p><u>Capital Project Execution</u></p>	<p>$4 \times 3 = 12$</p>	<p><u>Look aggressively for good financial proposals.</u></p> <p><u>Consider different options for raising funds through capital markets.</u></p> <p><u>Implement innovative approaches on cost expenditures and proper operating management.</u></p> <p><u>Increase production at the Padcal mine to compensate for low metal grades.</u></p> <p><u>Continue to explore and develop existing exploration projects with potentials, for possible declaration of additional ore reserves, thereby ensuring business continuity and minelife declared at 2020.</u></p>
<p><u>Capital Management and access</u></p>	<p>$3 \times 4 = 12$</p>	<p><u>Constantly review and refine Padcal operations to ensure operating costs managed properly.</u></p> <p><u>Engaged 3rd party mining consultants to Padcal operations (mining and milling) continuing effort to improve productivity and safety.</u></p> <p><u>Continue to devise cost saving measures across the organization.</u></p>
<p><u>Margin Protection and Productivity Improvement</u></p>	<p>$3 \times 3 = 9$</p>	<p><u>Continue to build strong relationship with government directly and indirectly through the Chamber of Mines of the Philippines.</u></p> <p><u>Increase the transparency of taxes payments to the Government for public awareness. For this, the Company formally joined the EITI (Extractive Industries Transparency Initiative) being advocated by the Chamber.</u></p>

<i>Risk Exposure</i>	<i>Risk Assessment (Monitoring and Measurement Proc</i>	<i>Risk Management and Control (Structures, Procedures, Actions T</i>
		<u>Make representations to government to public forums.</u> <u>Continue to effectively communicate positive impacts of mining through forums, print and TV media.</u>

Note **

Probability:

1 - Remote (Very Low), 2 - Unlikely (Low), 3 - Possible (Medium), 4 - Likely (High), 5 - Certain (Very High)

Impact:

1 - Negligible (Very Low), 2 - Minor (Low), 3 - Moderate (M)

b. Group

Briefly describe the control systems set up to assess, manage and monitor the issue/s faced by the Company:

Please see responses to 2(a) above on the Company. The companies within the Group adopt the Company's system, management and controls of risk with appropriate modifications taking into account the particular corporation's context. The exploration, development and utilization of natural resources (copper, gold and coal) and their risks are essentially similar.

<i>Risk Exposure</i>	<i>Risk Assessment (Monitoring and Measurement Proc</i>	<i>Risk Management and Control (Structures, Procedures, Actions Tak</i>
Please see discussion above	Please see discussion above	Please see discussion above

c. Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

<i>Committee/Unit</i>	<i>Control Mechanism</i>	<i>Details of Functions</i>
Audit and Risk Committee	Regular review of risk policies and management. (Please see Secs. 3.1 to 3.4.2 of Audit and Risk Committee Charter.)	Under Section 3.4 [With respect to enterprise risks] of the Audit Committee Charter: 3.4.1. Review and discuss with Management and the Internal Audit Head and/or the External Auditor the policies and processes adopted by Management with respect to risk identification, assessment and management; and 3.4.2. Require Management to provide report and discuss with the Committee about the Company's significant or major risk exposures, any, and the steps taken by Management to monitor or manage risks such.
Corporate Risk Management Committee (composed of Officers)	Review and implementation of activities of committees in charge of specific risks.	Monitors compliance of each risk committee to the actions taken in respect to identified risks within its division.

Committee/Unit	Control Mechanism	Details of Functions
Corporate Governance Committee	<ul style="list-style-type: none"> < <u>The Committee, in coordination with the Corporate Governance Officer, shall report directly to the Board on its decision or recommendation, unless there is a legal and/or regulatory restriction on its ability to do so (such as a restriction on disclosure due to regulatory requirements).</u> < <u>The Committee shall have the right to require management of the Company to furnish all information requested by the Committee as may be required for the purpose of performing its duties.</u> < <u>As necessary, the Committee is authorized to obtain independent external professional advice and secure assistance from external parties with relevant experience and expertise where it considers necessary. The Committee shall have the sole authority to approve all reasonable related fees and terms of engagement, which shall be borne by the Company.</u> < <u>The Committee shall be provided with sufficient resources to perform its duties.</u> 	<ul style="list-style-type: none"> > <u>Develop, review, update and monitor the training and continuous professional development of directors and senior management;</u> > <u>Review and monitor the training and continuous professional development of directors and senior management;</u> > <u>Develop, review, update and monitor the code of conduct and compliance manual (if any) applicable to the directors and employees of the Company;</u> > <u>Review and monitor the Code of Corporate Governance and the Corporate Governance Guidelines.</u>

G. INTERNAL AUDIT AND CONTROL

1. Internal Control System

Disclose the following information pertaining to the internal control system of the Company:

a. Explain how the internal control system is defined for the Company

As summarized from the references specified below, the board of directors, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (i) Effectiveness and efficiency of operations
- (ii) Reliability of financial reporting
- (iii) Compliance with applicable laws and regulations
- (iv) Safeguarding of assets

"The Company has an internal audit system whereby an internal audit or organization conducts independent and objective internal audit activities designed to add value to and improve the Company's operations and to help it attain its objectives through its approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes through which the Board, Management and stockholders of the Company shall be provided with reasonable assurance that the Company's key organizational

appropriate, adequate, (Marfaal on Corporate Governance, 2011. (a) Internal the Audit Functions; Audit Charter Items 3.2, 3.3, 3.4, 3.5 and 3.6)

- b. A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Audit and Risk Committee of Philex Mining in a confirmation statement dated 01 August 2014 confirmed that based on the review of the internal audit reports and discussion with the internal auditor, the internal controls of the Company are effective and adequate.

- c. Period covered by the review;

The review covered January to June 2014.

- d. How often are the internal controls reviewed and what are the directors' criteria for assessing the effectiveness of the internal control system;

Review of internal controls is done on regular basis, and at least annually for purposes of issuance of confirmation statements signed by Chairman of the Audit and Risk Committee head of Internal Audit. Criteria for assessing the effectiveness of the internal control system includes checking the efficiency and effectiveness of operations, reliability of financial reporting and compliance with laws, regulations, policies and procedures.

The Audit Committee Charter mandates that the Audit and Risk Committee shall review on a regular basis (a) internal control, (b) financial reporting, (c) internal audit activities, (d) external audit activities, (e) regulatory, legal and tax matters, (f) reporting responsibilities. (Audit Committee Charter, Item 3.3.6).

- e. Where no review was conducted during the year, an explanation why not.

N/A. A review was conducted.

2. Internal Audit

- a. Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
To provide an independent, objective assurance and consulting services to management designed to add value and improve the operations. (Internal Audit Charter Mission and Scope of Work)	To determine whether network for risk management, control and governance processes, as designed and represented by the management is adequate and functioning in a manner to ensure: (1) Employee's applicable policies, standards, procedures, and applicable laws and regulations (2) Resources are acquired economically, used efficiently, and adequately protected.	In-house; Internal Audit may consult External Auditor as necessary or appropriate	The Head of the Internal Audit Department is Ms. Geraldine B. Ategan	Internal Audit reports to the Audit Committee directly

Role	Scope	Indicate whether In house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
	<p>(3) Programs, plans, and objective the Company are achieved.</p> <p>(4) Quality and continuous improvement are fostered in the Company's control</p> <p>(5) Significant financial, managerial, and operating information are accurate, reliable, and timely.</p> <p>(6) Significant legislative or regulatory issues affecting the Company are recognized and addressed appropriately.</p> <p>(7) Risks management of the Company is in place.</p> <p>(8) Interaction with the various governance groups occurs as needed</p> <p>Opportunities to improve management control, profitability, and the Company's image must be communicated during audits. It should be communicated to the appropriate level of management</p>			

- b. Do the appointment and/or removal of the Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes, the appointment/removal of the Internal Auditor requires the approval of the Audit and Risk Committee. Should there be a decision in the future to outsource the internal audit function the appointment of the accounting/auditing firm shall also be subject to prior approval of the Audit and Risk Committee (Reference: Internal Audit Charter and Scope of Work)

- c. Discuss the internal auditor's reporting relationship. Do the internal auditor have direct and unfettered access to the board of directors and the Audit and Risk Committee to all records, properties and personnel?

The internal audit organization, headed by the Internal Auditor, reports functionally to the Audit and Risk Committee. It is a support unit reporting functionally to the Audit and Risk Committee and administratively to Senior Vice President for Finance and Chief Finance Officer (on Corporate Governance, 2.6.2[a]; Audit Committee Charter, Item 3.2.1; PMC Internal Audit Manual)

Yes, the Internal Auditor has direct and unfettered access to the Board of Directors and the Audit and Risk Committee and to all records, properties and personnel (Internal Audit Charter)

d. Resignation, Reassignment and Reasons

Disclose any resignation/s or assignment of the internal audit staff (including those employed by the thirdparty auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
<i>Julie Grace B. Dumelod, probationary employee</i>	<i>Resigned in April 2, 2014 to continue studies.</i>

e. Progress against Plans, Issues, Findings and Examination Trends

State the interest against plans, significant issues, significant findings and examination trends.

The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following by-step activities:

- (1) Preparation of an audit plan inclusive of a timeline and milestones;
- (2) Conduct of examination based on the plan;
- (3) Evaluation of the progress in the implementation of the plan;
- (4) Documentation of issues and findings as a result of the examination;
- (5) Determination of the pervasive issues and findings year result and/or year results
- (6) Conduct of the foregoing procedures on a regular basis.

Progress Against Plans	Plans were generally attained
Issues ¹⁷	There were no significant issues
Findings ¹⁸	There were no material findings
Examination Trends	There were no Examination Trends (see definition of "examination trends" above)

f. Audit Control Policies and Procedures

Disclose all internal audit tools, policies and procedures that have been established by the Company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
A. Corporate Office	
<i>Time and Attendance Guidelines Supervisors & Managers</i>	<i>Implemented</i>
<i>Time and Attendance Guidelines Rank & File</i>	<i>Implemented</i>
<i>Deference of Vehicle Reservation Memo</i>	<i>Implemented</i>
<i>Vehicle Reservation Memo</i>	<i>Implemented</i>
<i>Foreign Travel Policy</i>	<i>Implemented</i>
<i>Authorized Signatories Gas Slips (Shell Kapitolyo Station)</i>	<i>Implemented</i>
<i>Inventory Policy</i>	<i>Implemented</i>
<i>Repeat Order Purchase Policy</i>	<i>Implemented</i>
<i>Limit of Approval Authority</i>	<i>Implemented</i>
<i>Procurement Authority</i>	<i>Implemented</i>
<i>Representation and Entertainment Expenses</i>	<i>Implemented</i>

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Policies & Procedures	Implementation
<i>Changes in the Corporate Supply Chain Organization Structure</i>	<i>Implemented</i>
<i>Proposed Changes in the Revolving Fund and Petty Cash Fund Payments</i>	<i>Implemented</i>
Implementing Rules and Regulations of Philippine Mining Act	Implemented
Risk Management Policy Statement	Implemented
Crisis Management and Recovery Policy	Implemented
Pasig Risk Committee	Implemented
Internal Audit Manual	Implemented
Company Property Insurance and Other Coverages	Implemented
Policy on Dealings in Company Shares of Stock	Implemented
Policy on Final Signing Authorities for Purchase Orders, Contracts, Donations	Implemented
Human Rights Policy	Implemented
Social Development Policy	Implemented
Budget Policies	Implemented
Procedures of Cash Purchases	Implemented
Password Policy	Implemented
Logo Discipline Manual	Implemented
Policy on Donations	Implemented
General Policies in Exploration Projects of the Company	Implemented
Legal Advisory on the New Supreme Court Procedure on Environmental Cases	Implemented
Internet Usage Policy	Implemented
Medicine Reimbursement and Educational Assistance Benefits	Implemented
Medicine Reimbursement Guidelines	Implemented
Gasoline Allowance	Implemented
B. Mine Site (Padcal)	
1. Various Health and Safety Policies	
<i>Energy Saving Guideline for Electrical Appliances</i>	<i>Implemented</i>
<i>Safety, Health and Env't Policy</i>	<i>Implemented</i>
<i>No Riders Policy on Company Vehicles</i>	<i>Implemented</i>
<i>Fire Risk Assessment for Hot Work Permits</i>	<i>Implemented</i>
<i>Working at Height and Confined Spaces</i>	<i>Implemented</i>
<i>Lockout / Tag Out Program</i>	<i>Implemented</i>
<i>Request for Replenishment of Departmental First Aid Kit</i>	<i>Implemented</i>
Reiteration of Guidelines for Visitors and Supplier Entering Industrial Areas	Implemented
Addendum Policy on the Strict Implementation of Accident/Illness Reporting	Implemented
Housing Electrical Installations and Fire Protection	Implemented
Safety Incentive for Workers	Implemented
2. Finance	
<i>Canteen Charges to Company Account</i>	<i>Implemented</i>
<i>Cash Advance Policy</i>	<i>Implemented</i>
Payroll Processing of Monthly Paid Employees	Implemented
Payroll Processing of SSU Paid Employees	Implemented
Various Payroll Processing of Monthly Paid Employees	Implemented
Various Payroll Processing of SSU Paid Employees	Implemented
Medical Emergency Fund	Implemented
3. Admin/HR	
<i>Transactions excluded from Auditing</i>	<i>Implemented</i>
<i>Hiring of Service Contract Workers</i>	<i>Implemented</i>
<i>Policy in Handling Community Grievances</i>	<i>Implemented</i>
<i>Final Approval of Documents</i>	<i>Implemented</i>
<i>Vacation and Compensatory Leaves</i>	<i>Implemented</i>
<i>SMART Bills Payment Procedure</i>	<i>Implemented</i>
<i>Increase in SSS Premiums effective January 2014</i>	<i>Implemented</i>
<i>Meting Out of Disciplinary Action</i>	<i>Implemented</i>
<i>Disciplinary Action</i>	<i>Implemented</i>

Policies & Procedures	Implementation
Hiring Policy	Implemented
Hiring of Casual Employees	Implemented
Extension of Casual/Contractual Employment	Implemented
Processing of Employee Promotions/Reclassification and Transfers	Implemented
Processing of Separation/Retirement Benefits of Retired Employees	Implemented
Updated Transportation Assistance for Optional/Mandatory Retirees - Andon File Employees	Implemented
Appointments to Acting Capacity	Implemented
Appointment to Positions of Higher Responsibility	Implemented
Official Implementation of the HRIS Keeping Module	Implemented
Revised Padcal CAPEX Acquisition Workflow	Implemented
Attendance Related Reminders for Managers	Implemented
Attendance Related Reminders for Non-Plant Employees (OAC/PT/STS)	Implemented
Wage Orders of DOLE	Implemented
Policy on Approval of Documents	Implemented
Special Leave Benefits for Women Employees in the Private Sector	Implemented
Implementation of the Parental Leave	Implemented
One Month Leave with Pay Due Retirees	Implemented
Policy on AVL Recall	Implemented
Approving Authority for Vacation Leave Applications	Implemented
Filing of Annual Vacation Leave Credits	Implemented
Proportionate AVL and Company Sickleave for Separated Employees	Implemented
Annual Vacation Leave (AVL) Benefit Managers	Implemented
Recall of Employees from Annual Vacation Leave (AVL)	Implemented
Application for Leave with Pay for Board Examination	Implemented
Suggested Additional SOP in Returning to Work After Sickleave	Implemented
Confinement of Employees on Sick Leave	Implemented
Work on Scheduled Rest Days	Implemented
Submission of Rest Day/Holiday Work Authorization	Implemented
Implementation of Flexible Rest Day Policy	Implemented
Filing of Overtime	Implemented
Claims for Overtime Payment	Implemented
Premium Payments for Regular Employees	Implemented
Early Quitting/Tardiness	Implemented
Policy on Hospital Visits of Employees During Working Hours	Implemented
Representation & Entertainment Expenses	Implemented
Per Diem and OB Money	Implemented
Per Diem of Supervisors on Official Business	Implemented
Per Diem OB in Poro	Implemented
Updated Per Diem	Implemented
Amendment Per Diem and OB Money (For Padcal Only)	Implemented
Food Allowance for Project/Casual Employees	Implemented
Meal Allowance for Dozer Operator/Mechanic at Road Widening Project	Implemented
Exploration Field Allowance	Implemented
Updated Contract Rate	Implemented
Updated Transportation Assistance	Implemented
Updated PMSEU CBA Negotiated Wages/Benefits & Other Matters	Implemented
PRFEU Negotiated Wages/Benefits & Other Matters	Implemented
Negotiated Benefits for Supervisory Employees	Implemented
Negotiated Benefits for Rank File Employees	Implemented
Updated STS Benefits	Implemented
Updated PT/OAC Benefits	Implemented
Guidelines in the Grant of Consideration for Rice Ration	Implemented
Medicine Reimbursements and Referrals	Implemented

Policies & Procedures	Implementation
New Medicine Reimbursement Procedures	Implemented
Processing of Request for Reimbursement of Medicine Expense	Implemented
Treatment of Medical Expense in Case of Apparatus Bog Down	Implemented
Processing of Medicine Refund of Managers	Implemented
Managerial Outside Medical Assistance Benefit (Updated)	Implemented
Outside Medical Assistance of OAC Employees	Implemented
Revision of OMA Benefit of Daily Employees	Implemented
Guidelines Governing the College Educational Assistance Program (CEAP) of Mining Corporation Padcal	Implemented
Policy on Contractor's Materials & Supplies	Implemented
Company Proprietary Information	Implemented
Security Controls for Changes in Application Programs & Transaction Data	Implemented
Request of Hotel Accommodation at Pasig Office	Implemented
Use of Company Vehicles	Implemented
Vehicles to be Used During Operations	Implemented
Policy on the Rental of Company Vehicles	Implemented
Lodging & Transportation Expenses During Official Business Trips	Implemented
Revision of Outside Medical Assistance of Spouses Both Employed with the Company	Implemented
Medical Checkup Benefit (ECU) of Managerial Employees	Implemented
Executive Checkup with Notre Dame	Implemented
Executive Checkup Package	Implemented
Executive Checkup - Additional Amount	Implemented
Claim for the OMA Benefits for Diagnostic Procedure	Implemented
Guidelines on the Implementation of the Emergency Medical Loan	Implemented
Maximization of Use of Company Hospital Facilities	Implemented
Availment of Managerial Hospitalization Benefit	Implemented
Increase in SSS/ECC Premiums	Implemented
PAG-IBIG Fund Coverage of Casual/Project Employees	Implemented
Increase in Philhealth Contributions	Implemented
Insurance Coverage Renewal	Implemented
Amendments of the Rank and File Company Rules and Regulations	Implemented
Request for Padcal Outside Contract Work	Implemented
Kilometer Check Up and Outside PMS	Implemented
Accountability Policy on Tools, Equipment & Other Materials	Implemented
Internet Usage Policy for Residents	Implemented
Guidelines on Internet Use at the Philex Padcal Guesthouse	Implemented
Smart Bro Internet Connection & Related Issues	Implemented
SOP on Escorts RE: Company Trailers & Heavy Loads from Manila & Others	Implemented
Policy on College Assistance Benefits	Implemented
Vaccination Policy	Implemented
Guideline on Responsible Trench Spitting	Implemented
Strict Implementation of the Guidelines for Cigarette Smoking	Implemented
4. Materials Management	
<i>Guidelines on the Purchase of Scrap Materials</i>	<i>Implemented</i>
<i>Approving Limit for Scrap Sales</i>	<i>Implemented</i>
<i>Cutoff Time for Material Receipts & Issuances</i>	<i>Implemented</i>
<i>Enforcement of Warehousing Regulations</i>	<i>Implemented</i>
<i>Policy on Approving Authority Procurement</i>	<i>Implemented</i>
<i>Changes in Purchase Approval Limits</i>	<i>Implemented</i>
<i>Proposed Changes in PO Signing Authority</i>	<i>Implemented</i>
<i>Rush and Urgent Purchase Requisitions</i>	<i>Implemented</i>
<i>Repeat Order Purchase Policy</i>	<i>Implemented</i>
<i>Procurement Authority</i>	<i>Implemented</i>
<i>Limit of Approval Authority</i>	<i>Implemented</i>

Policies & Procedures	Implementation
Policy on Declaring Obsolescence	Implemented
Policy on Equipment in Declaring Obsolescence	Implemented
Policy on Materials and Supplies and Spare Parts in Declaring Obsolescence	Implemented
Policy on Accountability of M/S @ Warehouse	Implemented
Guidelines and Procedures for Order Lists Covering Fast Track Items	Implemented
Various Equipment, Materials and Supplies for Disposal Transfer	Implemented
Procurement of Materials and Supplies	Implemented
Processing of Transaction Documents	Implemented
Purchase of Materials and Supplies	Implemented
Emergency Cash Purchase of M/S in Baguio	Implemented
Disposal of Bunker Sludge/Used Oil Thru Sale	Implemented
Receiving of Materials and Supplies	Implemented
Shipping of Outgoing Materials and Supplies	Implemented
Warehousing Operation	Implemented
Storage and Handling of LPG/Acetylene	Implemented
Scrap Management	Implemented
Handling/Disposal of Bunker Sludge/Used	Implemented
Storage and Dispensing of Fuel/Oil	Implemented
Accrediting New Suppliers	Implemented
Purchase of M/S Where No PO is Required	Implemented

g. Mechanism and Safeguards

State the mechanism established by the Company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the Company's shares and imposition of these transactions, limitation on the provision of non-audit services that an external auditor may provide to the Company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>(1) Internal Audit is a corporate insider subject to corporate policy and rule on insider trading.</p> <p>(2) Internal Audit reports directly to the Audit and Risk Committee.</p> <p>(3) Non-audit services and fees for both audit and non-audit work are subject to prior approval of Audit and Risk Committee. Criteria (i) the significance of the fee in relation to total annual income of external audit firm; (ii) conflict of interest (Audit Committee Charter, 3.1.4)</p> <p>(4) External Auditor's statement of Independence written statement that should be delivered annually, delineating all relationships with the Company and whether any of such relationships would have an impact on objectivity, quality of service, and independence (Audit Committee Charter, 3.1.4)</p>	<p>Financial analysts are not relevant to the Company.</p> <p>Financial advisors are asked to sign agreements that contain prohibition on dealing or trading in shares of Company.</p>	<p>Asked to sign agreements that contain a prohibition on dealing or trading in shares of Company.</p>	<p>The Company does not contract with rating agencies.</p>

h. State the officers (preferably the Chairman and the compliance with the SEC Code of Corporate Governance. Such officers shall state that all directors, officers and employees of the Company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure compliance.

The Chairman and the President/CEO, after review and consultations with the Audit and Risk Committee Chairman and Management.

H. ROLE OF STAKEHOLDERS

1. Disclose the company's policy and activities relating to

	Policy	Activities
Customers' welfare	Fair and transparent dealings with customers. It ships all production to two smelters (takers) located outside the Philippines. Relationship with them is governed by and short-term contracts.	Representatives of the Company and customer meet annually to review the preceding year's annual discussions whenever a shipment is
Supplier/contractor practice	<p>Basic policy: <u>The Company shall promote and implement standards of relationships and core values as defined in the Directors, Employees and Consultants # opportunity and honest treatment of Suppliers in all business transactions</u></p> <p>(1) The Purchasing Manual contains policies for ensuring integrity of procurement process.</p> <p>(2) Vendor accreditation policy objective is to ensure that all suppliers or contractor responsible entities that are competent financially able to comply with contractual commitments.</p> <p>(3) Criteria for accreditation please see 1(a) and (b) in third column of this report. Additional criteria are:</p> <p>(i) Vendor must have a Dun and Bradstreet number; and</p> <p>(ii) Vendor must have an Environmental or must be a member of an organization for environment protection awareness.</p> <p>(4) Supplier Information policy: The Company shall maintain an orderly, complete, updated and secured electronic file of all supplier information in the PCS or ERP System integrity and confidentiality must be maintained.</p> <p>(5) Risk Indicator Monitoring policy: The Company shall monitor risk indicators that may impact its Supply Chain Operations to avoid disruption of supply, ensure avail</p>	<p>(1) For vendor accreditation:</p> <p>(a) Prospective vendor must complete new Vendor form (NVAAD) and existing Vendors must update their information periodically through the submission of Vendor Information Update form (EVIUF) duly accomplished. These are detailed forms that require information regarding the Vendor's financial ownership, product lines, agreements with respective principals/OEM, experience and expertise.</p> <p>(b) Financial Ratios for vendor accreditation: a review of financial ratios is undertaken as part of accreditation process</p> <p>(c) Vendor must submit a statement of:</p> <p>(i) the information provided in the NVAAD or the EVIUF regarding financial condition, ownership, product lines; agreements with respective principals/OEM are accurate and correct;</p> <p>(ii) Vendor will comply with commitments in terms of product quality, service quality, competitive cost, timely delivery of service</p> <p>(iii) Vendor will avoid any potential actual conflict of interest, observe ethical and fair practices to ensure fair and transparent dealings with the Company</p> <p>(iv) Vendor will cooperate with and welcome evaluation of their performance as a tool for compliance and continuous improvement</p>

	Policy	Activities
	of materials, avoid delays in the provision of services and stoppage of operations	
Environmentally friendly value chain	<p>Environmental policy: <u>As a socially and environmentally responsible company, Philex Mining is committed to the continuous improvement of its operations, avoiding rehabilitating any adverse environmental impacts, the faithful compliance with laws, legislations and other regulations, and promotion of environmental awareness, commitment for environmental protection among its workers at all levels.</u></p>	<p>(1) Consistent with environmental policy, one of the criteria in its procurement process is that the Vendor must have an Environmental Policy and must be a member of an organization that promotes environment protection awareness.</p> <p>(2) Also consistent with such policy, the Company mandates environmental awareness training. There is focus on efficient use of materials related to Energy Efficient Shipping Materials, Content and Supplier Waste Management.</p> <p>Environmental activities for the Company's mine sites are:</p> <ol style="list-style-type: none"> 1. Land Resources Management <ol style="list-style-type: none"> a) Reforestation and Forest Protection <ol style="list-style-type: none"> (i) Forest Nursery Management (ii) Plantation Operation and Protection <ol style="list-style-type: none"> a(ii)1: New Plantation Establishment a(ii)2: Plantation Care and Maintenance a(ii)3: Fireline/Firebreak Construction b) Slope Stabilization and Erosion Control Measures <ol style="list-style-type: none"> (i) Benching (ii) Wattling (iii) Shotcreting (iv) Toe wall construction c) Surface Subsidence Control/Backfilling Operation* d) Solid Waste Management e) Rehabilitation of mine disturbed areas (PGPI and SMMCI) 2. Water Resources Management <ol style="list-style-type: none"> a) Maintenance and Operation of Tailing Ponds b) Effluent Monitoring c) Chemical Waste Management and Monitoring d) Used Oil and Fuel Management 3. Air Quality Management <ol style="list-style-type: none"> a) Underground Ventilation System Repair and Maintenance b) Maintenance of Dust Suppressor* c) Air Ambient Monitoring
Community interaction	<p><u>The Company recognizes the desires, aspirations of the communities and indigenous peoples hosting our projects, and respects their cultural practices. We commit that we will act responsibly and will obey applicable laws, in order to minimize the impact of our projects on the environment, protect the health and safety of those affected by our activities, and ensure that they receive real benefits from our operations.</u></p>	<p>Philex Mining Corporation strives to continue to be a strategic partner for its host and its neighboring communities towards their development. To this end, the Company implements the following programs:</p> <p>(1) Social Development and Management Program (SMDP) for Benguet Mine in Benguet province; and</p>

	Policy	Activities
	<p><i>The Company treats its host communities and indigenous peoples as our partners in the exploration and development of our mining projects. Social acceptability is very important for long-term, stable, and beneficial resource development. We strive to give communities and indigenous peoples all the benefits from our operations, and to leave them a lasting legacy by adopting programs geared toward developing their livelihood capacity requirements, as well as their cultural, educational, health, safety, and environmental needs.</i></p> <p>The Company has a Community Relations Department, headed by the Vice President of Community Relations, charged with the responsibility of formulating and implementing policies and programs for the welfare and benefit of its partner communities.</p> <p>Social Development Policy</p> <p>Philex Mining Corporation as part of its corporate character commits itself to the environmental, social and economic development of its partner communities and believes that their development is a means of contributing to national development.</p> <p>Its sustainable environment and community development program was conceptualized to act as a medium and help facilitate appropriate "fit" conservation and community-reliance. The program is headed by the Community Development Manager whose underlying function is to promote and maintain the company's building goodwill, trust and support for communities in line with the corporate perspective of promoting sustainable development through partnerships.</p> <p>Statement of Policies:</p> <p>In its effort to fulfill its mandate, and knowing that the success of its development and management programs (SDMP) and community development program (CDP) depends heavily on the community's soundness, cooperation, and internalization of the program's objectives</p> <p>Philex Mining Corporation:</p> <p>(1) Commits to improve the quality of partner communities by working towards sustainable resource management combining local knowledge and skills with appropriate technologies;</p> <p>(2) Acknowledges that communities are capable of making responsible decisions</p>	<p>(2) Community Development Program (CDP) for Philex Gold and Silver Mindanao projects.</p> <p>The SMDP and CDP serves as a vehicle to attain community self-reliance and development. They focus on five areas under the acronym of B.L.P.</p> <p>1. Information Education Communication</p> <p>(a) Community immersion</p> <p>(b) Dialogues with local group leaders, focused group discussions with various sectors such as the academe, religious groups, and Non-Government Organizations (NGOs)</p> <p>(c) Courtesy calls to Local Government Units (LGUs)</p> <p>(d) Mine visits at operating, exploration and care and maintenance project sites to the stakeholders from host neighboring communities</p> <p>2. Health</p> <p>(a) Medical and Dental Projects</p> <p>(b) Free consultation and treatment at Philex Sto. Nino Hospital (Philex Medical)</p> <p>(c) Health Trainings and Seminars</p> <p>(d) Provision of Accident Insurance and Health Cards</p> <p>3. Education</p> <p>(a) Scholarship Program: Elementary, High School, College, Technical and Vocational (includes scholarship programs for Indigenous People (IP))</p> <p>(b) Provision of Educational Equipment and Materials</p> <p>(c) Construction and Improvement of School Buildings and Facilities</p> <p>(d) Financial Assistance to volunteer teachers</p> <p>(e) Nutrition Program</p> <p>4. Livelihood</p> <p>(a) Employment Enhancement Projects</p> <p>(b) Provision of technical and financial assistance to various cooperatives and peoples organizations to enhance their projects which include agroforestry, natural farming, and livestock raising</p>

	Policy	Activities
	<p>that their active and meaningful participation is essential in addressing poverty and environmental degradation;</p> <p>(3) Believes that partnerships among stakeholders and the sharing of resources, capabilities and responsibilities are key to community development;</p> <p>(4) Believes that community development projects should be geared towards self-reliance.</p>	<p>5. Public Infrastructure</p> <p>(a) Construction and improvement of roads</p> <p>(b) Waterworks and irrigation systems</p> <p>(c) Electrification</p> <p>(d) Other public infrastructure such as construction of health centers, hanging bridges, waiting sheds and other community buildings.</p>
Anticorruption programmes and procedures?	<p><u>The Company has in place the Code of Business Conduct and Ethics which emphasize professionalism and ethics in business dealings and transactions.</u></p> <p><u>The Company has in place the Vendor Relations Policy and Policy on Entertainment and Sponsored Travel which were approved by the BOD last February 2014.</u></p> <p>(1) Supply Chain Management Code of Conduct: Supply Chain professionals shall maintain a reputation that is beyond reproach and in accordance with the Institute of Supply Management (ISM) and Philippine Institute for Supply Management (PISM) Standards of Conduct aligned with Industry Best Practices.</p> <p>(2) Supplier Relations: Procurement Department is the primary source of contact and channel of communications with vendors. It is therefore our policy to maintain and practice the highest possible standards of business ethics, professional courtesy, competence in all our dealings with existing and potential vendors</p> <p>(3) Gifts & Gratuities: No company employee shall accept gifts, personal loans, entertainment or other special considerations from an individual supplier or organization doing business with the Company</p>	<p>(1) The Supply Chain Management Code of Conduct Policy focuses on avoiding impropriety in the conduct of professional transactions pertaining to relationships and communications; avoiding conflict or interest where an employee of Philex has an interest in another company dealing with Philex, among others.</p> <p>(2) Supplier Relations policy puts emphasis on the decorum required when dealing with suppliers.</p> <p>(3) The Policy on Gift & Gratuities is specific on tokens, particularly during Christmas Season, where suppliers are discouraged to give lavish gifts and tokens. This is relayed to suppliers through an official letter from November through the Company.</p>
Safeguarding creditors' rights	<p>The Company honors all of its obligations including obligations to any creditor it may have. There has been no case where a creditor brought the Company to court due to non-payment of capital or financial obligations.</p> <p><u>Rights of major creditors by publicly disclosing all material information, such as earnings, results and risk exposures relating to the Company's covenants. Our disclosures, controls and procedures also include periodic reports to major creditors, such as the latest certified financial statements, among others.</u></p>	

	Policy	Activities
	#	
	#	

2. Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes. The annual report distributed at the annual stockholders' meeting covers the company's social responsibility, environmental programs, and community development projects. These reports may also be viewed on the¹⁹ Company's website.

3. Performance enhancing mechanisms for employee participation.

a. What are the company's policy for its employees' safety and health?
 Policy: The Company promotes safety, discrimination, environmental awareness, and commitment in the workplace, and we support programs that promote the development and potential of our employees. We encourage transparency, professionalism, and accountability among our employees.

Philex Mining Company is a Filipino mining company that values the dignity of every individual and the basic human rights recognized under the Philippine Constitution and the Universal Declaration of Human Rights. In all our endeavors, we are committed to respect human rights to conduct our activities in a manner that is consistent with all applicable laws and in accordance with best practices in mining exploration and development, environmental stewardship, health and safety, and community relations.

The Company Site Safety Policy reads:

The Company adheres to a Site Safety Policy and is committed to the highest levels of health and safety. Philex Mining Corp. strives to maintain a sound and safe working place for the prevention of injury, illness, property damage, and loss to process, in compliance with all relevant legislations, and in the preservation of environment as well.

Ethics

We conduct our business honestly, responsibly and with due regard to the dignity and human rights of every individual, in accordance with all laws in all jurisdictions in which we operate, including those that guarantee protection to human rights and labor laws and the rights of workers and employees.

Preamble of the Code of Business Conduct and Ethics:

Philex Mining Corp. is dedicated to doing business in accordance with the highest standards of ethics. The company, its directors, officers, and employees are to promote a culture of good corporate governance by observing and maintaining its core business principles of integrity, teamwork, work excellence, respect for individuals, corporate responsibility, and social and environmental responsibility.

¹⁹ <http://www.philexmining.com.ph/sustainability/environmentalstewardship>
<http://www.philexmining.com.ph/sustainability/communityempowerment/health>
<http://www.philexmining.com.ph/sustainability/communityempowerment/education>
<http://www.philexmining.com.ph/sustainability/communityempowerment/publicinfrastructure>
<http://www.philexmining.com.ph/sustainability/communityempowerment/livelihood>
<http://www.philexmining.com.ph/sustainability/business/technologycenter>

thei
partners, other stakeholders, regulators, and the public.

Employees

We conduct our business and activities fairly, honestly, and with due regard for the human rights of our employees, including the rights guaranteed by our labor laws. We promote safety, no discrimination, environmental awareness, and commitment in the workplace, and we support programs that promote the development and potential of our employees. We encourage transparency, professionalism, and accountability among our employees.

These are embodied in the Vision, Core Values and Mission Statement of the Company.

- b. Show data relating to health, safety and welfare of employees.

The Company's programs for the health, safety and welfare of employees include: health insurance, medical program, medicine allowance and assistance, free hospital services, free housing, educational assistance, for employees' dependents, meal allowance, life and accident insurance, recreation, sports & entertainment, gasoline and transportation allowance, and bereavement assistance,

- c. State the company's training and development programs

2014 Training and Development Programs

<u>Level</u>	<u>Program Title</u>	<u>Runs</u>	<u>Date/s of Session</u>	<u>Total Attendance</u>
<u>All Levels</u>	<u>New Employee Orientation</u>	<u>3</u>	<u>2829 January 2014</u> <u>2526 February 2014</u> <u>2223 April 2014</u>	<u>12</u>
<u>Managers/ Officers</u>	<u>Project Planning Workshop</u>	<u>1</u>	<u>06 March 2014</u>	<u>19</u>
<u>Managers/ Supervisors</u>	<u>DOLE Rules: From-Employment to Post-Employment</u>	<u>1</u>	<u>24 April 2014</u>	<u>2</u>
<u>Managers/ Supervisors</u>	<u>Performance Management System (PMS) Midyear Review Skill Building Session</u>	<u>9</u>	<u>07 May 2014</u> <u>21 May 2014</u> <u>22 May 2014</u> <u>27 May 2014</u> <u>28 May 2014</u> <u>29 May 2014</u> <u>30 May 2014</u> <u>04 June 2014</u>	<u>90</u>
<u>Managers/ Supervisors</u>	<u>Leadership Excellence</u>	<u>2</u>	<u>0304 June 2014</u> <u>2425 June 2014</u>	<u>46</u>

²⁰ <http://www.philexmining.com.ph/about-us/our-division-and-mission>

2014 Safety Trainings

<u>Level</u>	<u>Program Title</u>	<u>Runs</u>	<u>Date/s of Session</u>	<u>Total Attendance</u>
<u>Drivers of Company Owned Vehicles, PJODA</u>	<u>Defensive Driving Orientation</u>	<u>3</u>	<u>14 January 2014</u> <u>15 January 2014</u> <u>16 January 2014</u>	<u>102</u>
<u>All Employees, Housewives, Dependent Constituents and Local Residents</u>	<u>Fire Safety Seminar for Purok</u>	<u>9</u>	<u>11 February 2014</u> <u>12 February 2014</u> <u>13 February 2014</u> <u>14 February 2014</u> <u>15 February 2014</u> <u>17 February 2014</u> <u>18 February 2014</u> <u>19 February 2014</u> <u>21 February 2014</u>	<u>607</u>
<u>R/F, Supervisors, Contractors</u>	<u>Accident/Incident Investigation Analysis Seminar</u>	<u>6</u>	<u>2426 February 2014</u> <u>27Feb 01Mar 2014</u> <u>0305 March 2014</u> <u>0608 March 2014</u> <u>0305 April 2014</u> <u>0810 May 2014</u>	<u>341</u>
<u>R/F, Supervisors, Managers</u>	<u>Loss Control Management</u>	<u>3</u>	<u>2528 February 2014</u> <u>2528 April 2014</u> <u>1417 May 2014</u>	<u>113</u>
<u>R/F, Supervisors</u>	<u>Fire Emergency Preparedness for Personnel</u>	<u>1</u>	<u>15-16 March 2014</u>	<u>29</u>
<u>R/F, Supervisors</u>	<u>Overhead Crane Maintenance and Operation Seminar</u>	<u>10</u>	<u>05 May 2014</u> <u>06 May 2014</u> <u>07 May 2014</u> <u>08 May 2014</u> <u>09 May 2014</u> <u>12 May 2014</u> <u>13 May 2014</u> <u>14 May 2014</u> <u>15 May 2014</u> <u>16 May 2014</u>	<u>411</u>
<u>R/F, Supervisors, Managers</u>	<u>STOP, SLAM, LOTOTO Supervisor Training Observation Program: Stop, Look, Assess and Manage: Lockout Tagout Test Out/Turn Over</u>	<u>3</u>	<u>05 June 2014</u> <u>06 June 2014</u> <u>07 June 2014</u>	<u>129</u>

d. State the company's reward/compensation policy that goes beyond short-term financial measures

The Compensation Philosophy/Principles of the Company are as follows:

1. Pay-for-Performance
 - Performance defined as achievement of results aligned to business objectives and behaviors consistent with Philex Values
 - Performance given more weight and importance than other pay components
 - Significant variable compensation tied to individual and company performance
 - Differentially reward those that consistently exceed performance objectives
2. Pay for competencies and skills that are valuable to Philex
3. Pay competitively versus local competitors and other comparator companies
4. Provide a Total Rewards Package that includes pay, benefits, employee recognition, development and a work environment conducive to high performance
5. Founded on an effective Performance Management Process
6. Line Managers are primarily responsible for implementing the Philex Compensation Philosophy with HR serving as a resource.

The Company's Stock Option Plan is consistent with the above philosophies and principles. On April 27, 2011, the Company adopted the 2011 SOP. The objectives of the 2011 SOP are to enable qualified participants who are largely responsible for the growth and development of the Philex Group of Companies to obtain an ownership interest in the Company; to encourage their long-term commitment to the Group; to motivate them to continue their efforts in contributing to the long-term financial success of the Group; and to encourage other talents needed for the business to join the Group.

4. What are the company's procedures for handling complaints (including but not limited to bribery and corruption) and unethical behavior? Explain how employees are protected from retaliation.

The Company has in place the Whistleblowing Policy which provides procedures for handling of complaints concerning illegal and/or unethical behavior. The coverage is from submission of complaints until the resolution and docketing of the same. The procedures for handling complaints likewise apply to cases of retaliation. To wit:

1. Submission/Receipt of Complaints

1.1 Any (Whistleblower) Complaint must be made to or filed with the Corporate Governance Office (CGO) through the appropriate reporting channels. It may also be filed through any responsible officer of the Company who, in turn, shall refer it to the CGO for appropriate handling. The Whistleblower may elect to identify himself or remain anonymous.

1.2 A (Whistleblower) Complaint shall preferably be in writing and may be submitted either through e-mail address, fax number or P.O. Box Number which shall be set up by the CGO exclusively for this purpose.

1.2.1 A Whistleblower shall file his (Whistleblower) Complaint using the Disclosure Form (CDF), a template of which shall be made available in the PMC website to be set up for this purpose.

1.2.2 Any written (Whistleblower) Complaint shall be initially handled by the CGO which shall assign a case number and ensure that records are established and maintained.

1.3 A (Whistleblower) Complaint may also be made verbally to the Corporate Governance Compliance Officer (CGCO) either in person or by calling the special phone number that shall be established for this purpose.

1.3.1 For verbal (Whistleblower) Complaints, the CGCO shall:

e-mails sent, etc.); and

transcript of the relevant discussions between the Whistleblower and the CGCO, and a transcript prepared by the latter and/or to be identified in the course of the investigation.

1.3.2 The CGCO shall prepare the corresponding CDF based on the transcript referred to above.

2 Preliminary Evaluation

2.1 Evaluation of the (Whistleblower) Complaint

The CGCO shall conduct a review of the (Whistleblower) Complaint to determine (1) the sufficiency; (2) whether it pertains to a matter within the scope of this Policy; and (3) the appropriate unit to which it will be referred for more detailed handling. In the event that the CGCO finds that a (Whistleblower) Complaint pertains to a matter outside of this Policy, it should endorse the matter to the appropriate unit and advise the Whistleblower accordingly.

2.2. Sufficiency of the (Whistleblower) Complaint

a. The (Whistleblower) Complaint must contain at least the following information:

i. _____

ii. a specification of the charge or charges;

iii. a brief statement of the relevant and material facts, including the approximate time and place of the commission of the act or acts complained of, the persons involved and such other matters that will assist the CGCO to identify the nature of the violation or offense; and

iv. any evidence that the Whistleblower may have, including affidavits of Witnesses and/or third parties including, but not limited to PMC's suppliers and contractors.

Notwithstanding the provisions of this policy, no anonymous (Whistleblower) Complaint shall be entertained unless there are sufficient facts and evidence cited in the CDF that would lead a reasonable man to conclude that the charge is not frivolous and intended to harass the respondent.

b. Should the CGCO find the (Whistleblower) Complaint insufficient because of the _____ above, the CGCO shall advise the Whistleblower, if he is identified or can be contacted, that such insufficiency may constrain the CGCO to close the case and not take further action on the (Whistleblower) Complaint as the lack of information prevents the conduct of investigation.

2.3 Referral to the AIU (Appropriate Investigating Unit)

a. Should the CGO find the (Whistleblower) Complaint sufficient and substantive, it shall refer the (Whistleblower) Complaint to any of the AIU and conduct the investigation:
i. Internal Audit for violations of Questionable Accounting or Auditing Matters; or
ii. Human Resources Department for violations of the Code of Ethics, Discipline or equivalent policy, which do not constitute a Questionable Accounting or Auditing Matter or a violation of the CG Rules.

The CGO shall be the AIU if such (Whistleblower) Complaint pertains to any violation of the CG Rules.

An ad hoc AIU or committee may also be constituted if the subject or respondent of the AIU herein identified [e.g., the (Whistleblower) Complaint pertains to a Questionable Accounting or Auditing Matter and the subject or respondent is a member of the Internal Audit, or the (Whistleblower) Complaint involves an offense covered by the Code of Discipline or equivalent policy and the subject or respondent is a member of HR]. If the (Whistleblower) Complaint involves a violation of the CG Rules and the subject or respondent is a member of the CGO, the (Whistleblower) Complaint must be processed in accordance with this Policy.

The AIU or ad hoc AIU/committee may likewise consult, as it deems necessary, with Legal and other business and support service units in the course of its investigation.

- b. If the Whistleblower is identified or can be contacted in accordance with Section 4.2, the AIU will acknowledge receipt of the (Whistleblower) Complaint and advise the Whistleblower in writing about the referral of the (Whistleblower) Complaint to the AIU.
- c. A withdrawal of the (Whistleblower) Complaint shall not preclude the AIU from proceeding with the investigation of the case if there are sufficient evidence to warrant further investigation. The withdrawal of the Complaint must also be looked into and dealt with separately as warranted.
- d. If the Whistleblower is an employee of a Subsidiary, the CGO shall refer the (Whistleblower) Complaint to the counterpart AIU of that Subsidiary or, in the absence of such, to the Officer or other authorized or designated to handle (Whistleblower) Complaints (e.g., President/CEO, Internal Audit, HR, etc.). In this case, compliance with the requirements of due process (affording the respondent an opportunity to be informed of the particular nature of the offense or infraction imputed to him, to answer the charges against him, and to be heard and to defend himself) and implementation of the disciplinary action shall still be the primary responsibility of the Subsidiary.

3 Factfinding Investigation, Conclusion and Reporting

The following policy and procedures shall likewise apply to the AIU or to ad hoc AIU/committee that may be constituted:

3.1 Where applicable, the AIU or the ad hoc AIU/committee may adopt the procedures to implement disciplinary action in the Code of Discipline or equivalent policy. Otherwise, it shall adopt comprehensive policies and procedures for the proper handling, investigation, resolution and reporting of all (Whistleblower) Complaints referred to it. The AIU shall ensure that the investigation is conducted in accordance with existing laws, regulations, applicable Company policies and procedures and due process.

3.2 The following factors shall be considered by the AIU in the handling of a (Whistleblower) Complaint covering matters within the scope of this Policy.

- a. the gravity and relevance of the allegation(s) and issue(s) raised;
- b. the probability that the allegation(s) or issue(s) raised are true;
- c. the significance of details and evidence submitted; a
- d. the possible sources of additional evidence, including testimonies or affidavits of third parties.

3.3 The AIU shall determine whether the (Whistleblower) Complaint:

- a. Will not be pursued If despite efforts to obtain additional information, the AIU should still find the (Whistleblower) Complaint insufficient for further action, the AIU shall close the case.

shall so recommend to the CGCO who, in turn, shall advise the Whistleblower, if he is identified or can be contacted in writing or such finding and the basis thereof.
b. Needs further investigation. The Whistleblower, if he is identified or can be contacted, shall be notified that an investigation will be conducted and the report of the findings will be provided to the CGO.

3.4 Upon completion of the investigation, the AIU shall submit to the CGO a written report on the findings, including a summary of the evidence gathered and a conclusion as to whether or not the (Whistleblower) Complaint is substantiated.

3.5 If the (Whistleblower) Complaint is determined to be substantiated, the CGO shall issue a report to the respondent shall not be disclosed to anyone who does not have the need to know it while the investigation is pending. The immediate superior of the respondent shall follow the procedures laid down in the Code of Discipline or equivalent policy specifically in terms of informing the respondent in writing of the particular act constituting the offense or infraction imputed to requiring the respondent to answer the charges against him, and affording the respondent the opportunity to be heard and to defend himself.

3.6 Investigation and determination of the appropriate disciplinary action shall be made by the immediate superior of the respondent.

3.7 In case the (Whistleblower) Complaint is determined to be unsubstantiated, fabricated, malicious, or insignificant:
a. the Whistleblower, if identified or can be contacted, shall be informed by the CGO that the case is deemed close including the reason for such;
b. the respondent shall be informed in writing by the immediate superior of the final disposition of the (Whistleblower) Complaint
c. AIU should endeavor to determine as far as practicable based on the evidence available whether the Complaint is fabricated or in bad faith.

3.8 The immediate superior shall report to the CGO a report of the final action/disposition made in accordance with the two (2) preceding Sections. It shall likewise advise CGO to close the case records.

3.9 In the event that an employee who is under investigation resigns from the Company pending completion of the investigation or final resolution of the case against him, his resignation shall be without prejudice to the outcome of the investigation or final resolution of the case. Any benefit the resigning employee shall be withheld until the outcome of the investigation or final resolution of the case.

4 Case Monitoring

4.1 All (Whistleblower) Complaints received by the CGO shall have a CDF and assigned a corresponding case number for monitoring purposes.

4.2 The CGO shall maintain a log of all (Whistleblower) Complaints received and shall submit a monthly report to the Board and Audit Committee on:

_____ † #
_____ @ y _____
_____ † #
_____ † #

4.3 The CGO shall maintain and control a complete case file for all (Whistleblower) Complaints. Every case file shall include:

4.3.1 the covering CDF;

- 4.3.2 all investigation reports;
- 4.3.3 all related correspondence or memoranda;
- 4.3.4 all documentary evidence gathered;
- 4.3.5 list of other physical evidence gathered and their location;
- 4.3.6 other relevant documents and records relating to the case.

4.4 Case files and records shall be by the CGO and shall be retained for a period of five (5) years from the date of resolution or closing of each case.

Protection from Retaliation

Subject to the provisions of Whistle Blowing Policy and without prejudice to legal recourse, any employee who reports a violation of this Policy, other relevant Company policies and rules, and applicable laws. A Whistleblower or any other employee who will identify himself shall be protected from Retaliation.

Under the Grievance Machinery provision of the Collective Bargaining Agreement (CBA) between Philex Mining Corporation and Philex Pasig Metro Manila Employees Union (PPMMEU) and Mining Phi Supervisory Employees Union (PMSEU), whenever any dispute arises between the Company and its employees and/or the Union as to the interpretations, application, or administration of or compliance with the terms and conditions of the Agreement, every effort shall be made to settle such dispute by following the grievance procedure outlined in the CBA. (Article XXXIII, CBA)

Further, should there be any report of alleged violation of Company Rules and Regulations (CRR) and Safety Rules and Regulations (SRR) committed by a certain employee, the Company will notify the concerned employee and his immediate supervisor of the alleged violation in writing, and all parties shall faithfully with the grievance procedure outlined in the CBA. (Article XXXI, CBA)

The Company recognizes the need for more effective communications not only between superior and subordinate but, likewise, between and among employees. To fill this need, the Company recognizes the necessity of providing all employees with a code of rules by which their actions may be accordingly guided. These rules are not meant to punish employees but to correct and give them a chance to change their undesirable behavior.

These rules and regulations are defined in the Employee Discipline Manual which the Company defines the framework of disciplinary actions for the attention and compliance of all employees and in order to promote efficiency in the operations of the Company to maximize profit, to prevent taking unfair advantage of fellow employees and, to assure that each employee shall fulfill his obligations to the Company.

I. DISCLOSURE AND TRANSPARENCY

1. Ownership Structure

a. Holding 5% direct shareholding or more as of September 30, 2014

Shareholder	Number of Shares	Percent	Beneficial Owner
Asia Link BV	1,023,275,990	20.73%	First Pacific Company Limited
Social Security System	1,012,011,428	20.50%	Social Security System

Shareholder	Number of Shares	Percent	Beneficial Owner
PCD Nominee	<u>954,250,130</u>	<u>19.33%</u>	Under SEC and PSE rules, the Company is unable to determine beneficial ownership of shares held under the PCD. However, beneficial owners meeting the 5%/10% thresholds are required to report beneficial ownership
Two Rivers Pacific Holdings Corp.	738,871,510	14.97%	Two Rivers Pacific Holding Corp.

Beneficial ownership of the senior management as of September 2014, as follows:

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Manuel V. Pangilinan (Non-executive Chairman; included here for transparency)	4,655,000	None	0.094%
Eulalio B. Austin, Jr. President and CEO	1,360,937	None	0.028%
Michael T. Toledo Senior Vice President, Corporate Affairs	0	None	0.000%
Benjamin R. Garcia Senior Vice President, Human Resources	149,500	None	0.003%
Barbara Anne C. Migallos Corporate Secretary	203,875	None	0.004%
Danny Y. Yu SVP and Chief Financial Officer	40,000	None	0.001%
Manny A. Agcaoili SVP for Operations	0	None	0.000%
Redempta P. Baluda VP-Exploration	20	None	0.000%
Victor A. Francisco VP-Environment and Community Relations	155,000	None	0.003%
Enrique C. Rodriguez, Jr. VP-Legal	615,000	None	0.013%
Raymund Brett C. Medel VP-Information and Technology	0	None	0.000%
TOTAL	7,179,332		0.146%

2. Does the Annual Report disclose the following:

Key risks	☑
Corporate objectives	☑
Financial performance indicators	☑
Non-financial performance indicators	☑
Dividend policy	☑
Details of whistleblowing policy	☑
Biographical details (at least age, qualifications, date of appointment, relevant experience, and any directorships of listed companies) of directors/commissioners	☑
Training and/or continuing education programme attended by each director/commissioner	☑
Number of board of directors/commissioners meetings during the year	☑
Attendance details of each director/commissioner in respect of meetings held	☑
Details of remuneration of the CEO and each member of the board of directors/commissioners	☑ (As a group)

Should the Annual Report not disclose any of the above, please indicate the reason for the omission.

3. External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Sycip Gorres Velayo & Co.	Php 6.05 Million	Php 14.5 Million

(*) Audit fee for Year 2014 is lower compared to Year 2013.

4. Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

- Company website - www.philexmining.com.ph
- PSE website - Reports, announcements and disclosures are uploaded to the website of the Philippine Stock Exchange (<http://www.pse.com.ph>)
- Print media - Press statements or publications are necessarily printed in the three newspapers with the highest circulation, Manila Bulletin, The Philippine Star, and the Philippine Daily Inquirer.
- Email - philex@philexmining.com.ph (posted in the Company's website)
- Postal mail - 27 Brixton Street, Pasig City 1600 (posted in the Company's website and letterheads)

5. Date of release of audited financial report:

The 2013 consolidated financial results based on figures audited by the auditor were released on 27 February 2014. The full audited financial statements were released on April 10, 2014.

6. Company Website

Does the company have a website disclosing information about the following?

Business operations	£
Financial statements/reports (current and prior years)	£
Materials provided in briefings to analysts and media	£
Shareholding structure	£
Group corporate structure	£
Downloadable annual report	£
Notice of AGM and/or EGM	£
Company's constitution (company laws, memorandum and articles of association)	£

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7. Disclosure of RPT

RPT	Relationship	Nature	Value
Loan from Asia Link B.V.	Shareholder	US\$100 Million loan under a March 2013 loan agreement with a one year term and subject to 5% interest rate	US\$50 Million
Loan from Maxella Limited	Shareholder	US\$25 Million loan under a March 2013 loan agreement with a one year term and subject to 5% interest rate	US\$ 15 Million
Loan from Kirtman Limited	Shareholder	US\$25 Million loan under a March 2013 loan agreement with a one year term and subject to 5% interest rate	US\$ 15 Million
Loan from Kirtman Limited	Shareholder	P2.1 Billion loan under an October 2012 loan agreement with a one year term and subject to 5% interest rate	Paid as of December 31, 2012
The Company also extends non-interest bearing advances to subsidiaries, the details of which are in the Company's Audited Financial Statements, which may be viewed on the Company's website. ²¹	Subsidiaries Details are in the Audited Financial Statements which may be viewed on the Company's website.	Please see the Audited Financial Statements which may be viewed on the Company's website.	Please see the Audited Financial Statements which may be viewed on the Company's website.

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its shareholders and other stakeholders?

²¹ http://www.philexmining.com.ph/userfiles/PX_CD_26Mar13_FRs.pdf

Please see discussion on related party policies and procedures of this Report. These policies and procedures are intended to safeguard the interests of the Company and its shareholders.

All significant and/or material related party transactions are subject to review by the Corporate Governance Committee prior Board approval, in accordance with RPT policy and Corporate Governance Committee Charter

J. RIGHTS OF STOCKHOLDERS

1. Right to participate effectively in and vote in Annual / Special Meetings

a. Quorum

Give details on the quorum required to convene the meeting set forth in its Bylaws.

Quorum Required	<p>The Company complies with the requirements under the Corporation Code:</p> <p>The general rule is that at least a MAJORITY of the outstanding capital must be present in person or represented by proxy to constitute a quorum.</p> <p>Certain corporate actions require the presence and vote of 66 2/3% of the total outstanding capital stock: (i) amendments to the articles and increase or decrease of authorized capital; (ii) shortening or extension of corporate life; (iii) declaration of dividends; (iv) sale, mortgage, or other disposition of all or substantially all of the assets of the corporation; (v) incurrence of bonded indebtedness; (vi) denial or waiver of preemptive right; (vii) investment in a business other than its primary purpose; (viii) merger and consolidation; (ix) amendment of the articles of incorporation; (x) amendment of bylaws; and (xi) delegation to the board of the power to amend the bylaws.</p>
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b. System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Tabulation of proxies submitted by the shareholders
Description	<p>(1) At least 28 working days prior to each shareholders meeting, the Chairman sends to each shareholder of record with the materials for the meeting, including a proxy form, a copy of the agenda, and a list of the items to be voted on. Each shareholder is provided with a space for each item to indicate "Yes," "No," or "Abstain." The shareholder is likewise provided with a number of copies for shares held under PCD account.</p> <p>(2) Proxies are tabulated.</p> <p>(3) A motion is made and seconded for the approval of each item on the agenda requiring the vote of the shareholders. The votes are announced based on the proxy tabulation.</p> <p>(4) The Chairman inquires whether there are any objections from the shareholders present. If there are no objections, the Chairman declares the corporate act approved. If there are objections, the Chairman requests the Corporate Secretary to record the objection and proceeds to declare the corporate act approved. Please note that prior to the meeting, the votes have been tallied.</p>

c. Stockholders' Rights

List any Stockholders' Rights concerning Annual / Special Meetings set down in the Corporation Code.

Stockholders' Rights The Corporation Code	Stockholders' Rights The Corporation Code
Rights Concerning Annual / Special Stockholders' Meeting	
1.) To be furnished with written notice of annual meeting at least two weeks prior to an annual meeting and one week prior to a special meeting, which notice must state the time and place of the meeting.	The Company sends to its stockholders notice of annual meeting or special meeting at least 21 business days prior to the meeting. The notice contains not only the time and place of the meeting but also detailed agenda for the meeting, which includes each matter to be voted upon by the stockholders. In addition to the notice and agenda, the Company provides each stockholder with the Information Statement and Annual Report required under SRC Rule 20. These materials are posted on the Company's website as soon as they have been cleared by the SEC.
2.) Attend and vote in person by proxy at shareholders meeting.	
3.) Elect and remove directors.	
4.) To request for voting by ballot for purpose of electing directors.	The Company implements voting by poll by which are validated, tabulated and cast (as opposed to show of hands) in the stockholders' meeting.
	The voting results on matters requiring approval at the meeting are posted on the Company's website immediately after the meeting.
5.) To receive at the annual meeting financial report of operations of the corporation for the preceding year. The report shall include financial statements, duly signed by an independent certified public accountant.	The Company sends to its stockholders its Notice of Annual Meeting containing the audited financial statements at least 21 business days prior to the meeting. Annual Report (SEC17A) is also posted in the company's website prior to the stockholders' meeting.
6.) To approve certain corporate acts.	
7.) To petition for the calling of meeting of stockholders for any cause there is no person authorized to call a meeting.	Propose the holding of meetings feasible or practical and the items for discussion in the agenda that relate directly to the business of the Company.
Other Rights:	
8.) To issuance of certificate of stock or other evidence of stockholder ownership and be registered as shareholder.	
9.) To receive dividend as may be declared by board of directors out of unrestricted earnings.	
10.) Participate in distribution of corporate asset upon dissolution.	
11.) To be furnished with the Company's most recent financial statements, upon written request.	Without the need for any request the Company sends to its stockholders its financial statements (Audited Financial Statements are part of the Notice of AGM). Also, the financial statements are posted in the Company's website with the Annual Report which are given out at the Stockholders' meeting.
12.) To inspect records of business transactions and minutes of any meeting, subject to refusal under the circumstances stated in Section 74 of the Corporation Code (such as if a stockholder is not acting in good faith or for a legitimate purpose).	
13.) Preemptive right or right to subscribe to all issues of shares of any class in proportion to their shareholdings, unless such right is denied in the Articles of Incorporation or an amendment thereto.	
14.) Appraisal right or the right of a dissenting stockholder to demand for the fair value of his shares in any of those	

Stockholders' Rights The Corporation Code	Stockholders' Rights The Corporation Code
instances provided in Section 84 of the Corporation Code.	

Dividends

Declaration Date	Record Date	Payment Date
<u>26 February 2014</u>	<u>12 March 2014</u>	<u>26 March 2014</u>

Note: Cash dividends were paid by the Company within 30 days (e.g., 29 days) after date of declaration in accordance with basic principles.

d. Stockholders' Participation

- State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting. The procedure, on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at

Measures Adopted	Communication Procedure
Early announcement of date, time, venue and agenda of meeting	PSE website Company website Newspapers of general circulation <u>at least 3 times</u> in the three newspapers with largest circulation
Preliminary and Definitive Information Statement with Management Report and audited financial statements attached. A proxy form that indicates the items on the agenda provides spaces where the shareholder may indicate to Attend, Abstain or Refrain from Voting. A proxy or Abstain is also provided to the shareholders well ahead of the meeting.	PSE website Company website Copies are distributed to shareholders <u>at least 28 days before the annual or special meeting</u> Brokers and custodian banks are also provided sufficient number of copies for distribution to their clients who are beneficial owners of shares of the Company
Meetings are held in a comfortable venue easily accessible to shareholders to encourage more attendance. Registration process is simplified and identification is not required unless there is reason to believe that the person is not a legitimate shareholder. Shareholders are not prohibited from bringing company representatives. This is particularly beneficial for elderly or disabled shareholders who may have difficulty attending their own meetings.	Details of the date, time and venue are announced well in advance of the meeting (please see above for the communication procedure) There is no particular procedure followed to communicate the Company's measures intended to encourage participation at shareholders meetings. These communication practices are well known to shareholders, the Company having been in operation for over 50 years and having held shareholders meetings annually since it was listed in the PSE.
Chairman, Directors (including the Audit Committee Chairman) and Management are present at shareholders meetings.	An open forum is held after the annual report and financial report are presented. There is also an item Other Matters, during which shareholders are also invited to raise their questions and concerns.

Measures Adopted	Communication Procedure
	The Chairman also gives shareholders the opportunity to object or interject before a motion is carried during the meeting.
Chairman introduces the Directors and Officers at the start of the meeting	

- e. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
- Amendments to the Company's constitution
 - Authorization of additional shares
 - Transfer of all or substantially all assets, which in effect results in the sale of the company

The policy is to encourage the highest possible attendance of shareholders at all stockholder meetings. However, the affirmative vote of shareholders holding at least 66 2/3% of the total outstanding capital of outstanding capital stock being required for the approval of the above enumerated corporate actions, the Company's efforts to encourage attendance on these matters will be submitted for approval. A campaign to encourage attendance is undertaken, and materials explaining these actions are distributed to shareholders, posted on the Company website and disclosed to the stock exchange, where it will be posted on the website of the exchange.

- f. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

Yes the Company observes the minimum of 21 business days for giving out of notices to the AGM. Company announces details of the annual stockholders meeting as February 27, 2014. Date of meeting was scheduled on May 25, 2014.

- Date of sending out notices 20 May 2014
 - Date of the Annual / Special Stockholders' Meeting 25 June 2014
- g. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Mr. Jose Ferrer, shareholder, inquired about the increase in capital spending on Silangan in 2013. He asked whether this means that the start of operations for the Silangan is ahead of schedule. The Chairman said that the increase in Silangan expenditures in 2013 is due to the increased pace of on site development and the decline tunnel. He said that it is too early to say, however, if Silangan start operating ahead of schedule. He mentioned that there are still technical difficulties that must be hurdled.

Mr. Ferrer asked the Chairman whether the Kalayaan Project with Manila Mining was a mistake. The Chairman said that there is no reason to discontinue the Kalayaan Project with Manila Mining, which is viewed as an integral part of the adjacent Silangan property of the Company.

Mr. Ferrer also asked about the possibility of re-opening the Bulawan mine. The Chairman recalled to the body that the Bulawan mine was closed due to the low gold prices at that time and because of technical problems underground. Gold prices have improved but the current reserves in Bulawan still

not justify the capital expenditures required to open the mine. The Company is currently looking for additional reserves to make opening of Bulawan a viable activity.

Another stockholder, Ms. Gerda Jaggos, asked whether the Company is aware of use of child labor in the mining industry. She suggested that the Company take action to be consistent with its goal to be the face of responsible mining. The Chairman said that the Company does not and will never use child labor in Padcal, Silangan or in any of its mining properties. He said that the Company is opposed against child labor. The Company strongly believes that children should be in school and sponsors the primary, secondary education of children in its host communities, and in some cases, the tertiary education of outstanding students.

U # 7
acquire 60% of Kalayaan Copper Gold Resources, Inc. from Manila Mining. He asked if the deadline for option was last May 2014 or three years after the signing of the joint venture agreement in May 2011. Engr. Austin said that the Company is finalizing an extension of this period with Manila Mining. He said that permitting and technical issues, including the completion of a feasibility study, will be hurdled before the Company can exercise its option to acquire 60% stake in Kalayaan. The Chairman further stated that the Company is in agreement where the Company has the right to convert expenditures for the development of the Manila Mining property into 60% equity in Kalayaan. He emphasized that the Company is optimistic about the Kalayaan project.

Shareholder Mr. Romeo David said that the Board and management should be congratulated for getting the Company out of the stressful situation caused by the tailings accident in 2012. He asked the Chairman for a view on the risk assessment going forward relative to the strong opposition against mining in the country. The Chairman acknowledged that there are still challenges ahead even if the Company has recently settled various obligations and issues with the local and national governments, particularly various environment fees due to the tailings accident, and the business taxes on and with Tuba municipal governments. He said that the Company is still waiting for the final document from the MTRCB that will allow regular operations until the end of the Padcal mine life. A new mining revenue tax bill also presents challenges to the viability of the mining industry in the years to come. Operating challenges are seen in declining gold grades as Padcal operations move away from the center of the ore body. Despite this, the Chairman said that the Company continues to be, as a matter of fact, optimistic about the mining industry and how it can benefit stakeholders and the country in general.

Mr. David said that the public is misinformed about the contributions of the mining industry in society and suggested that the Company invest more in CSR and public relations to combat the opposition of the mining industry. The Chairman said he does not disagree, but said that it is essential for a mining company, in fact any company, to be run responsibly. A better public image may be achieved through CSR initiatives and programs, but must not be pursued for this reason. Rather, CSR should be part of the business model of any company because it is the responsibility of each company to contribute to society.

h. Result of Annual/Special Stockholders' Meeting's Resolutions

U # 0 results:

Resolution	Approving	Dissenting	Abstaining
Approval of minutes of previous meeting	3,287,310,88	0	110,381,22
Approval of annual reports and Audited Financial Statements for the year 2013	3,287,310,88	0	110,381,27
Ratification and approval of acts of the Board of Directors and executive officers	3,287,310,88	0	110,381,27
Appointment of Sycip, Gorres & Co. as independent auditors	3,352,345,74	0	45,346,41

auditors			
Appointment of election inspectors	<u>3,352,345,74</u>	<u>0</u>	<u>45,346,41</u>
Approval of amendment of the Articles of Incorporation to change principal place of business to Philex Building Brixton St., Pasig City, Metro Manila	<u>3,355,441,94</u>	<u>0</u>	<u>42,250,21</u>
Election of Directors:			
Casting of votes in accordance with proxies submitted to the Corporation	<u>3,397,919,34</u>	<u>0</u>	<u>45,346,41</u>

- i. Date of publishing of the result of the votes taken during the most recent AGM:
Results of the votes at the June 25, 2014 annual meeting were posted on the Philippine Stock Exchange and posted in Company websites on the day June 25, 2014, immediately after the

- j. Modifications

State, if any, the modification made in the Annual / Special Stockholders' Meeting for the most recent year and the reason for such modification:

Modifications	Reason for Modification
<u>Announced the voting and vote tabulation procedures before the meeting proceeded.</u>	<u>Improved transparency in procedures, and to align with best practices</u>
<u>Disclosed name of independent election inspectors (SGV & Co.)</u>	<u>Improved transparency in procedures, and to align with best practices</u>

- k. Stockholders' Attendance

(i) Details of Attendance in the Annual / Special Stockholders' Meeting

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	1. Manuel Pangilinan, Chairman 2. Eulalio B. Austin, Jr., Director, President & CEO 3. Eliza Bettina R. Antonino, Director 4. Robert C. Nicholson, Director 5. Wilfredo A. Paras, Independent Director 6. Bienvenido E. Laguarda, Director 7. Barbara Anne C. Migallos, Corporate Secretary, Director 8. Oscar J. Hilado, Independent Director 9. Danny Y. Yung, Treasurer, CFO, SVP Finance & Compliance Officer 10. Benjamin Deodato R. Garcia, SVP Human Resources 11. Michael T. Toledo, SVP - Corporate Affairs 12. Redempta Palanca, VP-Exploration	<u>June 25, 2014</u>	The voting is by balloting. Shareholders who are present and do not submit proxies before the meeting were given ballots upon registration. In the case of proxies submitted prior to the meeting, the proxies designated by the stockholder to represent them at today's meeting was provided with ballots for casting in accordance with the stockholder instructions, as indicated in the proxy. <u>An independent party, SGV & Co. together with ST</u>	<u>0.10%</u>	<u>68.72%</u>	<u>68.82%</u>

	13. Victor A. Francis, VP Environment & Com.Rel. 14. Enrique C. Rodriguez, VP-Legal 15. Brett C. Medel, Chief Information Officer		<u>tabulated the proxies and the ballots.</u>			
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Does the company appoint an independent party (inspectors) to count and/or validate the votes of the ASM/SSMs?

Yes At each annual shareholders meeting, the shareholders elect election inspectors, usually auditors of Sycip Gorres Velayo & Co., to serve as such for the meeting and until the next annual meeting

(ii) Do the company's common shares carry one vote for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes The Company's common shares carry one vote for each share. All shares have the same voting right.

I. Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Shareholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	The Company encourages shareholders to submit proxies. Its policy on the execution and acceptance of proxies are liberal and are intended to facilitate the counting of proxy votes to the extent possible.
Notary	Notarization is NOT required.
Submission of Proxy	Submission may be done by personal delivery, by mail, by electronic mail or by facsimile.
Several Proxies	There has been no instance where a shareholder executed proxies. Should this situation arise, it is believed that the latest dated proxy should be recognized.
Validity of Proxy	Valid for the meeting for which it was executed (valid for one meeting).
Proxies executed abroad	Accepted; may be submitted by electronic mail or by facsimile
Invalidated Proxy	There has been no instance where a proxy was invalidated.
Validation of Proxy	Date, time and venue of proxy validation is announced and contained in the notice of meeting. Shareholders and/or their representatives are welcome to attend.

Violation of Proxy	Votes are tabulated on the basis of itemized proxies that are accepted by the shareholder and submitted to the Company. Instructions of a shareholder on voting are always honored. However, if a proxy designates a representative other than the Chairman of the meeting, the Company cannot be in a position to determine whether such representative acted in accordance with the instructions of his principal.
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m. Sending Notices

State the company's policies and procedure on the sending of Meeting.

Policies	Procedure
The policy of the Company is fair, full and maximum compliance with the rules of the SEC and the PSE.	<p>(1) The Company sets the date, time and venue of the annual stockholders meeting, and is immediately disclosed to the PSE posted on the Company's website.</p> <p>(2) Copies of all materials for the meeting, including notice, are posted on the Company website, uploaded to PSE disclosure system, and submitted to the SEC.</p> <p>(2) For shares held under PCD accounts: Personal depository custodian banks and brokers of such number of sets of materials as are needed to provide their clients copies.</p> <p>(3) For shareholders with addresses in Metro Manila courier service is engaged to personally deliver copies to shareholder's address per their request.</p> <p>(4) For shareholders with addresses outside of Metro Manila the notice and materials are sent by mail, postage prepaid.</p> <p>(5) The notice of the meeting is published in the three newspapers with the highest circulation nationwide on different dates for each newspaper (a total of nine publications). The size of such publications is sufficiently large to ensure that it will be noticed and easily readable.</p>

n. Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Materials	44,472
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials by market participants/certain beneficial owners	May 20, 2014 (for 25 June 2014 annual meeting)
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials by stockholders	May 20, 2014 (for 25 June 2014 annual meeting)
State whether CD format or hard copies were distributed	CD Format
If yes, indicate whether requesting stockholders provided hard copies	Yes

o. Does the Notice of Annual / Special Stockholders' Meeting

Each resolution to be taken up deals with only one item.	☒
Profiles of directors (at least age, qualification, date of first appointment and directorships in other listed companies) nominated for election/re-election.	☒
The auditors to be appointed/appointed.	☒
An explanation of the dividend policy, if any dividend is to be declared.	☒
The amount payable for final dividends.	☒
Documents required for proxy vote.	☒

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2. Treatment of Minority Stockholders

a. State the company's policies with respect to the treatment of minority stockholders.

The Company endeavors to always treat minority shareholders fairly and without discrimination. Please see: (1) Sec. 4.1 and 4.2 of CG Manual; (2) Detailed discussions on shareholders' rights at pages 7 to 8 of this Report; and (3) Detailed discussions on stockholders' participation at page 85 of this Report. The Company has a Stockholder Relations Manager who attends to concerns of minority stockholders, including their requests for information regarding the Company.

Policies	Implementation
Please see discussion above	Please see discussion above

b. Do minority stockholders have a right to nominate candidates for board of directors?

Yes. Minority stockholder's right to nominate is respected and recognized by the Company. The right to nominate is corollary to the right to vote guaranteed by the Corporation Code and recognized in the Company's By Laws and CG Manual

Under the Company's By Laws (Article All Section 8 and 9), stockholders may submit nominations to the Board to the Nominations Committee (which is composed of at least 3 Directors, 1 of which is an Independent Director). The deadline for submission of nomination is the 30th day of April of each year or such other date as may be determined by the Board of Directors. The deadline for nominations announced by the Company via PSE disclosure early in the year together with the announcement for date of the annual shareholders' meeting and the record date for said meeting.

K. INVESTORS RELATIONS PROGRAM

1. Discuss the enable and integrity communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

There are two departments involved in the Company's external

(1) Corporate Affairs, headed by a Senior Vice President directly reporting to the President and CEO. This department is in charge of press releases, print media, and media briefings. All press releases are reviewed by the Chairman of the Board and the President. Press releases are distributed to the employees internally via email, to the media and other stakeholders through emails and/or press briefings.

(2) Office of the Compliance Officer. The Compliance Officer is the Senior Vice President for Finance and CFO. The Investor Relations Department assists the Compliance Officer, who is in charge of corporate disclosures with the Corporate Secretary. Disclosures and announcements are reviewed and approved by the Chairman and the President.

Shareholder matters are handled by the Corporate Secretary.

2. Describe the company's investor relations strategy to promote a program of effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
<p>(1) Objectives</p> <p>To foster and maintain a good relationship with shareholders.</p> <p>To ensure that shareholders receive relevant, material information on a timely basis</p> <p>To ensure investors have a point of contact to provide business information and listen to the feedback about the Company.</p>	<ol style="list-style-type: none"> The Company maintains a website with date, relevant and material information about the Company. (Please see http://www.philexmining.com.ph) The Company designated a full-time Investor/Stockholder Relations Manager to assist stockholders and address their concerns in a manner. The contact details of the Investor/Stockholder Relations and stock transfer agent are posted on the Company website. It is the policy of the office of the Investor/Stockholder Relations Manager to respond to queries and concerns immediately, within a day if possible. Personal visits in the office are welcome.
<p>(2) Principles</p> <p>Transparency and fairness in all dealings with investors</p>	<ol style="list-style-type: none"> Provide the stock market through PSE SEC with essential, correct, sufficient and complete information on regular and timely basis. Hold investor and media briefings as regularly as practical to update the public on the affairs and business of the Company. The Company's sources to be available to stakeholders to answer questions and concerns regarding the Company.

²² <http://www.philexmining.com.ph/investorrelations/contactdetailsstocktransferagent-investorrelations>

	Details
(3) Modes of Communications	Website, Email, postal mail, courier, print media, press briefings, calls, personal visit if required
4) Investors Relations Officer Investors & Stockholder Concerns	<u>MR. ROLANDO S. BONDOY</u> <u>Division Manager Investor Relations</u> <u>Philex Mining Corporation</u> <u>27 Brixton St., Kapitolyo, Pasig</u> <u>Tel. No: (632) 63381 to 88 local 533</u> <u>Email: philex@philexmining.com.ph</u>
Trade Creditors and Suppliers	<u>MS. PARALUMAN M. NAVARRO</u> <u>Division Manager Corporate Finance</u> <u>Tel. No: (632) 63381 to 88 local 288</u> <u>Email: pmnavarro@philexmining.com.ph</u>
Corporate Affairs (Media and Press Relations)	MICHAEL T. TOLEDO SVP- Corporate Affairs Tel. No: (632) 63381 to 88 Email :mttoledo@philexmining.com.ph

3. What are the company's rules and procedures governing capital markets, and extraordinary transactions such as mergers, and sales of substantial assets?

Name of the independent party or Directors of the Company appointed to evaluate the fairness of the transaction price.

The Board either designates a committee of directors or a senior officer to choose a consultant (usually an investment bank) to formulate the objectives and parameters of the study and the desired end product or deliverable.

In cases of mergers and acquisitions, the CEO and the CFO, together with external financial and technical consultants, prepare a detailed recommendation approved by the Board.

An independent party is named for a specific transaction. In most transactions considered, an independent adviser is retained.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
<p>A. Environmental Management</p> <p>The Company is proactive in the field of Environmental Management:</p> <p>To date, the Company has reforested a total of 2,290 hectares more than 7.5 million seedlings of various tree species. Some 172,384 seedlings of various tree species in the reforestation areas, of which 87,110 were planted on newly established plots covering 80 hectares and 82,350 on 240 hectares of previously established plots for enhancement.</p>	<p>Host and Neighboring Communities;</p>

Initiative	Beneficiary
<p>With its unrelenting forest protection and reforestation efforts, the Padcal Mine again as the champion in this year's national Brews under the Mount Apo-Agno Mining Forest Protection Philippine Mine Safety & Environment Association's (PMSEA) held in Baguio City on November 6, 2012. Padcal Operations consistently topped annual competition as champion for the years 1991, 1992, 2000, 2004, 2007, 2008 and 2012.</p> <p>In support of the DENR's National Greening Program, Padcal has distributed various seedlings to various stakeholders, such as local government units (LGUs), mining associations, schools and other civic organizations. The company also replanted assorted seedlings to enhance the area adopted at Kennon Road, Baguio City under the Green Philippine Highways Program.</p> <p>Philex Mining has spent a total of USD2.57 million for the various environmental management enhancement programs for Padcal in 2012.</p>	
<p>B. Integrated Environmental Management Program (IEMP)</p> <p>The Integrated Environmental Management Program (IEMP) focuses on the environmental rehabilitation and enhancement of the Balog Creek and parts of Agno River.</p> <p>The physical cleanup entails manual, mechanical, and engineering measures to remove sediments from the affected water bodies. Sediments are collected, hauled and either staged in a staging area or will be pumped back to TSF3.</p> <p>To supplement the activities of the physical cleanup of the waterways, the IEMP implementation of medium and long-term activities to rehabilitate and enhance the river ecosystems.</p> <p>On-going environmental studies are being conducted by third party consultants to monitor and implement the cleanup and rehabilitation program. Results of the studies will address issues and concerns regarding the incident with supporting empirical data.</p>	Host and Neighboring Communities;
<p>C. Social and Community Development</p> <p>Philex Mining Corporation continues to be a strategic partner towards the development of its host and neighboring communities.</p> <p>For 2012, the company spent a total of USD0.95 million for its Health, Education and Public Infrastructure (HELP) programs.</p> <p>Under its Health Care program, the Company provided basic health services to about 6,200 patients from the communities free of charge. The Company also provided additional health facilities that benefited more than 90 households of host communities.</p> <p>Under its Education program, the Company provided full scholarships to 45 college students the year. An additional of 83 high school students also enjoyed full scholarships at High School Philex. The Company also subsidized the education of about 255 pupils at Philex Mines Elementary School and 65 high school students. 36 qualified students provided scholarships in Twin Peaks and Ampucao National High Schools. The Company participated in Alternative Learning System (ALS) of the Department of Education to improve the reading and writing skills of out-of-school youth (OSY), and undergraduates. For 2012, 12 residents were accommodated in the program. 12 deserving residents were also granted vocational scholarships in partnership with Baguio State University and Technology College King's College, Montañosa National College and TESDA. With the goal of upgrading the quality of education in public schools, a complete set of sports equipment were provided by the Company benefitting 12 of two (2) public elementary schools located within the host communities.</p> <p>A Livelihood and Employment Enhancement program was also implemented with the goal of building self-reliant communities. Technical and financial assistances were also</p>	Host and Neighboring Communities

Initiative	Beneficiary
<p>various cooperatives and livelihood associations to enhance their projects which include forestry, natural farming, coffee production, and livestock raising.</p> <p>In support to the basic services, the Company implemented Public Infrastructure projects which include concreting of an aggregate of 1.46 kilometers of roads as well as constructing several foot bridges, road drainages and water systems for the host communities, a way for increased commerce and delivery of basic services in the area. The Company is also putting up buildings for schools, churches, and other structures in partner communities.</p>	
<p>D. Community-Based Technology Business Centers (CBTC) as part of Mine Transition Program. As a preparation for mine decommissioning, entrepreneurial skills and business opportunities are undertaken at the community-based Business Technology Centers (CBTC).</p> <p>The program aims to make Philex Mining employees, their families and the host area communities economically reliant and self-sufficient. CBTC programs include meat production, aquaculture, coffee and livestock production.</p>	<p>Philex Mining employees and their families; Host and Neighbor Communities</p>

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and committees, individual director, and the CEO/President

	Process	Criteria
Board of Directors	Selfassessment and rating	CG Manual
Board Committees	Selfassessment and rating	CG Manual
Individual Directors	Selfassessment and rating	CG Manual
CEO/President	Selfassessment and assessment by Chairman and Board	CG Manual

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation of the corporate governance manual involving directors, officers, management and employees.

At the level of directors and officers, the Board will evaluate possible violation and if after a fair consideration of the facts it is established that there was in fact a violation, the Board will determine the sanctions. For other employees, the code of conduct and discipline of the Human Resources Department will be the basis for the imposition of sanctions.

Violations	Sanctions
See answers above	See answers above