

 <b>PHILEX MINING CORPORATION</b>	<b>Corporate Governance Division</b>	<b>EFFECTIVE DATE:</b> 02/26/2014	<b>VERSION:</b> 001
		<b>DOCUMENT NO.:</b> CGO.14.05	<b>PAGE NO.:</b> 1 of 12
<b>Title:</b>			
<b>Supplier/Contractor Relations Policy</b>			

## **POLICY STATEMENT**

Philex Mining Corporation (“PMC” or the “Company”) is dedicated to doing business in accordance with the highest standards of ethics. The Company, its directors, officers and employees endeavor to promote a culture of good corporate governance in their business relationships with the Company’s suppliers/contractors (the “Suppliers”).

This Supplier/Contractor Relations Policy is issued to implement the Competition and Fair Dealing provisions of the Company’s Code of Business Conduct and Ethics, and to supplement the Dealings with Suppliers provisions of the Company’s Conflict of Interest Policy.

This policy further sets forth the Company’s business principles and values which shall guide and govern all business relationships of the Company, its directors, officers and employees, including their decisions and actions when performing their respective duties and responsibilities.

### **1. RATIONALE**

PMC shall uphold the highest professional standards of business practices, core values and ethics as enshrined in its *Code of Business Conduct and Ethics* (the “Code”) in its business dealings with its Suppliers in the procurement of products and services.

### **2. GENERAL STATEMENT OF THE POLICY**

PMC shall promote and implement standards of relationships with Suppliers that embody the Code’s principles and core values as defined in the Code. Directors, Employees and Consultants shall maintain the Company’s reputation for equal opportunity and honest treatment of Suppliers in all business transactions.

 <b>PHILEX MINING CORPORATION</b>	<b>Corporate Governance Division</b>	<b>EFFECTIVE DATE:</b> 02/26/2014	<b>VERSION:</b> 001
		<b>DOCUMENT NO.:</b> CGO.14.05	<b>PAGE NO.:</b> 2 of 12
<b>Title:</b> <div style="text-align: center;"><b>Supplier/Contractor Relations Policy</b></div>			

### 3. APPLICABILITY

- (a) This policy applies to, and shall be implemented by, all members of the Board of Directors (each, a “Director” and collectively, the “Directors”), Employees (each an “Employee” and collectively, the “Employees”), and Consultants of PMC.
- (b) It is the intention of the PMC Board that a similar policy shall be adopted and implemented by the PMC subsidiary companies. In this regard, the respective Presidents shall recommend the adoption of this policy (for a similar policy) to their respective Boards.

### 4. DEFINITIONS

For purposes of this policy,

- (a) **Best Bid** – the Supplier bid that offers best value for money. A detailed and holistic technical and commercial evaluation, aside from the price evaluation, is necessary to determine which proposal provides the best value for the Company’s requirements.
- (b) **Bribe** – includes any money, fee commission, credit, gift, gratuity, thing of value, compensation, personal business and the like, benefits or advantage of any kind that is, directly or indirectly, provided to or received by anyone for the purpose of improperly obtaining or according favorable treatment in connection with a business transaction.
- (c) **Competitive Bidding** – the process of soliciting bids from qualified Suppliers for the purpose of the procurement of materials, supplies, equipment, and/or services for Company projects. All bidders are given

 <b>PHILEX MINING CORPORATION</b>	<b>Corporate Governance Division</b>	<b>EFFECTIVE DATE:</b> 02/26/2014	<b>VERSION:</b> 001
		<b>DOCUMENT NO.:</b> CGO.14.05	<b>PAGE NO.:</b> 3 of 12
<b>Title:</b>			
<b>Supplier/Contractor Relations Policy</b>			

equal opportunity to compete and their bids are evaluated fairly and in a transparent manner.

- (d) **Consultants** – includes professional consultants, firms, partnerships, counsels, or such other professional entities or individuals rendering professional or specialized expert services to PMC and/or any Company within the Group, as well as advisors of the Company who may be appointed by the Board of Directors or Chief Executive Officer (CEO)/President, or who act as representatives of the Company’s investors, shareholders, affiliates or partners.
  
- (e) **Employee** – any individual hired by PMC for salaries and/or benefits provided in regular amounts at stated intervals in exchange for services rendered personally for the Company’s business on a regular basis and who does not provide such services as part of an independent business. This includes PMC’s officers, executives, supervisors, and rank and file, and for purposes of this policy only, Subsidiaries’ Employees who also work for/serve PMC (e.g., on a seconded basis).
  
- (f) **Industrial Relations Obligations** – means an employer’s legal responsibilities, under applicable labor and employee benefit laws, including but not limited to, Employees’ remuneration, training, annual holidays, leave entitlements, occupational health and safety, compensation, injury management, legal age of employment, and discrimination.
  
- (g) **Negotiated Contract** – a non-competitive means of awarding business transactions to Suppliers. It involves direct negotiation with and/or award to a particular Supplier for the specifications, terms, conditions, and prices of the requirement. This type of transaction includes reciprocal arrangements with Suppliers that are likewise PMC’s corporate clients.

 <b>PHILEX MINING CORPORATION</b>	<b>Corporate Governance Division</b>	<b>EFFECTIVE DATE:</b> 02/26/2014	<b>VERSION:</b> 001
		<b>DOCUMENT NO.:</b> CGO.14.05	<b>PAGE NO.:</b> 4 of 12
<b>Title:</b>			
<b>Supplier/Contractor Relations Policy</b>			

- (h) **Personal Benefit** – refers to gain or advantage, whether material or non-material, directly or indirectly provided to or received by a Director, Employee, Consultant, his Relatives, and/or affiliates such as financial gain, professional advancement, travel, facilities and/or accommodation benefits, entertainment, material benefits, preferential treatment in personal transactions, and other similar advantages.
- (i) **Relatives** – relatives of up to third degree, by consanguinity, affinity, or legal adoption, including, the Directors' Employee's or Consultant's spouse, parents, children (and their spouses), siblings (and their spouses), nieces and nephews (limited to children of a brother or sister) [and their spouses], grandparents, and aunts and uncles (limited to brothers or sisters of a parent); and a domestic partner and his relatives of up to third degree, by consanguinity or affinity or legal adoption.
- (j) **Supplier** – includes existing or potential contractors, collection/sales agencies, etc. This covers any person or entity, including its representatives and agents that sell its products and/or services to the Company.

## 5. DETAILED POLICY STATEMENTS

### **(A) Company**

- (i) The Company shall seek and maintain mutually beneficial relationships with Suppliers that uphold the Company's principles and core values.
- (ii) The Company shall give qualified Suppliers adequate, fair, and equal opportunity to bid on goods and services for the Company's projects or requirements.

 <b>PHILEX MINING CORPORATION</b>	<b>Corporate Governance Division</b>	<b>EFFECTIVE DATE:</b> 02/26/2014	<b>VERSION:</b> 001
		<b>DOCUMENT NO.:</b> CGO.14.05	<b>PAGE NO.:</b> 5 of 12
<b>Title:</b>			
<b>Supplier/Contractor Relations Policy</b>			

- (iii) The Company shall accredit Suppliers based on established criteria that reflect the Company's reputation for fair, equal opportunity and honest treatment of all Suppliers.
  
- (iv) As a general rule, purchases will be made on the basis of Competitive Bidding. In the event that it will be to the best interest of the Company to enter into strategic partnerships with Suppliers, the Company may apply the Negotiated Contract option. All such strategic partnerships and negotiated transactions must be reported and justified to the appropriate approving authorities, and recorded prior to commitment. Transparency in all these transactions shall be maintained at all times. Such reports, justifications, and subsequent approval or disapproval of the appropriate authorities shall be kept by the Procurement Center.
  
- (v) The Company shall hold in confidence all dealings with bidders and Suppliers. In this regard, Company and the Supplier confidential information shall be withheld unless the functional Group Head, through its written determination that it would be for the best interest of the Company and stating the justifications therefore, allow an Employee or Consultant to disclose such information.
  
- (vi) The Company shall ensure that, as part of the contract terms with PMC, Suppliers shall agree to abide with laws, rules and PMC standards relating to Industrial Relations Obligations, environment, health and safety, intellectual property rights, other applicable laws and observe the principles enshrined in the Code.
  
- (vii) All business transactions of the Company with Suppliers (i.e. negotiations, contracts, payments, etc.) must be documented and reflected accurately and fairly in the accounts of the Company in accordance with established rules and procedures.

 <b>PHILEX MINING CORPORATION</b>	<b>Corporate Governance Division</b>	<b>EFFECTIVE DATE:</b> 02/26/2014	<b>VERSION:</b> 001
		<b>DOCUMENT NO.:</b> CGO.14.05	<b>PAGE NO.:</b> 6 of 12
<b>Title:</b>			
<b>Supplier/Contractor Relations Policy</b>			

- (viii) PMC subsidiaries that are also existing or prospective Suppliers of the Company shall be treated fairly and given the same opportunities as other Suppliers. In this respect, the total cost of the Company shall still be considered in the evaluation bids.
- (ix) The Company shall disburse payments committed to Suppliers in a prompt manner and in accordance with the applicable contract provision.
- (x) The Company allows Suppliers to extend PMC's corporate rates for personal availment of all Directors, Employees and Consultants of the Supplier's goods and/or services; *Provided*, however, that any such arrangement shall be transparent and made available to all Directors, Employees and Consultants of PMC; *Provided*, further that any purchases made under these arrangements shall be limited to the Directors', Employees' and Consultants' personal use or consumption and not to be sold, bartered or exchanged, whether or not for profit.

***(B) Directors, Employees and Consultants***

- (i) In all procurement transactions of Directors, Employees and Consultants, they shall primarily consider the interest of the Company and carry out and adhere to the Company's established objectives and policies.
- (ii) Directors, Employees and Consultants shall promote and observe ethical conduct in their relationships, actions, and communications with Suppliers at all times. It is essential that in all aspects of the transactions with Suppliers, such as during the negotiation, performance monitoring, or administration of PMC's contracts,

 <b>PHILEX MINING CORPORATION</b>	<b>Corporate Governance Division</b>	<b>EFFECTIVE DATE:</b> 02/26/2014	<b>VERSION:</b> 001
		<b>DOCUMENT NO.:</b> CGO.14.05	<b>PAGE NO.:</b> 7 of 12
<b>Title:</b>			
<b>Supplier/Contractor Relations Policy</b>			

- (iii) Directors, Employees and Consultants shall avoid actions, speech or behavior that in any way diminishes open, honest and fair treatment of Suppliers.
  
- (iv) Directors, Employees and Consultants shall seek the best value for money from the Suppliers' products and services and avoid compromising the required standards of service and quality from the Suppliers. Decisions for choosing the best Supplier shall be based and supported by established criteria that are made known to the Suppliers before a bidding is conducted.
  
- (v) Employees managing purchases and contracts shall take into account the significant benefits the Company shall obtain when it embarks on mutual agreements with Suppliers while still observing the Company's principles and core values with the other Suppliers.
  
- (vi) Employees shall avoid adopting and/or requiring specifications of products and services that either favors a particular Supplier or group of Suppliers or limits competitive sourcing.
  
- (vii) Directors, Employees and Consultants are responsible for decisions and actions made for or on behalf of the Company.
  
- (viii) Directors, Employees and Consultants shall (a) remain free from obligations to any Supplier; (b) not use their authority for Personal Benefit, rejecting and denouncing any business practice that is improper; (c) not give favorable treatment to any Supplier with whom the Company does business; (d) avoid circumstances that could impair their objectivity in the performance of their duties and obligations to the Company; and (e) declare their personal relationships (e.g. relatives, former classmates or co-workers, firm partners, fraternity members or co-members in closed knit associations such as masonry/lodge, etc.) and/or previous business

 <b>PHILEX MINING CORPORATION</b>	<b>Corporate Governance Division</b>	<b>EFFECTIVE DATE:</b> 02/26/2014	<b>VERSION:</b> 001
		<b>DOCUMENT NO.:</b> CGO.14.05	<b>PAGE NO.:</b> 8 of 12
<b>Title:</b>			
<b>Supplier/Contractor Relations Policy</b>			

and official dealings (e.g. former business partner, broker, superior or subordinate) and relationships with any of the stockholders, officers, and representatives of Suppliers they are dealing with when dealing or transacting directly or indirectly, with such parties.

- (ix) Directors, Employees and Consultants are prohibited from the following actions: (a) soliciting, accepting, or attempting to accept any Bribe; (b) providing, attempting to provide, or offering to provide any Bribe; and (c) taking part in an illegal or unethical collusion or any other arrangement or agreement with bidders. Each functional group is responsible for detecting, reporting and preventing the offer or acceptance of a Bribe in exchange for being awarded a contract or the grant of any advantage given to Suppliers.

## 6. WHAT NEEDS TO BE DONE

All Directors, Employees and Consultants are encouraged to be vigilant against any irregular, illegal, or unethical conduct of Suppliers and/or fellow Directors, Employees and Consultants. The Company encourages everyone to report any such violations based on the existing Whistleblowing Policy or equivalent policy.

Directors, Employees and Consultants may also report in writing their knowledge about any irregular, illegal or unethical conduct of Suppliers and/or fellow Directors, Employees and Consultants as follows: (a) Directors shall notify the Board of Directors through its Chairman of such conduct; (b) Officers shall report to the President and CEO [copy furnished the Corporate Governance Office (“CGO”)]; (c) while Employees and Consultants shall inform their respective Group Heads, copy furnished to the CGO.

A proper investigation and resolution of each reported event shall be made by the appropriate business units and the results shall be forwarded to the Chairman of the Board, the President and CEO or respective executive-level superior, and the CGO and other relevant groups or bodies, in accordance with the procedure stated in the Whistleblowing Policy.



 <b>PHILEX MINING CORPORATION</b>	<b>Corporate Governance Division</b>	<b>EFFECTIVE DATE:</b> 02/26/2014	<b>VERSION:</b> 001
		<b>DOCUMENT NO.:</b> CGO.14.05	<b>PAGE NO.:</b> 9 of 12
<b>Title:</b>			
<b>Supplier/Contractor Relations Policy</b>			

The Board of Directors, Officers and Executives must ensure that any Director, Employee or Consultant who reports a suspected violation of this policy by fellow Director, Employee or Consultant is protected from any form of retaliation.

## **7. CONSEQUENCES OF VIOLATIONS**

Any Director, Employee and Consultant found to have violated this Policy shall be liable to the extent of the damage/loss suffered by PMC, and/or may be subject to penalties and sanctions as may be determined by the appropriate authorities, whether or not damage is actually suffered by PMC, in accordance with the law and existing company policies.

Suppliers who violate this policy shall also be penalized. Sanctions include but are not limited to termination of business relationship with the Company and blacklisting.

## **8. IMPLEMENTING GUIDELINES**

Appropriate implementing guidelines monitoring and measuring systems shall be formulated by the Supply Chain Division of the Company.

The Supply Chain Division shall also develop maintaining guidelines and issue the necessary notices to operationalize the application of this policy to Suppliers, including requiring Suppliers to declare their personal relationships (e.g., relatives, former classmates or co-workers, etc.) and/or previous business and official dealings (e.g., former business partner, broker, superior or subordinate) and relationships with any of the Company's Directors, Employees or Consultants prior to the Supplier's participation in any bid or consideration for any transaction by the Company.

## **9. EFFECTIVITY**

This Policy shall take effect immediately and implemented company-wide.

 <b>PHILEX MINING CORPORATION</b>	<b>Corporate Governance Division</b>	<b>EFFECTIVE DATE:</b> 02/26/2014	<b>VERSION:</b> 001
		<b>DOCUMENT NO.:</b> CGO.14.05	<b>PAGE NO.:</b> 10 of 12
<b>Title:</b>			
<b>Supplier/Contractor Relations Policy</b>			

## 10. REPEAL

All other policies, guidelines and practices inconsistent with this Policy are deemed superseded, amended or supplanted accordingly.

## 11. QUESTIONS

For any ethics-related question or concern about this Policy or in the determination of whether a violation transpire or shall happen in any particular situation, you may approach your executive-level superiors, your Human Resource Department, the Supply Chain Division, or the CGO.

<i>Prepared By:</i>	<i>Reviewed &amp; Endorsed By:</i>	<i>Approved By:</i>
(Original Signed) <b>Jeffrey R. Balmores</b> Manager/CG  Date: _____	(Original Signed) <b>Danny Y. Yu</b> CG Compliance Officer  Date: _____	(Original Signed) <b>Eulalio B. Austin, Jr.</b> President & CEO  Date: _____

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**APPROVED BY THE BOARD OF DIRECTORS  
ON FEBRUARY 26, 2014**

 <b>PHILEX MINING CORPORATION</b>	<b>Corporate Governance Division</b>	<b>EFFECTIVE DATE:</b> 02/26/2014	<b>VERSION:</b> 001
		<b>DOCUMENT NO.:</b> CGO.14.05	<b>PAGE NO.:</b> 11 of 12
<b>Title:</b> <div style="text-align: center;"><b>Supplier/Contractor Relations Policy</b></div>			

## **ANNEX “A”**

### **EXAMPLES OF POLICY VIOLATIONS**

The following are examples of procurement situations that reveal unethical conduct by an Employee and/or Supplier. The areas and situations enumerated are illustrative only and not exhaustive.

1. An Employee manipulating his evaluation of the contract proposals in exchange for Bribes.
2. A Supplier seeking internal (within the Company) and/or external (i.e. political/government) connections so as to increase chances of contract award.
3. Suppliers submitting false documents for accreditation and other procurement-related transactions or processes.
4. Employees developing unreasonable or over specific technical requirements such that award of contract intentionally goes to a particular or preferred Supplier.
5. Employees giving priority or informing preferred Suppliers in advance before actual request such that other Suppliers are caught unprepared or with too little time to plan.
6. Products and/or services that have not undergone official procurement procedure since these were tested or evaluated beforehand through product demos with particular Suppliers thus limiting chances for other Suppliers to compete.

 <b>PHILEX MINING CORPORATION</b>	<b>Corporate Governance Division</b>	<b>EFFECTIVE DATE:</b> 02/26/2014	<b>VERSION:</b> 001
		<b>DOCUMENT NO.:</b> CGO.14.05	<b>PAGE NO.:</b> 12 of 12
<b>Title:</b>			
<b>Supplier/Contractor Relations Policy</b>			

7. Undisclosed conflict of interest situations on business dealings resulting to giving undue advantage to another party.
  
8. Disclosure of confidential and proprietary information by Employees to Suppliers.
  
9. Incorrect payment of government taxes due to manipulation of documents by Suppliers.
  
10. Suppliers not remitting the correct SSS, PhilHealth, Pag-Ibig and other employee contributions to their employees.