



101082016001829

**SECURITIES AND EXCHANGE COMMISSION**

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**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM – ACGR**  
**ANNUAL CORPORATE GOVERNANCE REPORT**

**GENERAL INSTRUCTIONS**

**(A) Use of Form ACGR**

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

**(B) Preparation of Report**

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

**(C) Signature and Filing of the Report**

- A. Three (3) complete sets of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be **manually** signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.


**(D) Filing an Amendment**

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACRG**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year 2015
2. Exact Name of Registrant as Specified in its Charter MANILA MINING CORPORATION
3. 20/F Lepanto Building, 8747 Paseo de Roxas, Makati City 1226  
Address of Principal Office Postal Code
4. SEC Identification Number 4429 5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number 000-164-442
7. (632) 815-9447  
Issuer's Telephone number, including area code
8. None  
Former name or former address, if changed from the last report

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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	9
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Actual number of Directors for the year	9
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	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) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Felipe U. Yap	ED	F. Yap Securities, Incorporated		June 7, 1979	April 27, 2015	Annual Meeting	36 yrs.
Bryan U. Yap	ED	F. Yap Securities, Incorporated		April 18, 1994	April 27, 2015	Annual Meeting	21 yrs.
Eduardo A. Bangayan	ID	n/a	Ranulfo Fernandez, Jr. (No relation)	April 17, 1989	April 27, 2015	Annual Meeting	26 yrs.
Rene F. Chanyungco	ED	F. Yap Securities, Incorporated		April 19, 2004	April 27, 2015	Annual Meeting	11 yrs.
Ethelwoldo E. Fernandez	ED	F. Yap Securities, Incorporated		April 16, 2001	April 27, 2015	Annual Meeting	14 yrs.
Rodolfo S. Miranda	ID	n/a	Gerard I. Consolacion (No relation)	April 21, 2009	April 27, 2015	Annual Meeting	6 yrs.
Douglas John Kirwin	ED	F. Yap Securities, Incorporated		April 28, 2014	April 27, 2015	Annual Meeting	1 yr.
Patrick K. Yap	NED	F. Yap Securities, Incorporated		April 18, 2005	April 27, 2015	Annual Meeting	10 yrs.
Stephen Y. Yap	NED	F. Yap Securities, Incorporated		April 29, 2013	April 27, 2015	Annual Meeting	2 yrs.

- (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.

#### **INTEGRATED MANAGEMENT SYSTEM (IMS) POLICY STATEMENT**

We commit to excellence in quality, environmental protection, safety, health and security in our mining operations and in the community of which we are a part.

We commit to become a model of a socially responsible mining organization through effective implementation of the integrated management system – its standards, objectives, programs and procedures.

We commit to a high compliance rating in all applicable government laws, regulations, policies and industry standards in order to uphold a trusting and enduring relationship with all stakeholders.

<sup>1</sup> Reckoned from the election immediately following January 2, 2012.

We commit to continually improve our IMS performance by:

- Conducting safe and responsible operations utilizing the best available technologies to maximize their impact on quality, human health, community and the environment;
- Developing and enhancing the organizational capabilities and employee competencies toward an efficient and globally competitive operation;
- Motivating employees to be focused and disciplined in the performance of their jobs toward attaining a deep sense of ownership and loyalty;
- Keeping all facilities safe, well-maintained, orderly and clean to prevent incidents;
- Promoting IMS awareness among our employees, suppliers, contractors and business partners to encourage a sense of commitment and accountability;
- Supporting community development to assist host and neighboring communities improve their quality of life.

We further commit to consistently implement, measure, monitor, review and openly communicate our IMS performance to improve stakeholder confidence.

(c) How often does the Board review and approve the vision and mission? **Every 10 years**

(d) Directorship in Other Companies

(i) Directorship in the Company's Group<sup>2</sup>

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

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Felipe U. Yap	Lepanto Consolidated Mining Company, Shipside, Incorporated, Lepanto Investment and Development Corporation, Far Southeast Gold Resources, Incorporated, Diamond Drilling Corporation of the Philippines and Diamant Manufacturing & Trading Corporation	Chairman/CEO
Bryan U. Yap	Lepanto Consolidated Mining Company, Shipside, Incorporated, Lepanto Investment and Development Corporation, Far Southeast Gold Resources, Incorporated, Diamond Drilling Corporation of the Philippines and Diamant Manufacturing & Trading Corporation	Executive
Ethelwoldo E. Fernandez	Lepanto Consolidated Mining Company and Far Southeast Gold Resources Incorporated	Executive
Rene F. Chanyungco	Far Southeast Gold Resources Incorporation, Diamond Drilling Corporation of the Philippines and Diamant Manufacturing & Trading Corporation	Executive

<sup>2</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Felipe U. Yap	Prime Orion Philippines, Incorporated and Zeus Holdings, Incorporated	Executive - Chairman

(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	Name of the Significant Shareholder	Description of the relationship
Felipe U. Yap	F. Yap Securities, Inc. (FYSI)	Family
Bryan U. Yap	F. Yap Securities, Inc. (FYSI)	Family

(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 of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	The optimum number of directorship outside the Company shall be related to the capacity of a director to perform his duties diligently in general. The Company's Directors may be members of as many boards as they may accept or be elected into subject to periodic evaluation by the Nomination Committee.	The optimum number of directorship outside the Company shall be related to the capacity of a director to perform his duties diligently in general. The Company's Directors may be members of as many boards as they may accept or be elected into subject to periodic evaluation by the Nomination Committee.
Non-Executive Director	Same as above	Same as above
CEO	Same as above	Same as above

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Felipe U. Yap	265,191,181	76,418,032	.17%
Bryan U. Yap	3,070,294,146	498,658,038	1.77%
Eduardo A. Bangayan	33,577,140	-	.02%
Rene F. Chanyungco	6,798,101	20,230,962	.01%
Ethelwoldo E. Fernandez	1	16,800,000	0%
Rodolfo S. Miranda	-	3,000,000	0%



Douglas John Kirwin	1	-	.0%
Patrick K. Yap	7,814,221	33,058,777	.02%
Stephen Y. Yap	-	1,000,000	0%
<b>TOTAL</b>	<b>3,383,821,690</b>	<b>654,429,877</b>	<b>2.00%</b>

## 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	FELIPE U. YAP
CEO/President	FELIPE U. YAP

## (b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	1. Presides over Board and stockholders' meetings; 2. calls for special meetings of the Board or stockholders whenever necessary 3. Ensure that the meetings of the Board are held in accordance with the By-laws as the Chair may deem necessary. 4. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the Management and the directors; 5. Maintain qualitative and timely lines of communication and information between the Board and Management.	Directs the affairs of the company; Ensures that Board decisions are promptly implemented
Accountabilities		
Deliverables		

- 3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions? **After the President, the Company has 3 levels of Vice Presidents—EVP, VP and AVP, plus the CFO**

## 4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain. **Yes. The discretion is left with the Nomination Committee.**

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain. **Yes, through the Nomination Committee.**

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	<p>As COO, responsible for the company's operations and reports thereon;  Recommends the appointment or promotion of officers ;  Recommends the approval of certain contracts or transactions;  foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.</p> <p>The Board should formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.</p>	<p>Review and approval of budget; appointment of officers; ensures compliance with regulations; they basically should ask the right questions to determine why targets are not met, how best to achieve targets, or whether targets are achievable or overly conservative;  The Board shall ensure that the corporation is properly and effectively managed and supervised;    foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.</p> <p>The Board should formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.</p>	<p>Oversight function, especially over governance matters; review and approval of budget;</p> <p>The Board shall ensure that the corporation is properly and effectively managed and supervised;  foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.</p> <p>The Board should formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.</p> <p>Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.</p>
Accountabilities	Budget; performance of Management		
Deliverables	Production and income		

Provide the company's definition of "independence" and describe the company's compliance to the definition.

**The company complies with SEC Memorandum Circular No. 16, Series of 2002, which is written into the Qualifications for Independent Director under the Guidelines of the Nomination Committee. In the Company's Revised Code of Corporate Governance, the following definition of Independent Director is adopted: "a person who,**

**apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director”.**

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 it limit the term for no more than four additional years? Please explain. **SEC regulations are deemed written into the Company’s Revised Code of Corporate Governance. The Company will therefore comply with the 5-year limit, the reckoning of which started in 2012.**

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:

Name	Position	Date of Cessation	Reason

(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. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	The Nomination Committee (NC) accepts written nomination letters and such is taken up (qualifications and disqualifications are determined) at the NC meeting at least 1 month prior to the annual stockholders’ meeting	1. He shall have at least 1 share of stock of the Company; 2. He shall be at least a college graduate or he shall have been engaged or exposed to the business of the Company for at least 5 years; 3. He shall possess integrity/probity; and 4. He shall be assiduous. 5. Should be “full-time” in the management of the Company’s affairs. For the purposes hereof, affiliates or wholly-owned subsidiaries of the Company or corporations controlled by the family of the concerned director shall not be deemed as another corporation. 6. Has none of the disqualifications set forth below.
(ii) Non-Executive Directors	The Nomination Committee (NC) accepts written	1. He shall have at least 1 share of stock of the

	<p>nomination letters and such is taken up (qualifications and disqualifications are determined) at the NC meeting at least 1 month prior to the annual stockholders' meeting.</p> <p>Other than the criteria listed herein, the NC also considers the following during its meeting:</p> <ol style="list-style-type: none"> <li>1. The nature of the business of the Corporations where the nominee is a director;</li> <li>2. Age of the director;</li> <li>3. Number of directorships/active memberships and officerships in other corporation or organizations; and</li> <li>4. Possible conflict of interest;</li> </ol>	<p>Company;</p> <ol style="list-style-type: none"> <li>2. He shall be at least a college graduate or he shall have been engaged or exposed to the business of the Company for at least 5 years;</li> <li>3. He shall possess integrity/probity; and</li> <li>4. He shall be assiduous).</li> <li>5. Has none of the disqualifications set forth below.</li> </ol>
(iii) Independent Directors	<p>The Company discloses to the SEC and the PSE at least 2 months prior to the annual meeting the date of the annual meeting and the deadline and requirements for nomination of independent director; The NC accepts the written nomination letters and takes it up (qualifications and disqualifications are determined) at the NC meeting at least 1 month prior to the annual stockholders' meeting.</p> <p>Other than the criteria listed herein, the NC also considers the following during its meeting:</p> <ol style="list-style-type: none"> <li>1. The nature of the business of the Corporations where the nominee is a director;</li> <li>2. Age of the director;</li> <li>3. Number of directorships/active memberships and officerships in other corporation or organizations; and</li> <li>4. Possible conflict of interest;</li> <li>5. The optimum number of directorship outside the Company shall be related to the capacity of a director to perform his duties diligently in general.</li> <li>6. Subject to the foregoing.</li> </ol>	<p><b>In addition to the criteria above:</b></p> <ol style="list-style-type: none"> <li>1. Is not a director or officer or substantial stockholder (stockholder owning at least 10% of outstanding shares) of the Company or of its related Companies or any of its substantial shareholders (other than as an Independent Director of any of the foregoing);</li> <li>2. Is not a relative of any director, officer or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders. For this purpose, relatives includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;</li> <li>3. Is not acting as a nominee or representative of a substantial shareholder of the Company, any of its related companies or any of its substantial Shareholders;</li> <li>4. Has not been employed in any executive capacity by the Company, any of its related companies or by any of its substantial shareholders within the last 5 years;</li> <li>5. Is not retained as</li> </ol>

	The Company's Directors may be members of as many boards as they may accept or be elected into subject to periodic evaluation by the NC.	professional adviser by the Company, any of its related companies or any of its substantial shareholders within the last 5 years, either personally or through his firm; 6. Has not engaged and does not engage in any transaction with the Company or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial or insignificant.
<b>b. Re-appointment-</b>		
(i) Executive Directors	Appointed by the Board at the organizational meeting after the annual meeting	
(ii) Non-Executive Directors	NOT APPLICABLE AS DIRECTORS ARE ELECTED, NOT APPOINTED	
(iii) Independent Directors	NOT APPLICABLE AS DIRECTORS ARE ELECTED, NOT APPOINTED	
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	Determined by the NC, based on complaints or on its own information, during the NC Meeting	1. Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induces or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas; 2. Any person judicially declared to be insolvent; 3. Any person finally found

		<p>guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and</p> <p>4. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years prior to the date of his election or appointment.</p>
(ii) Non-Executive Directors	Same as above	Same as above
(iii) Independent Directors	Same as above	Same as above
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	Same as above	<p>1. Refusal to fully disclose the extent of his business interest as required under the Securities Regulation code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;</p> <p>2. Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;</p> <p>3. Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;</p> <p>4. Being under preventive suspension as an officer or employee of the Company;</p> <p>5. Conviction that has not yet become final referred to in the grounds for the disqualification of directors.</p>
(ii) Non-Executive Directors	Same as above	1. Refusal to fully disclose the extent of his business interest

		<p>as required under the Securities Regulation code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;</p> <p>2. Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;</p> <p>3. Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;</p> <p>4. Conviction that has not yet become final referred to in the grounds for the disqualification of directors.</p>
(iii) Independent Directors	Same as above	<p>In addition to the above:</p> <p>1. He becomes an officer or employee of the Company or of its related companies or substantial shareholder of the Company (owning at least 10% of the outstanding capital stock);</p> <p>2. His beneficial security ownership exceeds 10% of the outstanding capital stock of the Company;</p>
<b>e. Removal</b>		
(i) Executive Directors	A complaint or petition is filed with the NC. NC takes up the complaint/petition, then recommends appropriate action to the Board.	Same grounds for permanent or temporary disqualification; in addition, infidelity to the Company or actions/ conduct inimical to the interest of the company
(ii) Non-Executive Directors	Same as above	Same grounds for permanent or temporary disqualification; in addition, infidelity to the Company or actions/ conduct inimical to the interest of the company

(iii) Independent Directors	Same as above	Same grounds for permanent or temporary disqualification; in addition, infidelity to the Company or actions/ conduct inimical to the interest of the company
<b>f. Re-instatement</b> Not applicable; a director may be re-elected at an annual meeting , but not reinstated in the interim unless a vacancy occurs and the disqualified director becomes qualified in the meantime		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>g. Suspension</b>		
(i) Executive Directors	Same as removal	Same as removal
(ii) Non-Executive Directors	Same as removal	Same as removal
(iii) Independent Directors	Same as removal	Same as removal

#### Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Felipe U. Yap	120,576,940,201
Bryan U. Yap	120,576,940,201
Eduardo A. Bangayan	120,576,940,201
Rene F. Chanyungco	120,576,940,201
Ethelwoldo E. Fernandez	120,576,940,201
Rodolfo S. Miranda	120,576,940,201
Douglas John Kirwin	120,576,940,201
Patrick K. Yap	120,576,940,201
Stephen Y. Yap	120,576,940,201

#### 6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.  
**New directors are invited to visit/ flown to the mine site to get oriented on the company's operations; they are advised on the company's policies especially in respect of directors' reportorial and disclosure requirements.**
- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>3</sup> for the past three (3) years: **NONE**
- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year. **NONE**

Name of Director/Officer	Date of Training	Program	Name of Training Institution

<sup>3</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.



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## B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	The Director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A Director who has a continuing material conflict of interest should seriously consider resigning from his position.	All officers and employees are expected to be loyal to the Company. At all times, they should avoid situations where their personal interest may conflict directly or indirectly with the Company's interest. No specific definition of such a situation appears practicable in view of the many different forms in which conflict or apparent conflicts of interest may arise. In general, there is a possible conflict of interest whenever an officer or employee or a member of his immediate family is doing business with the company or has direct or indirect interest in any transaction with the Company (e.g. customers and suppliers) and the interest is to such an extent or of such a nature as would influence or prejudice his decision or official functions. In case of doubt, the officer or employee should disclose to higher management officials present and future acts or undertakings that may give rise to a conflict of interest situation	All officers and employees are expected to be loyal to the Company. At all times, they should avoid situations where their personal interest may conflict directly or indirectly with the Company's interest. No specific definition of such a situation appears practicable in view of the many different forms in which conflict or apparent conflicts of interest may arise. In general, there is a possible conflict of interest whenever an officer or employee or a member of his immediate family is doing business with the company or has direct or indirect interest in any transaction with the Company (e.g. customers and suppliers) and the interest is to such an extent or of such a nature as would influence or prejudice his decision or official functions. In case of doubt, the officer or employee should disclose to higher management officials present and future acts or undertakings that may give rise to a conflict of interest situation
(b) Conduct of Business and Fair Dealings	1. A director should conduct fair business transactions with the corporation, and to ensure that his personal interest does not conflict with the interests of the corporation.	The Company is committed to being a good corporate citizen. It shall do its share in national development and growth of the host community. It shall pay all taxes due accurately and promptly. Adherence	The Company is committed to being a good corporate citizen. It shall do its share in national development and growth of the host community. It shall pay all taxes due accurately and promptly. Adherence to legal processes and statutes

	2. Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.	to legal processes and statutes shall be its guide at all times.	shall be its guide at all times.
(c) Receipt of gifts from third parties			
(d) Compliance with Laws & Regulations	The Board shall ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.	The Company is committed to being a good corporate citizen. It shall do its share in national development and growth of the host community. It shall pay all taxes due accurately and promptly. Adherence to legal processes and statutes shall be its guide at all times.	The Company is committed to being a good corporate citizen. It shall do its share in national development and growth of the host community. It shall pay all taxes due accurately and promptly. Adherence to legal processes and statutes shall be its guide at all times.
(e) Respect for Trade Secrets/Use of Non-public Information	A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.	On first joining the company, every employee is required to sign a "Confidential Information, Inventions and Developments Agreement." Such agreement obligates an employee to transfer to the company all rights to inventions or discoveries, to protect the company's trade secrets and to keep information confidential. Confidential information should be available only to Company personnel who need to know the same. Disclosure of confidential information outside the Company, especially to competitors, or adverse parties could be detrimental. Confidential information or data should be maintained in locked files and storage areas and properly disposed of in accordance with our records retention policy. Also, care should be exercised when handling or discussing confidential information not only outside, but also within the office premises to ensure that the	On first joining the company, every employee is required to sign a "Confidential Information, Inventions and Developments Agreement." Such agreement obligates an employee to transfer to the company all rights to inventions or discoveries, to protect the company's trade secrets and to keep information confidential. Confidential information should be available only to Company personnel who need to know the same. Disclosure of confidential information outside the Company, especially to competitors, or adverse parties could be detrimental. Confidential information or data should be maintained in locked files and storage areas and properly disposed of in accordance with our records retention policy. Also, care should be exercised when handling or discussing confidential information not only outside, but also within the office premises to ensure that the confidential information do not become available to employees not authorized to have access to

		confidential information do not become available to employees not authorized to have access to such information and to non-employees and the public. Permitting unauthorized access to office, mine or milling facilities by Company personnel likewise constitutes breach of confidentiality not to mention violation of security policies.	such information and to non-employees and the public. Permitting unauthorized access to office, mine or milling facilities by Company personnel likewise constitutes breach of confidentiality not to mention violation of security policies.
(f) Use of Company Funds, Assets and Information	A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.	<p>Assets owned by the company, whether physical or intangible, are to be utilized exclusively in the pursuit of company business and are not for personal use or consumption. Every employee of the company shall be responsible for the assets under his direct control and supervision. Everyone shall have the responsibility to be mindful of appropriate security procedures and to be alert for situations or conditions that may lead to loss, destruction, theft or misuse of Company assets.</p> <p>Confidential information should be available only to Company personnel who need to know the same. Disclosure of confidential information outside the Company, especially to competitors, or adverse parties could be detrimental. Confidential information or data should be maintained in locked files and storage areas and properly disposed of in accordance with our records retention policy. Also, care should be exercised when handling or discussing confidential</p>	<p>Assets owned by the company, whether physical or intangible, are to be utilized exclusively in the pursuit of company business and are not for personal use or consumption.</p> <p>Every employee of the company shall be responsible for the assets under his direct control and supervision. Everyone shall have the responsibility to be mindful of appropriate security procedures and to be alert for situations or conditions that may lead to loss, destruction, theft or misuse of Company assets.</p> <p>Confidential information should be available only to Company personnel who need to know the same. Disclosure of confidential information outside the Company, especially to competitors, or adverse parties could be detrimental. Confidential information or data should be maintained in locked files and storage areas and properly disposed of in accordance with our records retention policy. Also, care should be exercised when handling or discussing confidential information not only outside, but also within the office premises to ensure that the confidential</p>

		<p>information not only outside, but also within the office premises to ensure that the confidential information do not become available to employees not authorized to have access to such information and to non-employees and the public. Permitting unauthorized access to office, mine or milling facilities by Company personnel likewise constitutes breach of confidentiality not to mention violation of security policies.</p>	<p>information do not become available to employees not authorized to have access to such information and to non-employees and the public. Permitting unauthorized access to office, mine or milling facilities by Company personnel likewise constitutes breach of confidentiality not to mention violation of security policies.</p>
<p>(g) Employment &amp; Labor Laws &amp; Policies</p>		<p>The company is committed to a policy of recruiting, promoting and supporting the professional growth of, a globally competitive work force through equal employment opportunities. Determinations regarding the hiring of applicants and subsequent employee actions such as training, compensation and promotion shall be made and communicated in a manner which ensures that no discrimination on the basis of gender, sexual preference/orientation, age, religion or disability occurs unless justified by the nature or requirements of work. A work environment free from harassment and intimidation shall be maintained for all employees at all times.</p> <p>The company is committed to ensure and maintain a healthy and a health- conscious workforce. It shall continue to provide health programs that are geared towards the total</p>	<p>The company is committed to a policy of recruiting, promoting and supporting the professional growth of, a globally competitive work force through equal employment opportunities. Determinations regarding the hiring of applicants and subsequent employee actions such as training, compensation and promotion shall be made and communicated in a manner which ensures that no discrimination on the basis of gender, sexual preference/orientation, age, religion or disability occurs unless justified by the nature or requirements of work. A work environment free from harassment and intimidation shall be maintained for all employees at all times.</p> <p>The company is committed to ensure and maintain a healthy and a health- conscious workforce. It shall continue to provide health programs that are geared towards the total prevention and/or elimination of illnesses common to underground mining operations .</p>

		prevention and/or elimination of illnesses common to underground mining operations. Adherence to legal processes and statutes shall be its guide at all times.	Adherence to legal processes and statutes shall be its guide at all times.
(h) Disciplinary action	<ul style="list-style-type: none"> <li>o In case of first violation, the subject person shall be reprimanded.</li> <li>o Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.</li> <li>o For third violation, the maximum penalty of removal from office shall be imposed.</li> </ul> <p>8.2. The commission of a third violation of this manual by any member of the board of the company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.</p>	Violations of the Code of Conduct are deemed serious offenses which may result in disciplinary action, suspension, dismissal or may result in civil action by the company. In addition, violations of the Code of Conduct which are also violations of law may result in fines, penalties or other legal remedies. The Code of Conduct of the Company provides for a Table of Disciplinary Actions	Violations of the Code of Conduct are deemed serious offenses which may result in disciplinary action, suspension, dismissal or may result in civil action by the company. In addition, violations of the Code of Conduct which are also violations of law may result in fines, penalties or other legal remedies. The Code of Conduct of the Company provides for a Table of Disciplinary Actions
(i) Whistle Blower	none	Each employee is responsible for his or her own compliance with the Code of Conduct All alleged violations will be fully investigated and employees reporting any such matter should fear no reprisal.	Each employee is responsible for his or her own compliance with the Code of Conduct. All alleged violations will be fully investigated and employees reporting any such matter should fear no reprisal.
(j) Conflict Resolution	Settlement of conflicts or cases are discussed and approved at the Board level.	The Company exhausts all avenues for settlement of conflicts prior to resorting to judicial action, and even after the matter has been lodged with the courts.	The Company exhausts all avenues for settlement of conflicts prior to resorting to judicial action, and even after the matter has been lodged with the courts.

- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? **Yes**
- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct. **For officers and employees, the Human Resource and Administration Dept monitors compliance with the Code of Business Ethics. For the Directors, complaints may be lodged with the Nomination Committee, who will investigate the matter.**

#### 4) Related Party Transactions

##### (a) Policies and Procedures

Describe the company's policies and procedures 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, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	Not applicable
(2) Joint Ventures	All transactions are on arm's length basis.
(3) Subsidiaries	<p>All transactions are on arm's length basis.</p> <p>The parent company provides assistance to wholly-owned subsidiaries in the importations of equipment, parts and supplies as the subsidiaries do not have import permits and credit lines with banks.</p> <p>Once the importations are consummated, subsidiaries are billed for the total costs of importations including the related applicable taxes. No mark-up or service fees are charged to the subsidiaries.</p> <p>Assistance in operations are also provided in the form of shared mining costs, use of facilities like and housing, equipment and men and of the company plane as well as consumption of materials and with regard to Far Southeast Gold resources, Inc., a joint venture mining company which is 60%- owned by Lepanto. The arrangement is covered by a written contract. On a monthly basis, the company requests for reimbursements from FSGRI.</p> <p>Assistance are also rendered to associates in the form of shared rental costs, use of equipment and mill laboratory and of materials and supplies. Monthly requests for reimbursements are issued.</p> <p>Parent company transacts business with subsidiaries for drilling, warehousing, cargo handling and transportation. Pricing of these services are on arm's length basis and competitive. Billings and invoices are issued by the subsidiaries to the parent company.</p> <p>Associates render insurance services to the companies at competitive prices. Invoices are issued to the companies and are recorded as Payables.</p> <p>On a monthly basis, intercompany reconciliations are performed to account balances between companies.</p>
(4) Entities Under Common Control	All transactions are on arm's length basis.
(5) Substantial Stockholders	Shareholders provide advances to the Company from time to time
(6) Officers including spouse/children/siblings/parents	Not applicable. There are no transactions with officers or their families.
(7) Directors including spouse/children/siblings/parents	Not applicable. There are no transactions with directors or their families.
(8) Interlocking director relationship of Board of Directors	Some of the Company's officers are directors also of an associate where the Company has a 20% interest.

##### (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.

	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.

	Directors/Officers/Significant Shareholders
Company	Any entity that wishes to transact with the company has to get accredited. For accreditation, we require a copy of the Articles of Incorporation of the company and require documents indicating the ownership of the said entity. A site/plant/office visit is then conducted. It is only after accreditation that negotiations/ canvassing take place, at which the Purchasing Department ensures that the Company gets the best deal possible, and always on arm's length basis.
Group	Same as above.

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>4</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company: **None**

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship

- (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: **None**

Names of Related Significant Shareholders	Type of Relationship	Brief Description

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company: **NONE**

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
N/A		

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

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.

Alternative Dispute Resolution System	
Corporation & Stockholders	Not applicable; no conflicts with shareholders
Corporation & Third Parties	Before deciding to go to court, the Company exhausts all possibilities of settling disputes; for cases that are already with the courts, the company resorts to mediation and has successfully terminated cases on such basis.
Corporation & Regulatory Authorities	The company works closely with the regulatory authorities and complies with regulations to avoid any disputes.

**C. BOARD MEETINGS & ATTENDANCE**

1) Are Board of Directors' meetings scheduled before or at the beginning of the year? **It is in the By-Laws that the Board should meet on the third Monday of every month.**

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Felipe U. Yap	April 27, 2015	3	3	100%
Member	Bryan U. Yap	April 27, 2015	3	3	100%
Member	Eduardo A. Bangayan	April 27, 2015	3	3	100%
Member	Rene F. Chanyungco	April 27, 2015	3	3	100%
Member	Ethelwoldo E. Fernandez	April 27, 2015	3	3	100%
Member	Rodolfo S. Miranda	April 27, 2015	3	3	100%
Independent	Douglas John Kirwin	April 27, 2015	3	3	100%
Member	Stephen Y. Yap	April 27, 2015	3	3	100%
Independent	Patrick K. Yap	April 27, 2015	3	3	100%

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? **Not as a non-executive Board but as a Committee, that is, Audit Committee.**

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain. **The requirement is majority of the members present; however, when very important decisions have to be made, the Chairman requires all directors to be present or otherwise to be made aware of the importance of the matters to be tackled and the details thereof.**



5) Access to Information

- (a) How many days in advance are board papers for board of directors meetings provided to the board? **At least 3 days in advance.**
- (b) Do board members have independent access to Management and the Corporate Secretary? **Yes.**
- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?: **Roles of the Corporate Secretary:**
- (i) Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;
  - (ii) Be loyal to the mission, vision and objectives of the corporation;
  - (iii) Work fairly and objectively with the Board, Management and stockholders;
  - (iv) Have appropriate administrative and interpersonal skills;
  - (v) If he is not at the same time the corporation's legal counsel, be aware of the laws, rule and regulations necessary in the performance of his duties and responsibilities;
  - (vi) Have a working knowledge of the operations of the corporation;
  - (vii) Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
  - (viii) Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so; and
  - (ix) Ensure that all Board procedures, rules and regulations are strictly followed by the members.
- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative. **Yes.**
- (e) Committee Procedures

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

Yes ☒

No ☐

Committee	Details of the procedures
Executive	All requests for information are coursed through the Asst. Corporate Secretary except financial matters which are coursed through the CFO
Audit	Members have direct access to management but to facilitate requests, they are coursed through the Asst. Corporate Secretary or the Head of Internal Audit.
Nomination	All requests for information are coursed through the Asst. Corporate Secretary.

Remuneration	All requests for information are coursed through the Asst. Corporate Secretary except financial matters which are coursed through the CFO
Others : Stock Option Committee	All requests for information are coursed through the Asst. Corporate Secretary except financial matters which are coursed through the CFO

#### 6) External Advice

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

Procedures	Details
No formal procedure but they may so request during board meetings as they have in the past.	

#### 7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:  
NONE

Existing Policies	Changes	Reason
N/A		

### 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	Taken up by the Remuneration and Compensation Committee based on industry standards and the financial standing of the Company	Taken up by the Remuneration and Compensation Committee based on industry standards and the financial standing of the Company
(2) Variable remuneration	None	None
(3) Per diem allowance	None other than for attendance of Board meetings, which is set by the Board	None other than for attendance of Board meetings, which is set by the Board
(4) Bonus	None in the last 10 years	None in the last 10 years
(5) Stock Options and other financial instruments	Decided by the Stock Option Committee based on capacity to pay and ESOP Guidelines	Decided by the Stock Option Committee based on capacity to pay and ESOP Guidelines
(6) Others (specify)	None	None

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

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	<u>Executive Directors are paid per diem for attendance of Board or Committee meetings, as fixed by the Board</u>	None	Based on industry standards and the Company's capacity to pay
Non-Executive Directors	Non- Executive Directors are paid per diem for attendance of Board or Committee meetings, as fixed by the Board	None	Based on industry standards and the Company's capacity to pay

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
Each Director shall receive, for his services as such director, such reasonable sum as the Board of Directors may fix from time to time for each regular or special meeting of the Board actually attended by him;	(By-Laws) April 16, 2012
Prior to the above, the By-Laws since 1970 has set the per diem at P1,000 per meeting.	

3) Aggregate Remuneration

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

Remuneration Item	Executive Directors (As such directors)	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	NA	NA	NA
(b) Variable Remuneration	NA	NA	NA
(c) Per diem Allowance	P135,000	P187,000	P67,000
(d) Bonuses	NA	NA	NA
(e) Stock Options and/or other financial instruments	No outstanding options	No outstanding options	No outstanding options
(f) Others (Specify)	None	None	None
<b>Total</b>	P135,000	P187,000	P67,000

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	None	None	None
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	None	None	None
(f) Hospitalization Plan	None	None	None
(g) Car Plan	None	None	None
(h) Others (Specify)	None	None	None
<b>Total</b>			

#### 4) Stock Rights, Options and Warrants

##### (a) Board of Directors

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

THE LAST STOCK OPTION AWARD HAS EXPIRED.

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
N/A				

##### (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 the Annual Stockholders' Meeting: **None**

Incentive Program	Amendments	Date of Stockholders' Approval

#### 5) Remuneration of Management

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:

Name of Officer/Position	Total Remuneration
FELIPE U. YAP – Chief Executive Officer	P2.3 million
BRYAN U. YAP – Chief Operating Officer	
RENE F. CHANYUNGCO – Senior Vice President and Treasurer	
PATRICK K. YAP – Senior Vice President	
PABLO AYSON, JR. – Vice President	

## 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	2	2	1	NONE	Pls see discussion below	Pls see discussion below	Pls see discussion below
Audit		2	1	Yes	Pls see discussion below	Pls see discussion below	Pls see discussion below
Nomination	1	1	1	Yes	Pls see discussion below	Pls see discussion below	Pls see discussion below
Remuneration		2	1	None	Pls see discussion below	Pls see discussion below	Pls see discussion below
Others Stock Option	1	1	1	Yes	Pls see discussion below	Pls see discussion below	Pls see discussion below

### **FUNCTIONS AND RESPONSIBILITIES OF THE EXECUTIVE COMMITTEE**

- Meets to make decisions when the Board is unable to meet.  
Meets prior to a Board meeting, upon call by the Chairman or President or any member to prepare for or otherwise make recommendations to the Board prior to a Board meeting where a crucial decisions will be made.

**POWERS OF THE EXECUTIVE COMMITTEE:** Only such powers as may be delegated by the Board from time to time.

### **FUNCTIONS AND RESPONSIBILITIES OF THE AUDIT COMMITTEE**

- Meets at least quarterly to perform its functions
- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the company, and crisis management.
- Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently of each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their

respective audit functions.

- d. Assist the Board in the performance of its oversight responsibility for the monitoring of compliance with applicable laws, rules and regulations.
- e. Elevate to international standards the accounting and auditing processes, practices and methodologies.
- f. Ensure that a business continuity plan is in place.
- g. Report to the Board quarterly its activities and findings.
- h. Review the reports submitted by the internal and external auditors.
- i. Review the status of all internal audit and external audit recommendations and their implementation.
- j. Review and approve the annual internal audit plan. The plan shall include, among others, a) the resources and budget necessary to implement it; b) audit scope and frequency; and c) a review of internal control mechanisms, related party transactions, fraud prevention and risk awareness.
- k. Ensure that the Internal Audit head functionally reports directly to the Committee and is free from interference by outside parties.
- l. Recommend to the Board the appointment of the Company's External Auditor.
- m. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit.
- n. Check financial reports against compliance with both internal financial management handbook and pertinent accounting standards, including regulatory requirements and issue certifications on critical compliance issues.
- o. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor; the committee shall disallow any non-audit work that will conflict with the external auditor's duties as such or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the company's annual report.
- p. Assess its performance regularly.

#### **POWERS OF THE AUDIT COMMITTEE**

- a. Have direct access to senior management, including the Chief Executive Officer and Chief Financial Officer, Internal Audit Department and the external auditor.
- b. Have direct access to the Company's financial records.
- c. Have direct access to financial resources for the dispensation of its functions, including the engagement of advisors or consultants and attendance of trainings and seminars.

Require any officer or department head of the Company to report to the Committee at any regular or special meeting.

#### **FUNCTIONS AND RESPONSIBILITIES OF THE NOMINATION COMMITTEE**

- a. Meets at least once a year at least a month before the annual meeting for the purpose of evaluating the eligibility for directorship of all nominees;
- b. Evaluates the performance of the directors.
- c. Shortlists the nominees for election to the Board.

#### **POWERS OF THE NOMINATION COMMITTEE**

- a. Determines the qualifications or disqualifications of nominees;
- b. Reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval;
- c. Acts on complaints concerning the conduct or disqualification of directors.
- d. Assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors;

#### **FUNCTIONS AND RESPONSIBILITIES OF THE REMUNERATION COMMITTEE**

- a. Meets to discuss the remuneration of management prior to the implementation of any recommended increase or change in such remuneration;
- b. Recommends to the Board such increase or change in remuneration.

**POWERS OF THE REMUNERATION COMMITTEE:** Recommendatory**FUNCTIONS AND RESPONSIBILITIES OF THE STOCK OPTION COMMITTEE**

- a. Administers the Company's Stock Option Plan;
- b. Recommends to the Board a stock option award with the following parameters: names of optionees and number of shares awarded to each; price of the option; date of effectivity;

**POWERS OF THE STOCK OPTION COMMITTEE:** Recommendatory

## 2) Committee Members

- (a) Executive Committee -
- No meeting in 2012 as the Board met regularly.**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee

- (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Eduardo A. Bangayan	May 24, 2004	4	4	100	10 yrs.
Member (ED)	Ethelwoldo E. Fernandez	April 28, 2014	4	4	100	1 yr.
Member (NED)	Rodolfo s. Miranda	May 19, 2009	4	4	100	5 yrs.
Member (ID)	----					
Member	----					

Disclose the profile or qualifications of the Audit Committee members.

Describe the Audit Committee's responsibility relative to the external auditor.

- (c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Bryan U. Yap	May 24, 2004	1	1	100	10 yrs.
Member (ID)	Eduardo A. Bangayan	May 27, 2013	1	1	100	2 yrS.
Member (NED)	Ethelwoldo E. Fernandez	May 24, 2004	1	1	100	10 yrs.
Member	-----					
Member						

- (d) Remuneration Committee -
- No meeting in 2012**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Ethelwoldo E. Fernandez	May 24, 2004				10 yrs.

Member (ED)	Bryan U. Yap	May 27, 2013				2 yrs.
Member (ID)	Eduardo A. Bangayan	May 24, 2004				10 yrs.
Member (NED)	-----					
Member	-----					

(e) Others (Specify) **Stock Option Committee**

Provide the same information on all other committees constituted by the Board of Directors: **No meeting in 2012**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Rene F. Chanyungco	May 19, 2009				6 yrs.
Member (ED)						
Member (NED)	Rodolfo S. Miranda	May 19, 2009				6 yrs.
Member (ID)	Eduardo A. Bangayan	May 19, 2009				6 yrs.
Member	-----					

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes: **None**

Name of Committee	Name	Reason
Executive		
Audit		
Nomination		
Remuneration		
Others (specify)		

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	None, as the Board met regularly	
Audit	<ol style="list-style-type: none"> <li>1. Approval of Internal Audit Plan</li> <li>2. Approval of quarterly reports</li> <li>3. Approval of Amended Audit Charter</li> <li>4. Recommended the appointment of external auditor</li> <li>5. Reviewed compliance of financial statements with applicable standards</li> <li>6. Recommended to the Board the approval of the audited financial statements</li> <li>7. Discussed risk issues and other financial concerns</li> <li>8. Reviewed internal audit reports and made recommendations</li> </ol>	Matters that arose in the relation to internal audit reports
Nomination	Shortlisted nominees based on	



	qualifications; Evaluated performance of nominees	
Remuneration	None this year as no change in management remuneration was made	
Others Stock Option	None in 2012.	

5) Committee Program

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

Name of Committee	Planned Programs	Issues to be Addressed
Executive	None, as the Board meets regularly	
Audit	Self-evaluation	
Nomination	Self-evaluation for the members of the Board	
Remuneration	To be discussed	
Others Stock Option	To be discussed	

## F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

- (a) Overall risk management philosophy of the company;  
**In the management of its financial risks, the Company adheres to the following policies:**
  - (i) All gold exports when priced are practically settled on cash basis;
  - (ii) The Company enters into marketing contracts only with refineries and smelters of established international repute;
  - (iii) Maintain equity price and commodity price risks at acceptable levels;
  - (iv) Ensure that there are sufficient capital inflows to match repayments of short-term debt.
  - (v) Maintain a balance between continuity of funding and flexibility;
  - (vi) Manage liquidity risk by regularly evaluating projected and actual cashflows;
- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;  
**The Board of Directors approve the yearly budget and in the course of the review of the budget, risk exposures in respect of commodity price; interest rate; foreign exchange rate; cost items are also studied. Environmental risks are also managed as the Board requires regular reports on environmental concerns, including the maintenance of the tailings dam.**
- (c) Period covered by the review; **Yearly**
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness;  
**Yearly**
- (e) Where no review was conducted during the year, an explanation why not.

2) Risk Policy

(a) Company

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

Risk Exposure	Risk Management Policy	Objective
Operational and Environmental Risks	Operational risk hazards include possible occurrence of accidents	Prevent accidents in the company's operations by

	<p>in the exploration or operations site. Also, pollutants may be generated from mining and milling operations, thus the need for strict compliance with health, safety and environment standards.</p> <p>Environmental protection is a priority of the Company. Lepanto is guided by its Environmental Policy to integrate safety, health and environmental concerns in all phases of its operations, which means complying with all international safety, health and environmental standards.</p> <p>The Company has an Environment and Social Development Department at the Lepanto Mine Division whose job it is to ensure that all such international standards are complied with.</p>	embracing highest safety and environmental standards and ensuring that these are implemented.
Volatility of Metal Prices	<p>The Company's revenues are directly affected by prices of the metals it produces, which are gold and silver. These metal prices are beyond any producer's control and are influenced principally by demand factors in the world market. Thus the Company plans production assuming a certain gold price range and providing for sensitivity analysis. The company continually reviews its cost of production which to a certain extent is controllable.</p>	Make good profit.

(b) Group

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

Risk Exposure	Risk Management Policy	Objective
Operational and Environmental Risks	International standards on safety, health and environmental should be met at all times.	Prevent accidents in the company's operations by embracing highest safety and environmental standards and ensuring that these are implemented

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

<b>Risk to Minority Shareholders</b>
Controlling shareholders theoretically have the power to steer the company into any direction they desire. But it has been the policy of the Board to carefully deliberate on any important issue, with each director being asked for his views, before decisions are made. More often than not, decisions are unanimously made. On the other hand, if the controlling shareholder should make a mistake, he tends to suffer the most, financially and otherwise.

### 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:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
PRICE OF GOLD	This is monitored on a daily basis by the Finance department.	The offices of the Controller and Mine Finance Manager continually review how production cost may be reduced.

#### (b) Group

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

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
Ensuring that subsidiaries are able to provide the requirements of the parent company and vice-versa, all on arm's length basis	Coordination and monthly group meetings	The group has a common Chairman, Treasurer and Secretary. Subsidiaries' meetings are regularly held for coordination purposes.
Ensuring that the subsidiaries are able to get business outside the group	Coordination	Marketing group takes care of this

#### (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:

<b>Committee/Unit</b>	<b>Control Mechanism</b>	<b>Details of its Functions</b>
No specific committee but the Audit Committee, to whom the CFO and Controller report regularly, has taken on this function	Monitoring through monthly written reports (reports to the Board, at the very least) and quarterly meetings	The Committee requires management, principally the CFO and Controller to report on risk concerns, particularly how management is addressing the matter and what help may be needed from the Board in so addressing the concerns.

## 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;  
**Internal control is defined by the Company as a process, influenced by its 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 reporting; and (iii) compliance with applicable laws and regulations.**
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;  
**The internal control system of the Company is reviewed by the Internal Audit Group periodically. The Audit Committee approves the annual Audit Plan which guides the internal auditors in performing their work. The Plan details the subjects of the review, the schedule and frequency of such review, and necessary manpower to complete the task. The results of all reviews are reported to the Audit Committee.**
- (c) Period covered by the review;  
**From year to year. The current audit period covers the months of September 2012 through August 31, 2013.**
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system;  
**There are internal control systems that are reviewed more frequently than the others, pursuant to the Audit Plan. The most frequent is quarterly. The results are reported to the Audit Committee and are taken up during the quarterly committee meetings. All concerns raised by the Audit Committee are addressed immediately by the Internal Audit Group and the concerned departments.**
- (e) Where no review was conducted during the year, an explanation why not. **Not applicable.**

### 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
Internal Audit Manager	Parent Company and its subsidiaries	In-house	Rannen Darroca	Quarterly to Audit Committee
Internal Auditor	-do-	-do-	-do-	Daily

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? **Yes**
- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?  
**The Internal Audit Group of the Company reports directly to the Audit Committee. All of the audit activities of the former are approved by or otherwise proposed by the Audit Committee. These are summarized in the annual Audit Plan. Further, the Internal Audit Group and the Audit Committee have access to all records, properties and personnel of the Company.**
- (d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
Julius Soriano and Solomon Ticbayan	Mr. Soriano and Mr. Ticbayan were laterally transferred from the internal Audit Group to the Accounting Department.
Julius Palisoc	Mr. Palisoc immediately resigned a week after his appointment for medical reasons.

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	<p>The Internal Audit Plan for the period September 1, 2012 to August 31, 2013 cover 3 major subjects, to wit: (a) inventory management process, (b) mine operation, (c) milling, assay and research process.</p> <p>The inventory management process review will cover manpower complement; inventory monitoring system (both physical and per records); accounting system; and physical observation of the inventory-taking process. The review of the adequacy of the manpower complement was already completed, (b) inventory monitoring and accounting system review are on-going and are expected to be completed in July 2013, and (c) physical observation will be scheduled in August 2013.</p> <p>For mine operation, the audit plan focused on the mine operation's significant processes (e.g. survey, planning, mucking, and geology) and mine equipment repairs and maintenance. As of June 2013, the review that covers "mine equipment repairs and maintenance" has been completed, while the rest of the topics are expected to be completed in July 2013.</p>
Issues <sup>5</sup>	<p>Issues include the following:</p> <ul style="list-style-type: none"> <li>(a) Disposition of obsolete inventory maintained in one section of the Company;</li> <li>(b) Completion of documentation requirements on transferring inventories;</li> <li>(c) Regular bank reconciliation procedure by a subsidiary;</li> <li>(d) Standard documentation requirements have to be adopted by sections and by one subsidiary;</li> </ul>
Findings <sup>6</sup>	Internal control systems are generally in order and minimal deviation in some areas were found.
Examination Trends	None

<sup>5</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<sup>6</sup> "Findings" are those with concrete basis under the company's policies and rules.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-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 (“examination trends”) based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, 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
Transfer of inventories should be properly documented.	Implemented.
Obsolete inventories should be disposed of.	On-going assessments by the Inventory Management Department of the Company.
Comply with standard documentation or forms for a cash advance, cash liquidation and request for replenishment.	Implemented.

(g) Mechanisms 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 internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
The Internal Auditor group of the Company reports directly to the Audit Committee; their Audit Plan is approved by the Audit Committee. The external auditor, SGV & Company, likewise reports directly to the Audit Committee, which approves as well their Audit Plan.	Not applicable	Not applicable	Not applicable

- (h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company’s full compliance with the SEC Code of Corporate Governance. Such confirmation must 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 that compliance.

**Chairman and CEO.**

## H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	We commit to excellence in quality, environmental protection, safety, health and security in our mining operations and in the community of which we are a part.	
Supplier/contractor selection practice	Any entity that wishes to transact with the company has to get accredited. For accreditation, we require a copy of the Articles of Incorporation of the company and require documents indicating the ownership of the said entity. A site/plant/office visit is then conducted. It is only after accreditation that negotiations/ canvassing take place, at which the Purchasing Department ensures that the Company gets the best deal possible, and always on arm's length basis.	
Environmentally friendly value-chain	We commit to excellence in quality, environmental protection, safety, health and security in our mining operations and in the community of which we are a part. We commit to improving our Integrated Management System performance by, among others, conducting safe and responsible operations utilizing the best available technologies to maximize their impact on quality, human health, community and the environment;	
Community interaction	We commit to improving our Integrated Management System performance by, among others, assisting host and neighboring communities improve their quality of life. We further commit to consistently implement, measure, monitor, review and openly communicate our IMS performance to improve stakeholder confidence.	
Anti-corruption programmes and procedures?	Relevant policies: The Company is committed to being a good corporate citizen. It shall do its share in the national development and local growth of the host community. It shall pay all taxes due accurately and promptly.	

	Adherence to legal processes and statutes shall be its guide at all times. No employee should give a gift beyond the level which is reasonable and customary under the circumstances of the business relationship to any officer or employee of a customer or supplier.	
Safeguarding creditors' rights	Policy on Asset Protection	

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?  
**Yes, in the Annual Report which is on the website.**

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

**The company is committed to a policy of recruiting, promoting and supporting the professional growth of, a globally competitive work force through equal employment opportunities. Determinations regarding the hiring of applicants and subsequent employee actions, such as training, compensation and promotion shall be made and communicated in a manner which ensures that no discrimination on the basis of gender, sexual preference/orientation, age, religion or disability occurs unless justified by the nature or requirements of work. A work environment free from harassment and intimidation shall be maintained for all employees at all times.**

**The company is committed to ensure and maintain a healthy and a health- conscious workforce. It shall continue to provide health programs that are geared towards the total prevention and/or elimination of illnesses common to underground mining operations.**

**The manufacture, possession, distribution, dispensation, sale or use of alcohol, illicit drugs and/or other controlled substances by employees on company premises is prohibited except in the case of individual use of legally obtained prescription drugs or the serving of alcoholic beverages in connection with an authorized event within on Company premises.**

**Drug test shall be administered in accordance with law and those found positive of drug use shall be handled medically and legally according to severity of use and its impact to the workforce and its possible social influence to the host community.**

**The Company is committed to being a good corporate citizen. It shall do its share in the national development and local growth of the host community. It shall pay all taxes due accurately and promptly. Adherence to legal processes and statutes shall be its guide at all times.**

**We commit to continually improve our IMS performance by:**

- **Conducting safe and responsible operations utilizing the best available technologies to maximize their impact on quality, human health, community and the environment;**
- **Developing and enhancing the organizational capabilities and employee competencies toward an efficient and globally competitive operation;**
- **Motivating employees to be focused and disciplined in the performance of their jobs toward attaining a deep sense of ownership and loyalty;**
- **Keeping all facilities safe, well-maintained, orderly and clean to prevent incidents;**
- **Promoting IMS awareness among our employees, suppliers, contractors and business partners to encourage a sense of commitment and accountability;**

(b) Show data relating to health, safety and welfare of its employees.

**Excerpts from the 2012 Annual Report:**



Lepanto provides health card benefits to its Makati employees. Employees and their families get free hospitalization at the Lepanto Hospital at the minesite. The Lepanto hospital was upgraded with the purchase of various equipment and instruments, including a laparoscopy equipment, ultrasound machine, cardiac monitor, cardiac defibrillator with ECG machine, blood-chem analyzer, suction machine, portable operating light, microscope, autoclave, capnograph, anesthesia machine and ultrasound machine. The company also hired seven (7) additional medical practitioners specializing in anesthesiology, pediatrics, surgery and internal medicine.

A medical-surgical-dental mission unprecedented in Mankayan, Benguet and Cervantes and Quirino, Ilocos Sur was organized and sponsored by Lepanto early in 2012. A total of 4,000 patients from various communities in said areas were benefited by the highly successful medical program.

- (c) State the company's training and development programmes for its employees. Show the data.

**Excerpts from the 2012 Annual Report:**

A total of 547 LMD employees availed themselves of the in-house training programs conducted on Supervisor Development (LEAD); Trainers' Training Workshop; e-Books User Orientation; Organizational Development; FPIC-IEC; Basic Occupational Safety and Health; First Aid; Fire Fighting; Safety Induction; Handling of Chemical & Hazardous Materials; Security Enhancement; Basic Maintenance and Driving Habits; ZR 630 Air Compressor and Maintenance; Oracle R12 Users and Approvers Training; and Orientation on Company Rules and Regulations. 51 LMD employees attended external training programs such as the National Geological Conference and the HR Leadership Conference; and programs on such topics as Basic Life Support with MCI; Basic Course of Occupational Medicine; Standards in Quality Surgical Care; Pediatric Advance Life Support; Casting; Peri-operative Nursing; Newborn Screening; Project Management; Barangay Disaster Risk Reduction; and Corporate Social Responsibility Programming.

Through the Employee Relations Office, regular data gathering, counseling and referrals were conducted among employees and their dependents under the Family Welfare Program. The employee profiles serve also as basis for identifying the suitable intervention programs for the employees and their dependents. The available intervention programs relate to: education and training; income generation and livelihood; values formation; sports and recreation; responsible parenthood; and nutrition. Various skills enhancement trainings were conducted to company dependents, consisting of Basic and Advanced Theater Workshop, Drum and Lyre Workshop, and Cordillera Indigenous Musical Instruments Training. An Inter-LMD Area basketball tournament was likewise conducted.

- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures:

**The company awards employees for loyalty and good performance. In the minesite, citations are given to: Model Employee; Best in Safety; Service awards to employees and teachers.**

- 4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.  
**Complaints are lodged with the HR department. All alleged violations will be fully investigated and employees reporting any such matter should fear no reprisal.**

## **I. DISCLOSURE AND TRANSPARENCY**

### **1) Ownership Structure**

- (a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
F. Yap Securities, Incorporated	57,933,288,985	22.32%	F. Yap Securities, Incorporated
Lepanto Consolidated Mining Company	45,274,510,993	17.48%	Lepanto Consolidated Mining Company

<b>Lepanto Investment and Development Corporation</b>	<b>9,165,890,893</b>	<b>4.54%</b>	<b>100% wholly owned subsidiary of Lepanto Consolidated Mining Company</b>
<b>Shipside, Incorporated</b>	<b>759,543,148</b>	<b>0.29%</b>	

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Felipe U. Yap	265,191,181	76,418,032	.17%
Bryan U. Yap	3,070,294,146	498,658,038	1.77%
Rene F. Chanyungco	6,798,101	20,230,962	.01%
Augusto C. Villaluna	146,900	5,264,068	.01%
Patrick K. Yap	7,814,221	33,058,777	.02%
<b>TOTAL</b>	<b>3,350,244,549</b>	<b>633,629,877</b>	<b>1.97%</b>

- a. Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	No
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	No
Number of board of directors/commissioners meetings held during the year	No
Attendance details of each director/commissioner in respect of meetings held	No
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

- b. External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
<b>Sycip Gorres Velayo &amp; Co.</b>	<b>P350,000.00</b>	<b>none</b>

- c. Medium of Communication

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

- d. Date of release of audited financial report: **April 1, 2014**

- e. Company Website

Does the company have a website disclosing up-to-date information about the following? **Yes.**  
**www.manilamining.com**

Business operations	✓
Financial statements/reports (current and prior years)	✓
Materials provided in briefings to analysts and media	n.a
Shareholding structure	As part of Form 17-A and 20-IS
Group corporate structure	✓
Downloadable annual report	✓
Notice of AGM and/or EGM	✓
Company's constitution (company's by-laws, memorandum and articles of association)	

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

**f. Disclosure of RPT**

RPT	Relationship	Nature	Value
Pls see discussion below			
(figures in thousand pesos)			

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders. In the normal course of business, the Company has the following significant transactions with its subsidiaries, associates and other related parties:

- The Company has various service contracts with Shipline, Incorporated, a wholly-owned subsidiary of the Company, with contract term of one (1) year, subject to extension for another year as agreed by both parties. Those contracts relate to performance of SI of certain services such as hauling, sawmilling, handling and mining services in support to the operations of the Company. Expenses incurred from these transactions amounted to P23,981 and P7,212 in 2012 and 2011, respectively. The Company also leased certain property from SI. Total rental expense recognized from his transaction amounted to P416 and P210 in 2012 and 2011, respectively.
- The Company entered into various service contracts with DDCP, a wholly-owned subsidiary of the Company, whereby the latter agrees to carry out all work and supply all labor, equipment and materials in connection with the Company's underground drilling. Expenses incurred from these transactions amounted to P111,000 and P105,280 in 2012 and 2011, respectively. The Company leased certain property from DDCP. Total rental expense recognized from this transaction amounted to P26 and P154 in 2012 and 2011, respectively.
- In the normal course of business, the Company, which holds a 19.60% equity interest in MMC, provides cash advances and pays expenses on behalf of the latter. The outstanding balance resulting from this amounted to P378 and P1,964 as at December 31, 2012 and 2011, respectively.
- Cash advances and expenses paid by the Company for its subsidiaries and expenses paid by the subsidiaries in behalf of the Company. These are generally payable and collectible on demand.

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 minority shareholders and other stakeholders?

**All transactions are on arm's length basis, and the Purchasing department ensures that prices/ rates are**

**competitive.**

## **G. RIGHTS OF STOCKHOLDERS**

### 1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

#### (a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Majority
-----------------	----------

#### (b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Voting
Description	A motion is made and seconded, after which a vote is taken.

#### (c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
	Election of 2 independent directors

Dividends: **The last was in 1996.**

Declaration Date	Record Date	Payment Date
March 29, 1996	May 16, 1996	June 14, 1996

## **Stockholders' Participation**

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including 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 stockholders' meetings.

Measures Adopted	Communication Procedure
Nomination of Independent Directors	Announced by way of disclosure about 2 weeks before the deadline for nomination. This is posted on the website.
The Chair encourages shareholders to ask questions during the meeting and even to approach him or other concerned officers after the meeting.	The Chair announces this during the meeting after he renders the annual report.

8. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

- a. Amendments to the company's constitution:  
The Articles of Incorporation may be amended by a majority vote of the Board of Directors and the written assent of 2/3 of the outstanding capital stock, without prejudice to the appraisal right of shareholders. Written notice of the proposed action and of the time and place of the stockholders' meeting where the proposed amendment shall be taken up should be promptly served upon the stockholders.
- b. Authorization of additional shares:  
This requires a majority vote of the Board of Directors and the written assent of 2/3 of the outstanding capital stock; Written notice of the proposed action and of the time and place of the stockholders' meeting where the proposed amendment shall be taken up should be promptly served upon the stockholders.
- c. Transfer of all or substantially all assets, which in effect results in the sale of the company. Not applicable.  
There has been no such transaction. However, the policy is the company may transfer all or substantially all of its property and assets by a majority vote of the Board of Directors, upon such terms and for such consideration as the Board of Directors may deem expedient, when authorized by the vote of the stockholders representing 2/3 of the outstanding capital stock, without prejudice to the appraisal rights of shareholders. Written notice of the proposed action and of the time and place of the stockholders' meeting where the proposed amendment shall be taken up should be promptly served upon the stockholders.
9. 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? No, we observe the 15 calendar day rule.
- a. Date of sending out notices: April 1, 2015
- b. Date of the Annual/Special Stockholders' Meeting: April 27, 2015
10. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.
- a) **A question was raised on the metal recoveries of the Far Southeast project. The President replied that such information will be available upon completion of the Feasibility Study. Other questions relating to the project were raised, which were addressed by the president on the details of the Project.**
- b) **A question was raised about dividends. The President replied that the Company was not yet in a position to declare dividends.**

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

Resolution	Approving	Dissenting	Abstaining
Approval of Minutes of the Annual Meeting	unanimous	None	None
Approval of Annual Report	unanimous	None	None
Election of Directors	unanimous	None	None
Appointment of External Auditor	unanimous	None	None

12. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:  
Immediately after the meeting through a disclosure.

(d) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification: none

Modifications	Reason for Modification
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(e) Stockholders' Attendance

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

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	Please see attached "Annex A"	April 27, 2015	Show of hands	1.32%	65.71%	67.03%
Special	n.a					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? **The transfer agent and the external auditors are invited to attend the meeting for that purpose. And they are always introduced to the shareholders during the meeting.**

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons 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.**

(f) Proxy Voting Policies

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

	Company's Policies
Execution and acceptance of proxies	The company accepts proxies.
Notary	Notarization is not required for individual proxies but is required for corporate proxies.
Submission of Proxy	At least 1 week before the meeting.
Several Proxies	This has not happened. In any case, the one of later date should prevail.
Validity of Proxy	Valid for a maximum period of 5 years.
Proxies executed abroad	This is accepted.
Invalidated Proxy	Not counted.
Validation of Proxy	Done by the office of the Corporate Secretary and Controller based on records provided by the transfer agent.
Violation of Proxy	Never happened

(g) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
The printed Notice should be served by hand to shareholders within Metro Manila and mailed elsewhere, accompanied by the Information or Proxy Statement in CD format.	Couriers are used for Metro Manila. The rest are mailed through the Phil. Postal Office.

(h) Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	4,315 stockholders
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	April 1, 2015
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	April 1, 2015
<b>State whether CD format or hard copies were distributed</b>	CD format
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	Yes.

(i) Does the Notice of Annual/Special Stockholders' Meeting include the following:

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

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.

<b>Policies</b>	<b>Implementation</b>
The Board is committed to respect the rights of all shareholders as follows:	<ul style="list-style-type: none"> <li>- Right to be present at and to vote at the stockholders' meetings: They are promptly notified of the annual or special meetings of shareholders</li> <li>- Right to nominate directors—through announcements/disclosure, they are advised of the requirements and deadlines for nomination of independent directors</li> <li>- Pre-emptive right- right to subscribe to the capital stock of the corporation</li> <li>- Right to inspection- they are allowed to inspect corporate books and records in accordance with the Corporation Code</li> <li>- Right to Information- the company discloses timely material information and submits all required reports to the SEC and PSE, and uploads the same onto the company website; shareholders' queries are encouraged and</li> </ul>

	<p>addressed during stockholders' meetings</p> <ul style="list-style-type: none"> <li>- Right to dividends- as provided by the Corporation Code and subject to discretion by the Board of Directors</li> <li>- Appraisal right- as provided by law</li> <li>- Without charge to the shareholders (except applicable transaction charges, fees or taxes of the transfer agent, brokers, the PSE or the BIR), assist shareholders who wish to be apprised of their holdings, sell or transfer shares or replace lost stock certificates – all requests are attended to by the office of the Corporate Secretary</li> </ul>
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(b) Do minority stockholders have a right to nominate candidates for board of directors? **Yes**

#### H. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal 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.  
**External communications are made through disclosures made by the office of the Chief Information Officer. Major company announcements are approved by the Board of Directors; should the Board be unable to meet, the Executive Committee approves major company announcements. In any event, drafts are initiated by the office of the Corporate Secretary or Chief Information Officer.**
- 2) Describe the company's investor relations program including its communications strategy to promote 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
(1) Objectives	Shareholders, other stakeholders and the public in general are directed to the right person in the Corporation to address their concerns.
(2) Principles	Prompt attention should be given to shareholders and other stakeholders who have concerns or wish to transact with the company.
(3) Modes of Communications	via email to mis@lepantomining.com or letters addressed to the appropriate officer. Should no officer or department be named in the letter, the Administration Office forwards letters to the office of the Asst. Corporate Secretary who attends to the matter at hand or otherwise forwards it to the department concerned. The company's reply is via email, if an address is provided, or a letter mailed through the postal service or hand-delivered, if possible.
(4) Investors Relations Officer	The Assistant Corporate Secretary acts as Investor Relations Officer.

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?  
**No acquisition of corporate control in the capital markets and extraordinary transactions have taken place in the last ten years. The only major transaction in recent history is the option agreement entered into with Gold Fields Switzerland Holding in respect of the Far Southeast Project—option not over a substantial portion but only of a 20% interest in the said project. The Board of Directors deliberated on and approved the transaction.**

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price. **None**



## I. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

Initiative	Beneficiary
LEPANTO HOSPITAL in Mankayan, Benguet	Employees and their families; host and neighboring communities
Reforestation and forest protection	Host and neighboring communities
Scholarship	Families of employees and host and neighboring communities
Construction/repair of roads, water storage and distribution facilities, schools, barangay halls, municipal and barangay buildings, stabilization of slopes, etc.	Host and neighboring communities
Solid Waste Management program	Host and neighboring communities
Livelihood programs: vermiculture, weaving, food-processing; wine making; swine and poultry raising, etc.	employees' families and host and neighboring communities
Sports Programs	employees' families and host and neighboring communities
Family Welfare programs	employees' families and host and neighboring communities
Donation of Relief Goods to victim of calamities	host and neighboring communities and other communities in the country
Road-clearing/repair	host and neighboring communities
Recovery and relief operations during calamities	host and neighboring communities and other communities in the country
Delivery of books	public schools in the host and neighboring communities;
Establishment and maintenance of community library	employees' families and host and neighboring communities

## J. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

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

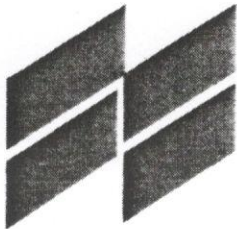
	Process	Criteria
<b>Board of Directors</b>	Nomination Committee takes this up at its annual meeting but the Committee has resolved to formulate within the year a Self-Assessment mechanism/questionnaire	Sections 2.2.1 and 2.2.2 of the Amended Manual on Corporate Governance
<b>Board Committees</b>	Only the Audit Committee has a procedure for this	As provided in the Revised Audit Committee Charter pursuant to SEC Memorandum Circular No. 4, Series of 2012
<b>Individual Directors</b>	Nomination Committee takes this up at its annual meeting but the Committee has resolved to formulate within the year a Self-Assessment mechanism/	Sections 2.2.1 and 2.2.2 of the Manual on Corporate Governance

	questionnaire	
<b>CEO/President</b>	Nomination Committee takes this up at its annual meeting but the Committee has resolved to formulate within the year a Self-Assessment mechanism/questionnaire	Sections 2.2.1 and 2.2.2 of the Manual on Corporate Governance

#### K. INTERNAL BREACHES AND SANCTIONS

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

<b>Violations</b>	<b>Sanctions</b>
Violation of the provisions of the Amended Manual on Corporate Governance	<ul style="list-style-type: none"> <li>o In case of first violation, the subject person shall be reprimanded.</li> <li>o Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.</li> <li>o For third violation, the maximum penalty of removal from office shall be imposed.</li> </ul> <p>8.2. The commission of a third violation of this manual by any member of the board of the company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.</p>
Violation by officers or employees of the Employees' Code of Conduct	Written warning, suspension, or dismissal depending on the gravity of the offense and the number of similar previous offenses.



# Manila Mining Corporation

20th Floor, BA-Lepanto Bldg. 8747 Paseo de Roxas  
Makati, Metro Manila, Philippines  
P.O. Box 1460 Makati • Telephones: 815-9447 • 812-7241  
Fax: 819-3786 • 751-6317

## SECRETARY's CERTIFICATE

I, ODETTE A. JAVIER, of legal age, Filipino, with office address at the 21<sup>st</sup> Floor, Lepanto Building, 8747 Paseo de Roxas, Makati City, being the duly elected and qualified Assistant Corporate Secretary of Manila Mining Corporation ("Corporation"), a corporation duly organized and existing under Philippine laws, with office address at the 20<sup>th</sup> Floor, Lepanto Building, 8747 Paseo de Roxas, Makati City, hereby certify that the company made changes in the 2015 Corporate Governance Report as follows:

1. Item A (1)(a) concerning the date of last election of the members of the Board, which will be reflected in the minutes of the annual stockholders meeting on April 27, 2015 and had been duly disclosed by way of a Form 17-C report; and the number of years served by each as director;
2. Item C(2) on the attendance by each Director of the Board meetings, as reflected in the minutes of the three Board meetings held in 2015;

Makati City, 8 January 2016.

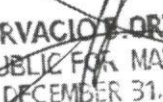
  
ODETTE A. JAVIER

Assistant Corporate Secretary

**MAKATITICIT**

SUBSCRIBED AND SWORN to before me this 8<sup>th</sup> day of January 2016 at Makati City, affiant exhibiting her SSS ID (no. 03-7641344-4).

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Book No. EXIII  
Series of 2016.

  
ATTY. GERVACIO B. ORTIZ, JR.  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2016  
PTR NO. 4743512 / 01-05-2015/MAKATI  
IBP NO. 556155 LIFETIME MEMBER  
APPT. NO. M-199/2016/ROLL NO. 40091  
MCLE COMPLIANCE NO. V-0006934  
UNIT 102 PENINSULA COURT BLDG.  
8735 MAKATI AVE., MAKATI CITY