


**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year 2014
2. Exact Name of Registrant as Specified in its Charter Philex Petroleum Corporation
3. 27 Brixton cor. Fairlane Sts., Pasig City 1600  
Address of Principal Office Postal Code  

4. SEC Identification Number CS200719819 5.                      (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number 006-940-588-000
7. 02 – 631-1381 TO 88  
Issuer's Telephone number, including area code
8. n/a  
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 <sup>2</sup>
MANUEL V. PANGILINAN	ED	Philex Mining	Manuel V. Pangilinan	12/08/09	05/20/14	ASM	5 years
CARLO S. PABLO	ED	Philex Mining	Manuel V. Pangilinan	05/18/10	05/20/14	ASM	4.6 years
BARBARA ANNE C. MIGALLOS	ED	Philex Mining	Manuel V. Pangilinan	12/10/07	05/20/14	ASM	5.1 years
EULALIO B. AUSTIN, JR.	NED	Philex Mining	Manuel V. Pangilinan	05/17/12	05/20/14	ASM	2.6 years
ROBERT C. NICHOLSON	NED	Philex Mining	Manuel V. Pangilinan	02/23/11	05/20/14	ASM	3.8 years
MARILYN A. VICTORIO – AQUINO	NED	Philex Mining	Manuel V. Pangilinan	04/18/13	05/20/14	ASM	1.7 months
DIANA V. PARDO - AGUILAR	NED	Philex Mining	Manuel V. Pangilinan	5/20/14	05/20/14	ASM	7 months
BENJAMIN S. AUSTRIA	ID	N/A	Carlo S. Pablo (no relationship)	08/04/11	05/21/13 (3.8 years as ID)	ASM	3.8 years

<sup>1</sup> Reckoned from the election immediately following January 2, 2013.

<sup>2</sup> As of December 31, 2014

EMERLINDA R. ROMAN	ID	N/A	Carlo S. Pablo (no relationship)	08/04/11	05/21/13* (3.8 years as ID)	ASM	3.8 years
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- (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.

*To comply with leading practices on good corporate governance, the Company adopted a Corporate Governance Manual which was approved by the Board of the Company on May 25, 2011. In compliance with Memorandum Circular No. 9, series of 2014, issued by the Securities and Exchange Commission, the Company amended its CG Manual to commit to likewise act in the best interests of not only its stockholders, but also of its stakeholders (the "Revised CG Manual"). The Company's Revised CG Manual was submitted to the SEC on 31 July 2014.*

*The Revised CG Manual provides for, among others, the following:*

- (1) Board governance, including policies on composition (to include independent directors and to have a mix of executive and non-executive directors with the objective that no small group of directors can dominate the decision-making process and that directors shall have such qualifications as would enable them to effectively participate in board deliberations); multiple board seats; the Chairman and the CEO; qualifications and disqualifications of directors; general responsibilities of the Board and specific duties and functions of the Board; duties and responsibilities of directors; internal control responsibilities of the Board; Board meetings and quorum; remuneration of directors and officers; Board committees (Audit, Compensation and Nominations) and their duties; duties, responsibilities and qualifications of the Corporate Secretary and the Compliance Officer (Sec. 3, 3.1-3.12, Revised CG Manual).*
- (2) Accountability and Audit (Sec. 5, Revised CG Manual); Stockholders' rights and protection of minority interests (Sec. 6, Revised CG Manual); Governance self-rating system (Sec. 7, Revised CG Manual); Disclosure and transparency (Sec. 8, Revised CG Manual); Commitment to good corporate governance (Sec. 9, Revised CG Manual); Regular review (Sec. 10, Revised CG Code); Communications and training process (Sec. 11, Revised CG Manual); and Monitoring and implementation (Sec. 12, Revised CG Manual).*
- (3) Focusing on rights of minority shareholders and treatment of such shareholders, shareholders have the right to information, the right to vote; the right to inspect corporate books and records, right to dividends and the appraisal right in the instances where such right is allowed by law. (Sec. 6, Revised CG Manual) The Board shall be transparent and fair in the conduct of annual and special shareholders meetings, and shall promote the rights of stockholders, remove impediments to the exercise of those rights and provide adequate venue for stockholders to seek timely redress for breach of their rights (Secs. 6.1 and 6.2 Revised CG Manual).*
- (4) The Board has the responsibility of encouraging shareholders' attendance and participation at annual and special shareholders' meetings. (Sec. 6.1, Revised CG Manual).*
- (5) The Board shall take appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information shall be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.*

*Although stockholders should be treated equally or without discrimination, the Board should give minority stockholders where feasible or practicable the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation. (Sec. 6.3, Revised CG Manual).*

*A copy of the Company's Revised CG Manual may be viewed on the Company' website at [http://www.philexpetroleum.com.ph/images/stories/philex/corporate\\_governance/pxp%20cg%20manual.pdf](http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/pxp%20cg%20manual.pdf).*

(c) How often does the Board review and approve the vision and mission?

*The Company's mission and vision is reviewed annually. Management initiates such review and recommends changes as deemed necessary to the Board.<sup>3</sup>*

(d) Directorship in Other Companies

(i) Directorship in the Company's Group<sup>4</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.
Manuel V. Pangilinan	Philex Mining Corporation (parent company)	Non-executive Chairman
	Lascogon Mining Corporation	Non-Executive Chairman
Carlo S. Pablo	Forum Energy Plc	Executive
	FEC Resources Inc.	Executive Chairman
	Brixton Energy & Mining Corporation	Executive
	Pitkin Petroleum Plc	Non-Executive
Eulalio B. Austin, Jr.	Philex Mining Corporation (parent company)	Executive (President & CEO)
	Brixton Energy & Mining Corporation	Executive
Barbara Anne C. Migallos	Brixton Energy & Mining Corporation	Executive
Marilyn A. Victorio-Aquino	Pitkin Petroleum Plc	Non-Executive
Robert C. Nicholson	Pitkin Petroleum Plc	Non-Executive
	Forum Energy Plc	Executive Chairman

(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.
Manuel V. Pangilinan*	Philippine Long Distance Telephone Company	Non-Executive Chairman
	Metro Pacific Investments Corporation	Non-Executive Chairman

<sup>3</sup> The Company's mission and vision may be viewed on its website.

([http://philexpetroleum.com.ph/index.php?option=com\\_content&view=article&id=5&Itemid=3](http://philexpetroleum.com.ph/index.php?option=com_content&view=article&id=5&Itemid=3))

<sup>4</sup> The Group is composed of the Company as parent, its subsidiaries, associates and joint ventures of the company

\*Also the Executive Director of Hongkong-based First Pacific Company, Ltd.

	<i>Roxas Holdings, Inc.</i>	<i>Non-Executive Director</i>
	<i>Manila Electric Company</i>	<i>Non-Executive Chairman</i>
<i>Robert C. Nicholson**</i>	<i>First Pacific Company Ltd.</i>	<i>Executive</i>
	<i>Metro Pacific Investments Corporation</i>	<i>Executive</i>
<i>Marilyn A. Victorio-Aquino</i>	<i>Lepanto Consolidated Mining Corporation</i>	<i>Non-Executive</i>
<i>Barbara Anne C. Migallos</i>	<i>Mabuhay Vinyl Corporation</i>	<i>Non-Executive</i>

*\*\*Also the Executive Director of Hongkong – based QPL International Holdings Limited and Pacific Basin Shipping Limited*

(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:

<b>Director's Name</b>	<b>Name of the Significant Shareholder</b>	<b>Description of the relationship</b>
<i>Manuel V. Pangilinan</i>	<i>Philex Mining Corporation (64.79% shareholder)</i>	<i>Chairman</i>
<i>Eulalio B. Austin, Jr.</i>	<i>Philex Mining Corporation (64.79% shareholder)</i>	<i>President and Chief Executive Officer</i>
<i>Robert C. Nicholson</i>	<i>Philex Mining Corporation (64.79% shareholder)</i>	<i>Director</i>
<i>Marilyn A. Aquino</i>	<i>Philex Mining Corporation (64.79% shareholder)</i>	<i>Director</i>
<i>Barbara Anne C. Migallos</i>	<i>Philex Mining Corporation (64.79% shareholder)</i>	<i>Corporate Secretary</i>

(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:

*The CG Manual provides for the adoption of guidelines on the number of directorships that members of the Board (non-executive and executive, including CEO and President) taking into consideration the capacity of a director to diligently and efficiently perform his duties to the Company to ensure that such will not be compromised (Sec. 3.2, CG Manual). Formal guidelines are yet to be adopted.*

	<b>Guidelines</b>	<b>Maximum Number of Directorships in other companies</b>
<b><i>Executive Director</i></b>	<i>See statement above</i>	<i>See statement above</i>
<b><i>Non-Executive Director</i></b>	<i>See statement above</i>	<i>See statement above</i>
<b><i>CEO</i></b>	<i>See statement above</i>	<i>See statement above</i>

(c) 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:

(Directors may hold shares in a broker account in the name of the Director. Such shares are classified as direct)

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Manuel V. Pangilinan	891,251	Direct	0.0524%
Carlo S. Pablo	1	Direct	0.0000%
Eulalio B. Austin, Jr.	170,117	Direct	0.0100%
Robert C. Nicholson	157	Direct	0.0000%
Marilyn A. Victorio-Aquino	13	Direct	0.0000%
Diana V. Pardo-Aguilar	1	Direct	0.0000%
Barbara Anne C. Migallos	40,485	Direct	0.0024%
Benjamin S. Austria	86	Direct	0.0000%
Emerlinda R. Roman	1	Direct	0.0000%
<b>Total</b>	<b>1,102,112</b>		<b>0.0748%</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 ☒

*The roles of the Chairman and the CEO shall, as much as practicable, be separate (Sec. 3.3.1, CG Manual). It is not practicable at this time for the Company to have different persons assume the positions of Chairman and of CEO. To ensure that the Board gets the benefit of independent views, the President and Chief Operating Officer and the other officers of the Company present comprehensive reports to the Board and respond to questions from the Board.*

Identify the Chair and CEO: *Manuel V. Pangilinan*

Chairman of the Board	<i>Manuel V. Pangilinan</i>
CEO/President	<i>Manuel V. Pangilinan- Chairman &amp; CEO Carlo S. Pablo – President &amp; COO</i>

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	<i>Ensure that the Board functions effectively; assist in ensuring compliance with and performance of corporate</i>	<i>Give direction for the formulation of strategic plans and programs.</i>



	<i>governance policies and practices.</i>	<i>Oversee the management and operations of the Company, with the President and COO.</i>
<i>Accountabilities</i>	<p><i>Provide leadership to the Board.</i></p> <p><i>Maintain qualitative and timely lines of communication and information between the Board and Management.</i></p> <p><i>The duties and responsibilities or accountabilities of the Chairman, like that of other directors, are to ensure that his personal interests does not conflict with the interests of the Company; that he devotes the time and attention necessary to properly discharge his fiduciary duties and responsibilities; that he acts judiciously on matters brought before the Board, thoroughly evaluating the issues involved before making any decision</i></p>	<p><i>Provide leadership to Management.</i></p> <p><i>Together with the President and COO, oversee operations and financial affairs so that they are managed in a sound and prudent manner; that controls are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations; that assets are safeguarded and that laws, rules and regulations are complied with.</i></p> <p><i>As a director, his accountabilities are the same as those of other directors (please see middle column).</i></p>
<i>Deliverables</i>	<p><i>Maintain lines of communication and flow of information between Management and the Board.</i></p> <p><i>Ensure efficient and fruitful conduct of Board meetings, and ensure that the agenda for meetings include matters that require attention and approval of the Board.</i></p> <p><i>Ensure free and open discussion during Board meetings and constructive relations among members of the Board.</i></p> <p><i>Ensure efficient and fruitful conduct of shareholders' meetings, and ensure that that the agenda for meetings includes matters that require attention and approval of the shareholders.</i></p> <p><i>Ensure appropriate measures and mechanisms are in place to provide effective communication with shareholders and that views of shareholders are communicated to the board as a whole.</i></p> <p><i>Oversee the preparations for and the conduct of shareholders' meetings to ensure that the rights of all shareholders</i></p>	<p><i>Work with the COO towards the realization of the objectives set by the Board, the implementation of the Company's strategy, policies, processes.</i></p> <p><i>Ensure that the Board is informed as necessary to enable it to monitor the performance of management.</i></p> <p><i>Develop business plans, budgets and strategies for consideration by the Board and, to the extent approved by the Board, implement the same.</i></p> <p><i>With the Controller, manage the Company's current financial and other reporting mechanisms and control and monitoring systems to ensure they capture all relevant material information on a timely basis and are functioning effectively.</i></p> <p><i>With the Controller, establish and maintain proper internal controls and systems and disclosure controls and procedures.</i></p>

	are respected.	
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- 3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

*The Board of Directors is mandated to adopt an effective succession planning program (Sec. 3.6.2[iii], CG Manual). This may be taken up by the Board in executive session.*

- 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 Nominations Committee considers the background and experience of the nominees to the Board of Directors and diversity in the Board is among the considerations (Sec. 3.10.2, CG Manual). Nominees must have practical understanding of the business of the Company or have substantial business experience (Please see Qualifications of Directors, Sec. 3.4, CG Manual).*

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, at least one (1) non-executive director is an officer of a petroleum industry organization and has worked in the petroleum industry for several decades.*

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

	Executive	Non-Executive	Independent Director
Role	<p><i>In addition to the role, responsibilities and duties of directors and the Board in general, together with other members of the Board, executive directors are responsible for the formulation of business strategy, planning and policy making towards ensuring the long-term success of the company. They are responsible for the management of the affairs of the corporation and the implementation of policies and programs set by the Board.</i></p> <p><i>See CG Manual, Sec. 3.6 et seq. for duties, responsibilities and functions of the Board.</i></p>	<p><i>In addition to the role, responsibilities and duties of directors and the Board in general, non-executive directors are responsible for the formulation of business strategy, planning and policy making towards ensuring the long-term success of the company, and have oversight over the performance of Management.</i></p> <p><i>See CG Manual, Sec. 3.6 et seq. for duties, responsibilities and functions of the Board</i></p>	<p><i>In addition to the role, responsibilities and duties of directors and the Board in general, independent directors provide an independent and impartial view and are expected to exercise their best independent judgment in relation to corporate matters.</i></p> <p><i>See CG Manual, Sec. 3.6 et seq. for duties, responsibilities and functions of the Board</i></p>

Accountabilities	<i>To comply with their duties, functions and responsibilities as set forth in the CG Manual, (See Sec. 3.6 et seq. for duties, responsibilities and functions).</i>	<i>To comply with their duties, functions and responsibilities as set forth in the CG Manual, (See Sec. 3.6 et seq. for duties, responsibilities and functions).</i>	<i>To comply with their duties, functions and responsibilities as set forth in the CG Manual, (See Sec. 3.6 et seq. for duties, responsibilities and functions).</i>
Deliverables	<i>Realization of the objectives of the Company as set by the Board.  See also the deliverables for all directors, as discussed in the third column.</i>	<i>Compliance with the duties and functions of the Board, as set forth in the Corporation Code and the CG Manual (Secs. 3.6.2 to 3.6.3 and 3.7.1 to 3.7.4, CG Manual).</i>	<i>To always exercise independent judgment in all matters relating to the Company and its business.  See also the deliverables for all directors, as discussed in the third column.</i>

***Please see Sections 3.6 to 3.7 of the Company's CG Manual for detailed statement of the role, duties, responsibilities and deliverables of the Board generally and of the directors specifically. The Company's CG Manual may be viewed on its website.<sup>5</sup>***

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

*An independent director, as defined by the Company's CG Manual, is a person who, apart from his shareholdings, is free from any business or other relationship with the Company which could, or could reasonable be perceived to, materially interfere in the exercise of independent judgment in carrying out his duties and responsibilities to the Company (Sec. 1.1, CG Manual).*

*The Company strictly complies with the definition of independent director in the Securities Regulation Code (SRC) and its implementing rules, and ensures that independent directors have the qualifications and none of the disqualifications set forth in the applicable SEC rules and in the Company's CG Manual. To ensure compliance, the nominations procedure is as follows:*

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

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

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

Does the company have a term limit of five consecutive years for independent directors? If after two years, the

<sup>5</sup> [http://www.philexpetroleum.com.ph/images/stories/philex/corporate\\_governance/pxp%20cg%20manual.pdf](http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/pxp%20cg%20manual.pdf)

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.

*YES. Independent directors may serve as such only for a total of five (5) years as provided in SEC Memo Circular No. 9, Series of 2012. If an independent director has served for the maximum allowable period, he cannot be re-elected until a period of two (2) years has lapsed. If an independent director re-elected after the lapse of the 2-year period, the independent director is limited to a total of four (4) years. Thereafter, he can no longer be re-elected as independent director. No independent director has served for more than five consecutive years.*

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

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period 2013:

Name	Position	Date of Cessation	Reason
Renato N. Migrino	Director	May 20, 2014	Resignation as non-executive director following retirement from Philex Group of Companies

*There was a change in 20<sup>th</sup> May 2014, with the retirement of Mr. Renato N. Migrino as Non executive director.*

(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	<p><i>All directors are elected each year, for a term of one year. The process is:</i></p> <p><i>(1) Nominations. Any shareholder may nominate a candidate, regardless of the number of shares the nominating shareholder may hold. Directors, who by law must be shareholders, may also nominate.</i></p> <p><i>(2) Nominations Committee considers qualifications of nominees based on curriculum vitae and other available information; a list of qualified</i></p>	<p><i>The principal criteria are the ability and capacity of the nominee to comply with the duties and responsibilities of directors, as set forth in the Company's CG Manual.</i></p> <p><i>Important factors are expertise and experience (in the principal business of the Company and in other businesses), probity and good reputation.</i></p>

	<p><i>candidates is approved by the Committee.</i></p> <p><i>(4) The names and the biographical details (including other directorships held in listed public companies and other major appointments) of the nominees are contained in the notice of the meeting to assist shareholders to make an informed decision on their election.</i></p>	
(ii) Non-Executive Directors	<p><i>For the selection and election of non-executive directors, the same procedure as for executive directors is observed.</i></p>	<p><i>For the selection of non-executive directors, the same criteria as that for executive directors are followed. Experience and expertise in the Company's line of business have more significant weight in the selection of executive directors.</i></p>
(iii) Independent Directors	<p><i>For the selection and election of non-executive directors, the same procedure as for executive directors is observed. Further the Committee considers the question of whether or not the nominee is independent under the Company's definition of independence and applicable rules of the SEC.</i></p>	<p><i>For the selection of independent directors, the same criteria as that for executive directors are followed.</i></p>
<b>b. Re-appointment</b>		
(i) Executive Directors	<p><i>The same procedure as for the initial selection and election is followed for a re-election (please see [a] above)</i></p>	<p><i>The same criteria as for the initial selection and election are considered.</i></p>
(ii) Non-Executive Directors	<p><i>The same procedure as for the initial selection and election is followed for a re-election (please see [a] above)</i></p>	<p><i>The same criteria as for the initial selection and election are considered.</i></p>
(iii) Independent Directors	<p><i>The same procedure as for the initial selection and election is followed for a re-election</i></p>	<p><i>The same criteria as for the initial selection and election are considered.</i></p>

	<i>(please see [a] above)</i>	
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	<p><i>During the initial selection process (described in [a] above), the Nominations Committee will determine whether any ground for permanent disqualification exists. If it is determined that ground/s exist, the nominee will not be included in the list of candidates for election at the shareholders' meeting.</i></p> <p><i>With respect to a sitting director, when there is reasonable ground to believe that a ground for disqualification exists, this is brought to the Nominations Committee, which makes a recommendation to the Board.</i></p> <p><i>Note that under Philippine law, the only way to remove a sitting director during his term of office is by 2/3 vote of the entire outstanding capital stock at a duly called and convened shareholders meeting. Where the Board, after due consideration, determines that there is ground for disqualification, the director is asked to resign instead of following the removal process under the Corporation Code.</i></p>	<i>Please see Sec. 3.5.1 of CG Manual and Article 3 (E)(1) of the Revised Corporate Governance Code (SEC Memo Circular No. 6, Series of 2009) for grounds for permanent disqualification of directors.</i>
(ii) Non-Executive Directors	<i>The same process as for permanent disqualification of executive directors is followed for non-executive directors.</i>	<i>Please see Sec. 3.5.1 of CG Manual and Article 3 (E)(1) of the Revised Corporate Governance Code (SEC Memo Circular No. 6, Series of 2009) for grounds for permanent disqualification of directors.</i>
(iii) Independent Directors	<i>The same process as for permanent disqualification of executive directors is followed</i>	<i>Please see Sec. 3.5.1 of CG Manual and Article 3 (E)(1) of the Revised Corporate</i>

	<i>for independent directors.</i>	<i>Governance Code (SEC Memo Circular No. 6, Series of 2009) for grounds for permanent disqualification of directors.</i>
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	<p><i>The procedure for determining permanent disqualification is followed.</i></p> <p><i>In the event it is determined that a ground for temporary disqualification exists, the nominee is not included in the list of candidates for election at the annual meeting.</i></p> <p><i>In the case of a temporary disqualification of a sitting director, the same procedure as in (c[i]) above is followed.</i></p>	<i>Please see Sec. 3.5.2 of CG Manual and Article 3 (E)(2) of the Revised Corporate Governance Code (SEC Memo Circular No. 6, Series of 2009) for grounds for temporary disqualification of directors.</i>
(ii) Non-Executive Directors	<i>The same procedure as for executive directors is followed.</i>	<i>Please see Sec. 3.5.2 of CG Manual and Article 3 (E)(2) of the Revised Corporate Governance Code (SEC Memo Circular No. 6, Series of 2009) for grounds for temporary disqualification of directors.</i>
(iii) Independent Directors	<i>The same procedure as for executive directors is followed.</i>	<i>Please see Sec. 3.5.2 of CG Manual and Article 3 (E)(2) of the Revised Corporate Governance Code (SEC Memo Circular No. 6, Series of 2009) for grounds for temporary disqualification of directors.</i>
<b>e. Removal</b>		
(i) Executive Directors	<p><i>The Philippine Corporation Code mandates at Sec. 27, the procedure and requirements for the removal of directors. Removal without complying with such legal requirements would be illegal and would expose the Company to liability.</i></p> <p><i>Directors who hold executive positions in the Company serve in such executive position at</i></p>	<i>Please see note in center column.</i>

	<p><i>the pleasure of the Board. They may be removed from such executive position on the basis of loss of trust and confidence by the Board, or for commission of wrongful acts or for the omission to take action when required.</i></p> <p><i>Philippine law mandates notice and an opportunity to be heard before employment can be terminated. However, this usually applies to supervisory and rank and file employees. Since executive positions are positions of utmost trust and confidence, the Board has wide discretion to terminate the employment of an executive officer, subject to the rights of the officer concerned. This, however, does not include removal as a director.</i></p>	
(ii) Non-Executive Directors	<i>See first paragraph under e(i) above</i>	
(iii) Independent Directors	<i>See first paragraph under e(i) above</i>	
<b>f. Re-instatement</b>		
(i) Executive Directors	<p><i>There is no set procedure for reinstatement of any director. A procedure for reinstatement will apply to rank and file employees, not to directors.</i></p> <p><i>Once removed, reinstatement can only be by election as provided in the Corporation Code.</i></p>	
(ii) Non-Executive Directors	<i>There is no set procedure for reinstatement of any director. A procedure for reinstatement will apply to rank and file employees, not to directors.</i>	
(iii) Independent Directors	<i>There is no set procedure for reinstatement of any director. A procedure for reinstatement will apply to rank and file employees, not to directors.</i>	



<b>g. Suspension</b>		
(i) Executive Directors	<i>See answer regarding reinstatement</i>	
(ii) Non-Executive Directors	<i>See answer regarding reinstatement</i>	
(iii) Independent Directors	<i>See answer regarding reinstatement</i>	

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

The 2014 Annual Stockholders' Meeting was held on May 20, 2014, with the following results:

Name of Director	Votes Received
<i>Manuel V. Pangilinan</i>	<b>1,438,449,349</b>
<i>Carlo S. Pablo</i>	<b>1,438,449,349</b>
<i>Robert C. Nicholson</i>	<b>1,438,449,349</b>
<i>Eulalio B. Austin, Jr.</i>	<b>1,438,449,349</b>
<i>Marilyn A. Victorio-Aquino</i>	<b>1,438,449,349</b>
<i>Diana V. Pardo - Aguilar</i>	<b>1,438,449,349</b>
<i>Barbara Anne C. Migallos</i>	<b>1,438,449,349</b>
<i>Benjamin S. Austria</i>	<b>1,438,449,349</b>
<i>Emerlinda R. Roman</i>	<b>1,438,449,349</b>

#### 6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.

*New directors are briefed and oriented regarding the Company's business and its particular concerns. The members of the Company's Board being seasoned directors with extensive business experience, a "formal" board and director development program is not seen as necessary or appropriate.*

- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>6</sup> for the past three (3) years:

Name of Director/Officer	Date of Training	Program	Name of training institution
<i>Manuel V. Pangilinan Chairman &amp; CEO</i>	<i>2/2-4/2012</i>	<i>Future Proofing Our Business</i>	<i>First Pacific Leadership Academy</i>
	<i>3/15/2012</i>	<i>On Higher Ground: Ethical Leadership in the Philippines Business Context</i>	<i>First Pacific Leadership Academy</i>
	<i>3/21/2012</i>	<i>Innovation Follow Through</i>	<i>First Pacific Leadership Academy</i>

<sup>6</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

	8/3/2012	<i>Executive Talks: The Champ's Playbook</i>	<i>First Pacific Leadership Academy</i>
	11/19/2012	<i>Corporate Governance Forum: "Navigating the New World of Business"</i>	<i>First Pacific Leadership Academy</i>
	12/2/2013		<i>First Pacific Leadership Academy</i>
	12/4/2014	<i>Ensuring Effective Board Oversight of Ethics and Compliance: Emerging Trends and Lessons Learned</i>	<i>Philex Mining Corporation</i>
		<i>Corporate Governance : What to Expect from SEC and Corporate Governance Trends and Practices in Advanced Economies</i>	
<i>Carlo S. Pablo Director, President &amp; COO</i>	10/16-17 2011	<i>Forum on South China Sea</i>	<i>Carlos P. Romulo Foundation</i>
	2/ 2 – 4 2012	<i>Future Proofing Our Business</i>	<i>First Pacific Leadership Academy</i>
	6/4 – 8 2012	<i>World Gas Conference – Gas: Sustaining Future Global Growth</i>	<i>International Gas Union</i>
	6/29 2012	<i>"Fiscally Responsible" Walk Through a Start-up's Portfolio</i>	<i>Department of Energy</i>
	11/20 2012	<i>Corporate Governance Forum: Navigating the New World of Business</i>	<i>First Pacific Leadership Academy</i>
	2/13 2013		<i>Department of Energy</i>
	3/12 2013	<i>Southeast Asia E&amp;P Highlights and Fiscal Terms</i>	<i>Euromoney Conferences</i>
	7/30-31 2013	<i>Philippines Investment Forum</i>	<i>First Pacific Leadership Academy</i>
	9/23 2014	<i>Leading the Self</i>	
	10/24 2014	<i>Establishing a Culture of Safety in Oil &amp; Gas</i>	<i>PennEnergy Research</i>
		<i>Commercial, Regulatory and Legal Landscape of Asia-Pacific Unconventionals</i>	<i>Association of International Petroleum Negotiators</i>
<i>Robert C. Nicholson Director</i>	11/19/2012	<i>Corporate Governance Forum "Navigating the New World of Business"</i>	<i>First Pacific Leadership Academy</i>

	2/2-4/2012	<i>Future Proofing Our Business</i>	<i>First Pacific Leadership Forum</i>
	5/2/2013	<i>Hong Kong Corporate Law Regulatory Update</i>	<i>Pacific Basin</i>
	8/27/2013	<i>Diversity on Board and Recent Regulatory Developments on Corporate Governance</i>	<i>First Pacific Co. Ltd.</i>
	12/5/2013	<i>Synopsis on Legal and Regulatory Issues</i>	<i>First Pacific Co. Ltd.</i>
	10/15/2014	<i>First Pacific Company Directors' Training</i>	<i>First Pacific Co. Ltd.</i>
<i>Eulalio B. Austin, Jr. Director</i>	3/8/2013	<i>Lifting the hood: The Obama Engine and how it worked from day 1</i>	<i>First Pacific Leadership Academy</i>
	7/24/2013	<i>Talent Management, Leadership Succession and Development Program</i>	<i>First Pacific Leadership Academy</i>
	Sept-Oct. 2013	<i>Advance Management Program</i>	<i>Harvard Business School</i>
	11/28/2014	<i>"Going for the Gold: Competing Successfully in the ASEAN Corporate Governance Scorecard."</i>	<i>Institute of Corporate Directors</i>
<i>Marilyn V. Aquino Director</i>	11/19/2012	<i>Corporate Governance Forum "Navigating the New World of Business"</i>	<i>First Pacific Leadership Academy</i>
	12/2/2013	<i>Corporate Governance Enhancement Session</i>	<i>First Pacific Leadership Academy</i>
	11/13/14	<i>Corporate Governance Programs</i>	<i>SGV &amp; Co./Lepanto Consolidated Mining Company</i>
<i>Diana V. Pardo - Aguilar</i>	12/4/2014	<i>Corporate Governance : What to Expect from SEC and Corporate Governance Trends and Practices in Advanced Economies</i>	<i>Philex Petroleum Corporation</i>
<i>Barbara Anne C. Migallos Director &amp; Corporate</i>	5/18/2013	<i>SEC's Revised Code of Corporate Governance</i>	<i>Center for Global Best Practices</i>

<i>Secretary</i>	<i>8/21 -23/2013</i>	<i>Corporate Governance for Directors and Institutional Investors</i>	<i>Truventus Kuala Lumpur, Malaysia</i>
	<i>12/4/2014</i>	<i>Corporate Governance : What to Expect from SEC and Corporate Governance Trends and Practices in Advanced Economies</i>	<i>Philex Mining Corporation</i>
<i>Benjamin S. Austria Independent Director</i>	<i>11/4/2012</i>	<i>Climate Invest Fund Civil Society Forum: Efficiency and Transparency</i>	<i>World Bank Climate Investment Fund</i>
	<i>2/14-15/ 2013</i>	<i>Cleaner Fossil Fuel Systems Knowledge Network Meeting, London</i>	<i>World Energy Council</i>
	<i>5/24-25 2013</i>	<i>6th Extractive Industries Transparency Initiative (EITI) Global Conference: Beyond Transparency, Sydney</i>	<i>Extractive Industries Transparency Initiative</i>
	<i>9/27/2013</i>	<i>Adoption of the 2013 EITI Standards, Quezon City</i>	<i>EITI Philippines</i>
	<i>12/02 2013</i>	<i>GEOCON 2013: Invest in Geology, Invest in the Future, Makati City</i>	<i>Geological Society of the Philippines</i>
	<i>10/10 2013</i>	<i>Comments on the Proposed Senate Bill on the Upstream Petroleum Industry, Quezon City</i>	<i>UP Law Center Institute of Maritime Affairs and the Law of the Sea</i>
	<i>12/4/2014</i>	<i>Corporate Governance : What to Expect from SEC and Corporate Governance Trends and Practices in Advanced Economies</i>	<i>Philex Petroleum Corporation</i>
<i>Emerlinda R. Roman</i>	<i>12/2/2013</i>	<i>Executive Talks: Corporate Governance Enhancement Session</i>	<i>First Pacific Leadership Academy</i>
	<i>12/4/2014</i>	<i>Corporate Governance : What to Expect from SEC and Corporate Governance Trends and Practices in Advanced Economies</i>	<i>Philex Petroleum Corporation</i>
<i>Danny Y. Yu Treasurer</i>	<i>8/27/2014</i>	<i>Mastering Enterprise Risk Management</i>	<i>Center for Global Best Practices</i>
	<i>10/21/2014</i>	<i>SEC- PSE Corporate Governance</i>	<i>Philippine Stock</i>

	12/1/2014	Forum <i>21<sup>st</sup> Century Leadership &amp; Governance: Thriving and Change, Complexity and Lots of Choices</i>	Exchange <i>Philex Mining Corporation</i>
	12/4/2014	<i>Corporate Governance : What to Expect from SEC and Corporate Governance Trends and Practices in Advanced Economies</i>	<i>Philex Mining Corporation</i>

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

<b>Name of Director/Officer</b>	<b>Date of Training</b>	<b>Program</b>	<b>Name of Training Institution</b>
<i>Manuel V. Pangilinan Chairman</i>	12/8 2011	<i>Performance, Principles and People: A Discussion with the PLDT Board of Directors</i>	<i>Global Compliance Services, Inc.</i>
	3/2 2012	<i>Conference on Mining's Impact on Philippine Economy and Ecology</i>	<i>Management Association of the Philippines</i>
<i>Eulalio B. Austin, Jr. Director</i>	3/2 2012	<i>Conference on Mining's Impact on Philippine Economy and Ecology</i>	<i>Management Association of the Philippines</i>
<i>Benjamin S. Austria Independent Director</i>	3/2 2012	<i>Conference on Mining's Impact on Philippine Economy and Ecology</i>	<i>Management Association of the Philippines</i>
<i>Barbara Anne C. Migallos Director &amp; Corporate Secretary</i>	3/2 2012	<i>Conference on Mining's Impact on Philippine Economy and Ecology</i>	<i>Management Association of the Philippines</i>
	1/24-25, 1/30, 2/1, 3/15 2013	<i>Mandatory Continuing Legal Education (MCLE)</i>	<i>Legis Forum, Inc.</i>
	5/18 2013	<i>SEC's Revised Code of Corporate Governance</i>	<i>Center for Global Best Practices</i>
<i>Danny Y. Yu Treasurer</i>	9/9/2013	<i>Talent Management, Leadership Succession and Development Program</i>	<i>First Pacific Leadership Academy</i>
	11/7/2013	<i>The Business Innovation</i>	<i>First Pacific Leadership Academy</i>

	3/6/2014	Project Planning Workshop	Philex Mining Corporation – Human Resources: Learning and Development Department
	7/9- 10/2014	Board of Directors' Guide for Audit Committees	Center for Global Best Practices

## 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	<p>Primarily, Directors, must disclose in writing any actual or potential instances and/or situations where they may have a Conflict of Interest or the appearance of a Conflict of Interest to the relevant authorities specified herein, as soon as they become aware of such actual or potential instances and/or situations. Depending on the nature of the conflict situation, conflicted Directors, Employees and Consultants may be required to comply with other requirements.</p> <p>See the policy on the company's website: <a href="http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/conflict%20of%20interest%20policy.pdf">http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/conflict%20of%20interest%20policy.pdf</a></p>	<p>Primarily Employees must disclose in writing any actual or potential instances and/or situations where they may have a Conflict of Interest or the appearance of a Conflict of Interest to the relevant authorities specified herein, as soon as they become aware of such actual or potential instances and/or situations. Depending on the nature of the conflict situation, conflicted Directors, Employees and Consultants may be required to comply with other requirements.</p> <p>See the policy on the company's website: <a href="http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/conflict%20of%20interest%20policy.pdf">http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/conflict%20of%20interest%20policy.pdf</a></p>	<p>Primarily Employees must disclose in writing any actual or potential instances and/or situations where they may have a Conflict of Interest or the appearance of a Conflict of Interest to the relevant authorities specified herein, as soon as they become aware of such actual or potential instances and/or situations. Depending on the nature of the conflict situation, conflicted Directors, Employees and Consultants may be required to comply with other requirements.</p> <p>See the policy on the company's website: <a href="http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/conflict%20of%20interest%20policy.pdf">http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/conflict%20of%20interest%20policy.pdf</a></p>
(b) Conduct of Business and Fair Dealings	<p>The conduct of business by directors with the Company is not encouraged. If directors must conduct business transactions with the Company, he must do so FAIRLY, and must ensure that his personal interest does not conflict with the interests of the Company</p>	<p>The conduct of business by senior management with the Company is strongly discouraged.</p> <p>If senior management must conduct business transactions with the Company, he must do so FAIRLY, and must ensure that his personal interest does</p>	<p>The conduct of business by employees with the Company is not allowed.</p>

		<i>not conflict with the interests of the Company</i>	
(c) Receipt of gifts from third parties	<p><i>It is the duty of a Director who is offered or receives a Gift, Entertainment and/or Sponsored Travel to immediately disclose the offer or receipt thereof to the Chairman, copy furnished the Corporate Governance Office ("CGO").</i></p> <p><i>See the policy on the company's website: <a href="http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/policy%20on%20gifts%20entertainment%20and%20sponsored%20travels.pdf">http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/policy%20on%20gifts%20entertainment%20and%20sponsored%20travels.pdf</a></i></p>	<p><i>It is the duty of an Employee who is offered or receives a Gift, Entertainment and/or Sponsored Travel to immediately disclose the offer or receipt thereof to his respective superior, copy furnished the Corporate Governance Office ("CGO").</i></p> <p><i>See the policy on the company's website: <a href="http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/policy%20on%20gifts%20entertainment%20and%20sponsored%20travels.pdf">http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/policy%20on%20gifts%20entertainment%20and%20sponsored%20travels.pdf</a></i></p>	<p><i>It is the duty of an employee who is offered or receives a Gift, Entertainment and/or Sponsored Travel to immediately disclose the offer or receipt thereof to his respective superior, copy furnished the Corporate Governance Office ("CGO").</i></p> <p><i>See the policy on the company's website: <a href="http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/policy%20on%20gifts%20entertainment%20and%20sponsored%20travels.pdf">http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/policy%20on%20gifts%20entertainment%20and%20sponsored%20travels.pdf</a></i></p>
(d) Compliance with Laws & Regulations	<i>The Board must ensure that the Company complies with all relevant laws, rules and regulations and endeavors to adopt best business practices. (Sec. 3.6.2 [xi], CG Manual)</i>	<i>Management must ensure, within their respective areas of responsibility, that the Company complies with all relevant laws and rules.</i>	<i>All employees must comply with all applicable laws and regulations.</i>
(e) Respect for Trade Secrets/Use of Non-public Information	<i>A director must observe and safeguard the confidentiality of non-public information acquired by reason of his position as a Director. He shall not reveal confidential information to unauthorized persons without the authority of the Board (Sec. 3.6.3 [vi], CG Manual).</i>	<i>Senior management must observe and safeguard the confidentiality of non-public information acquired by reason of his position as an executive of the Company.</i>	<i>Employees must observe and safeguard the confidentiality of non-public information acquired by reason of being an employee of the Company.</i>
(f) Use of Company Funds, Assets and Information	<i>Strictly prohibited if for personal use or use of personal business.</i>	<i>Strictly prohibited if for personal use or use of personal business.</i>	<i>Strictly prohibited</i>
(g) Employment & Labor Laws & Policies	<i>The Board and the directors must comply strictly with employment and labor laws</i>	<i>Senior management must comply strictly with employment and labor laws</i>	<i>Employees must comply strictly with employment and labor laws and policies in all</i>

	<i>and policies in all their dealings with officers and employees of the Company. Directors and the Board must ensure faithful compliance with applicable laws, regulations and best business practices (Sec. 3.6.2[xi], CG Manual).</i>	<i>and policies in all their dealings with other officers and employees of the Company.</i>	<i>their dealings with other fellow employees.</i>
(h) Disciplinary action	<p><i>There is no policy or procedure under which a director may be subject to disciplinary action.</i></p> <p><i>Directors are not employees of the Company. Erring directors may be removed only in accordance with the Corporation Code and may be disqualified from being re-elected.</i></p> <p><i>Directors may be subject to criminal prosecution or civil action when warranted under Philippine law.</i></p>	<p><i>The Company adopts the Code of Conduct and Discipline of its parent company, Philex Mining. Senior management being employees are subject to the Code of Conduct and Discipline for Employees.</i></p> <p><i>They may be subject to criminal prosecution or civil action when warranted under Philippine law.</i></p>	<p><i>The Company adopts the Code of Conduct and Discipline of its parent company, Philex Mining and employees are subject to its provisions.</i></p> <p><i>They may be subject to criminal prosecution or civil action when warranted under Philippine law.</i></p>
(i) Whistle Blower	<p><i>The Company's whistle blowing policy is discussed in detail in the company's website:</i>  <a href="http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/whistle%20blowing%20policy.pdf">http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/whistle%20blowing%20policy.pdf</a></p>	<p><i>The Company's whistle blowing policy is discussed in detail in the company's website:</i>  <a href="http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/whistle%20blowing%20policy.pdf">http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/whistle%20blowing%20policy.pdf</a></p>	<p><i>The Company's whistle blowing policy is discussed in detail in the company's website:</i>  <a href="http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/whistle%20blowing%20policy.pdf">http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/whistle%20blowing%20policy.pdf</a></p>
(j) Conflict Resolution	<i>The Board must establish and maintain an alternative dispute resolution system within the Company that can amicably settle conflicts or differences. (Sec. 3.6.2 [xv], CG Manual)</i>	<i>Management must work towards a fair and amicable resolution of all disputes.</i>	<i>See column on left</i>

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.

*The Company takes compliance with the code of ethics and conduct very seriously. However, overly close monitoring of*



*compliance, and therefore of violations, may result in an atmosphere of suspicion and bring about lack of transparency, openness, and cooperation, which would be detrimental to the corporate interest. The honor system is therefore the primary means of ensuring compliance. For employees the direct supervisor must lead his or her group towards compliance.*

*The company's Code of Business Ethics is posted at the Company's website: [http://www.philexpetroleum.com.ph/images/stories/philex/corporate\\_governance/code%20of%20business%20conduct%20and%20ethics.pdf](http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/code%20of%20business%20conduct%20and%20ethics.pdf)*

#### 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.

The Company shall, as soon as practicable, adopt implementing rules and regulations in furtherance of this Policy approved on July 24, 2014 and in accordance with the following guidelines:

- (1) The Company shall at all times observe and adhere with the provisions of the Corporation Code, Articles of Incorporation and Bylaws, and all other relevant laws, rules and regulations, as may be applicable in the review, approval and disclosure of Related Party Transactions ("RPT"). The Company shall at all times observe, uphold and respect the rights of its shareholders, minority and majority alike, through this RPT Policy.
- (2) In the review and approval of RPT, the Company shall at all times abide by the following standards:
  - (i) That the RPT is "fair and at arm's length" and (ii) That the RPT is in the best interest of the Company and its stockholders, based under relevant circumstances which include the following:
    - Basic terms of the transaction
    - Related person's interest in the transaction
    - Purpose and timing of the transaction
    - Nature of the Company's participation in the transaction
    - Cost basis and other relevant information if involving sale of assets
    - Information on potential counterparties in the transaction including market prices for similar products and services
    - Description of any provisions or limitations that may be imposed as a result of the transaction
    - Any potential reputational risk issues that may arise as a result of or in connection with the transaction.
- (3) Material and/or Significant RPT is defined as those transactions with Related Party which involve an aggregate amount or value equal to or greater than Fifty Million Pesos (P50Million) over a twelve (12) month calendar year period ("Material and/or Significant RPT").
- (4) As matter of policy and procedure, all Material and/or Significant RPT shall be subject to review and endorsement by the Corporate Governance Committee ("CG Committee") prior to approval by the Board except for those considered as exempt.
- (5) The Board where necessary may require the following Material and/or Significant RPT be submitted to the stockholders for ratification and final approval:
  - a. contract between an officer and the Company
  - b. contract between a director and the Company (Board approval), but when the presence of such director

- in the Board meeting in which the contract was approved was necessary to constitute a quorum and the vote of such director was necessary for the approval of the contract, approval by the Company's stockholders is also required;
- c. contract between the Company and another corporation with interlocking directors (Board approval), but if the interest of the interlocking director in the Company is nominal and his interest in the other corporation is substantial, and such director's presence in the Company's Board meeting in which the contract was approved was necessary to constitute a quorum and the vote of such director was necessary for the approval of the contract, approval by the Company's stockholders is also required; and
  - d. management contract where the Company undertakes to manage or operate all or substantially all of the business of another corporation or vice versa.
- (6) All Material and/or Significant RPT shall be reported by the Compliance Officer to the Audit and Risk Committee to ensure full and timely disclosure in the annual and quarterly reports to the Securities and Exchange Commission and in the Notes to the Financial Statements, whether on an interim or annual basis, as required under PAS 24 on Related Party Transaction Disclosures and other disclosure requirements.
- (7) Company shall ensure that the review and approval of Material/Significant RPT carried out by its subsidiaries are conducted in accordance with this Policy.

(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	<p><i>For significant transactions that are not in the ordinary course (such as corporate acquisitions, financing activities, etc., possible conflict is considered in the process of analysis, evaluation and planning, and any possible findings are addressed in the report to the Board. Such transactions require Board approval, and the matter of conflict, potential or actual, is included in the presentation to the Board, which will exercise its judgment in respect of this matter.</i></p> <p><i>For transactions that are in the ordinary course, there is a process for the supplier/contractor selection and vetting, which calls for comprehensive information regarding the supplier/vendor (please see pages 47 to 48 of this Report). Possible conflict may be detected and addressed in this process.</i></p>

Group	Please see discussion above.
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5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>7</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:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Philex Mining Corporation (PMC), parent company	Supplier of shared administrative and other services	PMC provides technical, accounting, statutory reporting and compliance, and administrative services at no cost to the Company, and allows it to use, without charge, its office premises and equipment. PMC also extends services of some of its senior management and head office personnel to Brixton Energy & Mining Corporation ("Brixton"), a wholly-owned subsidiary of the Company, at no cost to Brixton.
Philex Mining Corporation (PMC), parent company	Creditor of the Company	PMC made cash advances to be used as additional working capital of the Company and for the acquisition of the Company's investments in shares of stock in 2010. These advances are non-interest-bearing, unguaranteed and payable on demand through cash. Brixton has significant transactions with PMC involving advances to provide funding on Brixton's exploration and development activities.  These advances are detailed in the Company's Audited Financial Statements (2013) which may be viewed on the Company's website. <sup>8</sup>

- (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:

*The Company and its subsidiaries have advances (please see above) from Philex Mining Corporation, which holds 64.79% of the Company's outstanding shares. It also shares services with PMC and uses its facilities as explained above. Apart from these, there is no relationship of a commercial, contractual or business nature between holders*

<sup>7</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

<sup>8</sup> <http://philexpetroleum.com.ph/images/stories/philex/financialreports/pxp%20sec17-a%202013%20final.pdf>

of significant equity (5% or more) and the Company.

Names of Related Significant Shareholders	Type of Relationship	Brief Description
<i>See note above</i>	<i>See note above</i>	<i>See note above</i>

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

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

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
<i>none</i>	<i>n/a</i>	<i>n/a</i>

#### 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	
<b>Corporation &amp; Stockholders</b>	<p><i>There have been no disputes during the past 3 years. Should there be such a dispute, the system for alternative resolution would be:</i></p> <p><i>(1) Refer to Corporate Secretary, who will make an initial evaluation, in consultation with the Chairman or the President, the Compliance Officer and the officer directly involved, if any.</i></p> <p><i>(2) The Corporate Secretary and/or the external counsel will be tasked to pursue an amicable resolution with the concerned shareholder that is fair to both parties. Every effort is made to favor the shareholder without causing prejudice to the Company and its stakeholders.</i></p> <p><i>(3) Depending on the nature of the dispute and the significance of the matter, Board approval is sought before entering into a compromise settlement</i></p>
<b>Corporation &amp; Third Parties</b>	<p><i>There have been no disputes during the past 3 years. Should there be such a</i></p>

	<p><i>dispute, the system for alternative resolution would be:</i></p> <p><i>1) Refer to legal counsel, who makes an initial evaluation in consultation with the President and the officer who may be directly involved, if any. External counsel may be consulted. Where the matter is significant or material, it is brought to the attention of the Chairman and CEO.</i></p> <p><i>(2) Legal counsel is tasked to pursue an amicable settlement with the third party. To the extent possible litigation is avoided, subject always to the policy that the corporate interest must be the first consideration.</i></p> <p><i>(3) Depending on the nature of the controversy or the amount involved, a compromise settlement will require the prior approval of the CEO and ultimately the Board.</i></p>
<b>Corporation &amp; Regulatory Authorities</b>	<p><i>Any dispute with a regulatory authority is always deemed to be of the highest priority. The policy of the Company is to adhere to all applicable laws, rules and regulations and to always cooperate with regulatory authorities consistent with law and the interests of the Company and of its stakeholders.</i></p> <p><i>Procedure:</i></p> <p><i>(1) Referred immediately to President and COO. Where the SEC or the PSE is involved, the matter is referred to the Corporate Secretary, who will also consult with the President and COO, and the Treasurer. Significant matters are immediately reported to the Chairman</i></p> <p><i>(2) Significant matters are reported to the Board.</i></p> <p><i>(3) The President or the Corporate Secretary, as the case may be, is tasked to pursue an amicable settlement with the regulatory authority. Where warranted under the circumstances, Board approval is obtained. This must be done expeditiously and with little or no delay.</i></p>

### C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

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

- 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Manuel V. Pangilinan	First elected on 12/08/2009; last elected on 5/20/2014	5	4	80
Member	Carlo S. Pablo	First elected on 05/18/2010; last elected on 5/20/2014	5	4	80
Member	Eulalio B. Austin, Jr.	First elected on 05/17/2012; last elected on 5/20/2014	5	4	80
Member	Robert C. Nicholson	First elected on 02/23/2011; last elected on 5/20/2014	5	4	80
Member	Marilyn A. Victorio-Aquino	First elected on 4/18/2013; last elected on 05/20/2014	5	5	100
Member	Barbara Anne C. Migallos	First elected on 12/10/2007; last elected on 05/20/2014	5	5	100
Member	Diana V. Pardo-Aguilar	First elected on 5/20/2014*	2 (since election on 5/20/2014)	2	100
Independent	Benjamin S. Austria	First elected on 08/04/2011; last elected on 5/20/2014	5	5	100
Independent	Emerlinda R. Roman	First elected on 08/04/2011; last elected on 5/20/2014	5	5	100

\*Diana V. Pardo-Aguilar was elected on 20 May 2014 to fill the vacancy due to the retirement of Renato N. Migrino effective 31 August 2013.

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

how many times?

*The policy is to hold a separate meeting during the year without the presence of the executive directors.*

- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain. – Is 2/3 the required quorum or the votes needed to make decisions?

*There is no rule requiring a two thirds vote for Board decisions. Effort is made to reach a consensus and depending on the circumstances a decision may be deferred until a consensus is reached.*

- 5) Access to Information

- (a) How many days in advance are board papers<sup>9</sup> for board of directors meetings provided to the board?

*The policy is that Board papers are to be sent at least seven 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?

*The Corporate Secretary is responsible for the efficient administration of the affairs of the Board of Directors; ensures that directors have accurate and sufficient information that will enable them to arrive at well-informed decisions on matters requiring their approval; advises the Board on corporate governance principles and practices and on relevant statutes and regulations; and is the liaison between the Company and its shareholders. The Corporate Secretary is responsible for the safekeeping and preservation of the integrity of the Minutes of the Board and the Committee, as well as other official records of the Company. (Please see Sec. 3.11, CG Manual)*

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

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

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

- (e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable 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
Audit and Risk	(1) Reports and other materials are provided to the members of

<sup>9</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

	<p><i>the Committee prior to the meeting.</i></p> <p><i>(2) The Finance Manager and the Internal Auditor are primarily responsible for providing the members of the Committee with information necessary, appropriate and adequate to enable the members to discharge their duties. Requests for information are generally coursed through the Finance manager or the Corporate Secretary.</i></p> <p><i>(3) There is a clear policy that requests for further information regarding the items on the agenda and other relevant items must be attended to promptly.</i></p> <p><i>(4) The Audit and Risk Committee meets with the external auditor on a periodic basis and as may be necessary.</i></p>
Nomination	<p><i>The Corporate Secretary is responsible for ensuring that the members of the Nominations Committee are provided with information necessary, appropriate and adequate to enable the members to discharge their duties, and to provide the members with information and/or documents requested.</i></p>
Remuneration	<p><i>The President is responsible for ensuring that the members of the Compensation Committee are provided with information necessary, appropriate and adequate to enable the members to discharge their duties, and to provide the members with information and/or documents requested.</i></p>
Others (specify)	
Finance	<p><i>The President and Treasurer are responsible for ensuring that the members of the Finance Committee are provided with information necessary, appropriate and adequate to enable the members to discharge their duties, and to provide the members with information and/or documents requested.</i></p>
Resources	<p><i>The President is responsible for ensuring that the members of the Finance Committee are provided with information necessary, appropriate and adequate to enable the members to discharge their duties, and to provide the members with information and/or documents requested.</i></p>
Corporate Governance	<p>The Corporate Governance Officer (CGO) and the Deputy Corporate Governance Officer are responsible to provide the Committee with information that are necessary, appropriate and adequate to enable the members of the committee to discharge their duties and responsibilities.</p>

#### 6) External Advice

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



Procedures	Details
<i>The Board as a whole may decide to seek external advice on legal or technical matters. This is discussed at a Board meeting and consensus is reached on whether external advice must be obtained.</i>	<p><i>The Board either designates a committee of directors to choose the consultant and to formulate the objectives and parameters of the study and the desired end product or deliverable.</i></p> <p><i>For technical matters, this is implemented by the President and COO. For legal matters, this may be implemented by the Corporate Secretary or a committee of directors.</i></p>
<i>The Audit and Risk Committee or a director or group of directors may retain and obtain advice from special counsel and other experts at reasonable fees without need for Board approval (Sec. 2.1, Audit and Risk Committee Charter<sup>10</sup>)</i>	<i>The Audit and Risk Committee or the director/s who wish to seek external advice will implement the decision. The only role of the Management is to provide information as requested.</i>

#### 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:

Existing Policies	Changes	Reason
<i>Audit and Risk Committee Policies</i>	<i>Revised and updated the Audit and Risk Committee Charter</i>	<i>Revised and updated in accordance with the Guidelines for the Assessment of Performance of Audit and Risk Committees of Companies Listed on the Exchange (SEC Memorandum Circular No. 4, Series of 2012) promulgated by the SEC.</i>
<i>Safety</i>	<i>Detailed safety performance reports were required at Board meetings and made first item of agenda in every Board meeting.</i>	<i>To reinforce the Company's commitment to be a socially and environmentally responsible company.</i>

## D. REMUNERATION MATTERS

### 1) Remuneration Process

<sup>10</sup> The Company's Audit Committee Charter may be viewed on its website at [http://www.philexpetroleum.com.ph/index.php?option=com\\_content&view=article&id=49&Itemid=37](http://www.philexpetroleum.com.ph/index.php?option=com_content&view=article&id=49&Itemid=37).

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	<i>Compensation Committee in consultation with Chairman</i>	<i>Compensation Committee in consultation with the CEO</i>
(2) Variable remuneration	<i>Compensation Committee in consultation with the Chairman. Officers of the Company are eligible to participate in the Stock Option Plan of the parent company, Philex Mining Corporation</i>	<i>Compensation Committee in consultation with the Chairman. Officers of the Company are eligible to participate in the Stock Option Plan of the parent company, Philex Mining Corporation</i>
(3) Per diem allowance	<i>Board determines per diems. At present, only independent directors are paid per diems for attendance at meetings.</i>	<i>No per diems are paid to officers</i>
(4) Bonus	<i>Compensation Committee in consultation with the Chairman.</i>	<i>Compensation Committee in consultation with the Chairman.</i>
(5) Stock Options and other financial instruments	<i>Officers of the Company are eligible to participate in the Stock Option Plan of the parent company, Philex Mining Corporation</i>	<i>Officers of the Company are eligible to participate in the Stock Option Plan of the parent company, Philex Mining Corporation</i>
(6) Others (specify)		

## 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	<i>The levels of remuneration of the Company shall be sufficient to be able to attract and retain the services of qualified and</i>	<i>Three components: (1) Fixed salary; (2) Bonus as determined by the Board upon the</i>	<i>Determined by the Compensation Committee</i>

	<p>competent directors and officers. (Sec. 3.9, CG Manual)</p>	<p>recommendation of the Compensation Committee taking into account corporate and individual performance</p> <p>(3) Stock options under the parent Company's Stock Option Plan, under which officers of the Company are eligible participants.</p>	
Non-Executive Directors	<p>The CG Manual provides that levels of remuneration for directors and officers shall be sufficient to be able to attract and retain the services of qualified and competent directors and officers (Sec. 3.9, CG Manual)</p> <p>Note, however, that the Corporation Coode allows only two types of compensation of corporate directors:</p> <p>(1) A reasonable per diem for attendance at Board meetings; and</p> <p>(2) A share in the net income before income tax, which must be provided in the By-Laws or approved by the shareholders. The Company does not pay directors fees on this basis.</p>	<p>The structure of directors' compensation is mandated by law.</p> <p>(1) Reasonable per diems for attendance at meetings; and (2) Share in net income before tax (see discussion in left column).</p> <p>However, since the Company has not yet consistently recorded profit, only independent directors are entitled to per diem.</p>	<p>See answers to second and third columns.</p>

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

Remuneration Scheme	Date of Stockholders' Approval
(1) Fixed remuneration	May 20, 2014 (thru ratification of acts of Board of Directors during May 2014 of the annual

	<i>shareholders meeting)</i>
(2) Variable remuneration	<i>May 20, 2014 (thru ratification of acts of Board of Directors during May 2014 of the annual shareholders meeting)</i>
(3) Per diem allowance	<i>May 20, 2014 (thru ratification of acts of Board of Directors during May 2014 of the annual shareholders meeting)</i>
(4) Bonus	<i>May 20, 2014 (thru ratification of acts of Board of Directors during May 2014 of the annual shareholders meeting)</i>
(5) Stock Options and other financial instruments	<i>May 20, 2014 (thru ratification of acts of Board of Directors during May 2014 of the annual shareholders meeting)</i>
(6) Others (specify)	<i>May 20, 2014 (thru ratification of acts of Board of Directors during May 2014 of the annual shareholders meeting)</i>

### 3) Aggregate Remuneration

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

<b>Remuneration Item</b>	<b>Executive Directors</b>	<b>Non-Executive Directors (other than independent directors)</b>	<b>Independent Directors</b>
(a) Fixed Remuneration	<i>P5.7 million</i>	<i>nil</i>	<i>nil</i>
(b) Variable Remuneration	<i>nil</i>	<i>nil</i>	<i>nil</i>
(c) Per diem Allowance	<i>nil</i>	<i>nil</i>	<i>P0.5 million</i>
(d) Bonuses	<i>nil</i>	<i>nil</i>	<i>nil</i>
(e) Stock Options and/or other financial instruments	<i>nil</i>	<i>nil</i>	<i>nil</i>
(f) Others (Specify)	<i>nil</i>	<i>nil</i>	<i>nil</i>
<b>Total</b>	<i>P5.7 million</i>	<i>nil</i>	<i>P0.5 million</i>

<b>Other Benefits</b>	<b>Executive Directors</b>	<b>Non-Executive Director (other than independent directors)</b>	<b>Independent Directors</b>
1) Advances	<i>nil</i>	<i>nil</i>	<i>nil</i>
2) Credit granted	<i>nil</i>	<i>nil</i>	<i>nil</i>
3) Pension Plan/s Contributions	<i>nil</i>	<i>nil</i>	<i>Nil</i>
(d) Pension Plans, Obligations incurred	<i>nil</i>	<i>nil</i>	<i>Nil</i>
(e) Life Insurance Premium	<i>nil</i>	<i>nil</i>	<i>Nil</i>

(f) Hospitalization Plan	<i>The Company has a medical insurance plan and executive is covered; no other medical benefit.</i>	<i>nil</i>	<i>Nil</i>
(g) Car Plan	<i>The Company has a car plan for executives &amp; managers. Executive director is covered; no other car plan.</i>	<i>nil</i>	<i>nil</i>
(h) Others (Specify)	<i>nil</i>	<i>nil</i>	<i>nil</i>
<b>Total</b>	<i>see above</i>	<i>nil</i>	<i>nil</i>

#### 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:

<b>Director's Name</b>	<b>Number of Direct Option/Rights/Warrants</b>	<b>Number of Indirect Option/Rights/Warrants</b>	<b>Number of Equivalent Shares</b>	<b>Total % from Capital Stock</b>
<i>Manuel V. Pangilinan</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>
<i>Carlo S. Pablo</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>
<i>Eulalio B. Austin, Jr.</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>
<i>Robert C. Nicholson</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>
<i>Marilyn A. Victorio-Aquino</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>
<i>Diana V. Pardo - Aguilar</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>
<i>Barbara Anne C. Migallos</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>
<i>Benjamin S. Austria</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>
<i>Emerlinda R. Roman</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>

##### (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:

Incentive Program	Amendments	Date of Stockholders' Approval
<i>nil</i>	<i>nil</i>	<i>nil</i>

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
<i>Danny Y. Yu/Treasurer</i>	<i>nil</i>

**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)				
Audit and Risk	<i>nil</i>	<i>1</i>	<i>2</i>	<i>See below</i>	<i>See below</i>	<i>See below</i>	<i>See below</i>
Corporate Governance	<i>nil</i>	<i>1</i>	<i>2</i>	<i>See below</i>	<i>See below</i>	<i>See below</i>	<i>See below</i>
Nomination	<i>1</i>	<i>1</i>	<i>1</i>	<i>See below</i>	<i>See below</i>	<i>See below</i>	<i>See below</i>
Remuneration	<i>2</i>	<i>0</i>	<i>1</i>	<i>See below</i>	<i>See below</i>	<i>See below</i>	<i>See below</i>
Others (specify)							
Resources	<i>1</i>	<i>1</i>	<i>1</i>	<i>None</i>	<i>See below</i>	<i>See below</i>	<i>See below</i>
Finance	<i>1</i>	<i>1</i>	<i>1</i>	<i>None</i>	<i>See below</i>	<i>See below</i>	<i>See below</i>

- A. The functions, key responsibilities and powers of the Audit and Risk Committee are as set forth in the CG Manual<sup>11</sup> and the Audit and Risk Committee Charter
- B. The functions, key responsibilities and powers of the Corporate Governance Committee are as set forth in the Corporate Governance Committee Charter<sup>12</sup>
- C. The functions, key responsibilities and powers of the Nominations Committee are as set forth in the CG Manual (Sec. 3.10.2).

<sup>11</sup> The Company's CG Manual may be viewed on its website at [http://www.philexpetroleum.com.ph/images/stories/philex/corporate\\_governance/pxp%20cg%20manual.pdf](http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/pxp%20cg%20manual.pdf)

<sup>12</sup> The Company's Corporate Governance Committee charter may be viewed on its website at [http://www.philexpetroleum.com.ph/images/stories/philex/corporate\\_governance/pxp%20cg%20committee%20charter.pdf](http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/pxp%20cg%20committee%20charter.pdf)

- D. The functions, key responsibilities and powers of the Compensation Committee are as set forth in the CG Manual (Sec. 3.10.3).
- E. The function and key responsibility of the Resources Committee is to assist the Board in fulfilling its oversight responsibilities with respect to the oil and gas reserves evaluation process and public disclosure of reserves data.
- F. The Finance Committee has primary responsibility for oversight of corporate finance activities including management of equity; financial risk management; and financing risk management; and financing for major acquisitions.

## 2) Committee Members

### (a) Executive Committee

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

### (b) Audit and Risk Committee

Office	Name	Date of Appointment <sup>13</sup>	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee <sup>14</sup>
Chairman	Emerlinda R. Roman	Appointed first on 09/06/2011; Last appointed on 05/20/2014	5	5	100	3.3 years
Member (NED)	Robert C. Nicholson	Appointed first on 09/06/2011; Last appointed on 05/20/2014	5	5	100	3.3 years
Member (ID)	Benjamin S. Austria	Appointed first on 09/06/2011; Last appointed on 05/20/2014	5	5	100	3.3 years

Disclose the profile or qualifications of the Audit and Risk Committee members.

#### Audit and Risk Committee Chairman

**EMERLINDA R. ROMAN, Audit and Risk Committee Chairman** - 65, Filipino citizen. Dr. Roman completed her undergraduate studies at the University of the Philippines Los Baños and obtained her Masters in Business

<sup>14</sup> As of December 31, 2014

*Administration and Agribusiness Management from the University of the Philippines Diliman. She is the Chairperson of the Board of Trustees of the International Rice Research Institute and the Board of Advisers of Manila Tytana Colleges, Inc. She is also a member of the Board of Advisers of the Development Center for Finance. She served as the President of the University of the Philippines ("UP") from February 10, 2005 to February 9, 2011, and is the first woman to be president of UP, as well as its centennial president. Prior to becoming the President of UP, she served as the Chancellor of the UP Diliman Campus from 1999 to 2005 and from 1991 to 1993. She also held positions in different foundations. From 2005 to 2011, she served as the Chair of the UP Provident Fund, Inc. and the President of UP Foundation, Inc., NEC Foundation, Inc. and UP Foundation in America.*

**BENJAMIN S. AUSTRIA, Member** - 68, Filipino citizen. Dr. Austria completed his undergraduate studies at the University of the Philippines, and obtained his Masters degree and Doctorate in Geology from Harvard University (United Nations Fellow in Ore Mineralogy, Rockefeller Foundation Scholar). He is a Senior Consultant of Trans-Asia Oil & Energy Development Corporation, and Executive Director of the Petroleum Association of the Philippines and the Energy Council of the Philippines. He also holds the position of Vice Chairman in the Committee on Energy of the Philippine Chamber of Commerce and Industry and Vice President (Earth Sciences & Geography) of the Philippine Association for the Advancement of Science & Technology. He is currently the Secretary/Treasurer & Director of the American Institute of Mining Engineers (Philippine Section).

**ROBERT C. NICHOLSON, Member** – 59, British citizen. A graduate of the University of Kent at Canterbury in the United Kingdom, Mr. Nicholson is a qualified solicitor in England and Wales and in Hong Kong. He is an Executive Director of First Pacific Company Limited (since November 2003). He is an Executive Chairman of Forum Energy plc, a Commissioner of PT Indofood Sukses Makmur TBK and a director of Metro Pacific Investments Corporation. He is an independent non-executive director of QPL Investment International Holdings Limited and Pacific Basin Shipping Limited. Previously, he was a Senior Partner at Reed Smith Richards Butler, where he established a corporate and commercial department. He was Senior Adviser to the Board of Directors of PCCW Limited between August 2001 and September 2003.

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

*The Audit and Risk Committee's responsibility relative to the external auditor are as follows:*

- i. Perform oversight functions over the Company's internal and external auditors. It shall ensure that the internal and external auditors act independently from 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;*
- ii. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;*
- iii. 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 in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with the duties of the external auditor or may pose a threat to independence. The non-audit work, if allowed, shall be disclosed in the Company's annual report;*

*Please see Section 3 of the Company's Audit and Risk Committee Charter.<sup>15</sup>*

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<sup>15</sup> The Company's Audit Committee Charter may be viewed on its website at [http://www.pse.com.ph/resource/disclosures/2012/pdf/dc2012-7249\\_PXP.pdf](http://www.pse.com.ph/resource/disclosures/2012/pdf/dc2012-7249_PXP.pdf)



(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee <sup>16</sup>
Chairman	Manuel V. Pangilinan	Appointed first on 09/06/2011; Last appointed on 05/20/2014	1	1	100	3.3 years
Member (NED)	Robin C. Nicholson	Appointed first on 09/06/2011; Last appointed on 05/20/2014	1	1	100	3.3 years
Member (ID)	Benjamin S. Austria	Appointed first on 09/06/2011; Last appointed on 05/20/2014	1	1	100	3.3 years

\* Re-appointed at the Organizational Meeting of the Board of Directors on 05/20/2014

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Manuel V. Pangilinan	Appointed first on 09/06/2011; Last appointed on 05/20/2014	1	1	100	3.3 years
Member (ED)	Carlo S. Pablo	Appointed first on 09/06/2011; Last appointed on 05/20/2014	1	1	100	3.3 years
Member (ID)	Emerlinda R. Roman	Appointed first on 09/06/2011; Last appointed on 05/20/2014	1	1	100	3.3 years

\* Re-appointed at the Organizational Meeting of the Board of Directors on 05/20/2014

(e) Resources Committee

Office	Name	Date of Appointment <sup>17</sup>	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee <sup>18</sup>
Chairman	Benjamin S. Austria	Appointed first on 09/06/2011; Last appointed on 05/20/2014	0	n/a	n/a	3.3 years
Member (ED)	Carlo S. Pablo	Appointed first on 09/06/2011; Last appointed on 05/20/2014	0	n/a	n/a	3.3 years
Member (NED)	Diana Pardo-Aguilar	Appointed first on 05/20/2014	0	n/a	n/a	7 months

(f) Finance Committee

Office	Name	Date of Appointment <sup>19</sup>	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee <sup>20</sup>
Chairman	Robert C. Nicholson	Appointed first on 09/06/2011; Last appointed on 05/20/2014	0	n/a	n/a	3.3 years
Member (ED)	Diana V. Pardo-Aguilar	Appointed first on 05/20/2014	0	n/a	n/a	7 months
Member (ID)	Emerlinda R. Roman	Appointed first on 12/20/2011; Last appointed on 05/20/2014*	0	n/a	n/a	3 years

\* Re-appointed at the Organizational Meeting of the Board of Directors on 05/20/2014

3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive	n/a	n/a
Audit and Risk	none	none
Nomination	none	none

<sup>17</sup> Reckoned from appointment immediately following January 2, 2014

<sup>18</sup> As of December 31, 2014

<sup>19</sup> Reckoned from appointment immediately following January 2, 2014

<sup>20</sup> As of December 31, 2014

Remuneration	<i>none</i>	<i>none</i>
Others (specify)  <i>Corporate Governance Committee</i>	<i>Marilyn A. Victorio-Aquino Emerlinda R. Roman Benjamin S. Austria</i>	<i>The Corporate Governance Committee was formed on 24 February 2014</i>
<i>Finance</i>	<i>Diana V. Pardo-Aguilar</i>	<i>Mr. Renato N. Migrino retired effective 31 August 2013</i>
<i>Resources</i>	<i>Diana V. Pardo-Aguilar</i>	<i>Diana V. Pardo-Aguilar was elected on 20 May 2014</i>

#### 4) Work Done and Issues Addressed

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

<b>Name of Committee</b>	<b>Work Done</b>	<b>Issues Addressed</b>
Executive	<i>n/a</i>	<i>n/a</i>
Audit and Risk	<i>Complied with duties and responsibilities under the Audit and Risk Committee Charter</i>	<i>Review of quarterly and annual audited financial statements and discussion with External Auditor of various issues relating thereto</i>  <i>Recommendation for Board approval of financial reports and financial disclosures</i>  <i>Approval of audit fee of External Auditor</i>  <i>Review of enterprise risk management program</i>
Nomination	<i>Reviewed and evaluated the qualifications of nominees to the Board and nominees to positions requiring Board approval</i>	<i>Qualifications or disqualifications, if any, of nominees to the Board and nominees to positions requiring Board approval</i>
Remuneration	<i>Evaluation of compensation policies</i>	<i>General compensation policies</i>
Others (specify)  <i>Finance committee</i>	<i>Consideration of options for funding of exploration projects</i>	<i>Funding of exploration projects</i>
<i>Corporate Governance Committee</i>	<i>Recommended approval of the Corporate Governance Committee Charter and policies such as Revised</i>	<i>Compliance with best practices in the Asean Corporate Governance policies.</i>

	<i>Corporate Governance Manual, Related Party Transaction Policy, Policy on Dealings in Company shares of stock and Policy on Timing of Dividend Payment</i>	
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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.

*The Committees will monitor activities and will undertake regular review of matters under their respective areas. The Audit and Risk Committee will work to further refine and strengthen internal audit controls and risk management policies. The Compensation Committee will work with the Chairman and the President towards enhancing policies on compensation. The Finance Committee will evaluate financing for Company activities.*

<b>Name of Committee</b>	<b>Planned Programs</b>	<b>Issues to be Addressed</b>
Audit and Risk	<i>Please see discussion above</i>	<i>Please see discussion above</i>
Nomination		
Remuneration	<i>Please see discussion above</i>	<i>Please see discussion above</i>
Others (specify)		
Finance	<i>Please see discussion above</i>	<i>Please see discussion above</i>
Corporate Governance	<i>Please see discussion above</i>	<i>Please see discussion above</i>

**F. RISK MANAGEMENT SYSTEM**

1) Disclose the following:

(a) Overall risk management philosophy of the company;

*The Company recognizes that managing risks is critical to achieving its business objectives and will:*

- clearly state its business objectives;*
- identify the risks to achieving its business objectives;*
- assess and prioritize risks based on impact and likelihood;*
- identify actions and allocate resources to mitigate risks to acceptable levels; and*
- regularly monitor changes to the risk environment and effectiveness of actions taken to mitigate risks.*

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

*The Directors of the Company have reviewed the effectiveness of the risk management system and commented on the adequacy thereof during its Board Meeting held last October 26, 2014.*

(c) Period covered by the review;

*The period of the review was for a six-month period ending June 30, 2014 and will be reviewed and assessed for effectiveness six-months thereafter.*

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

*The review is conducted at least twice a year. The Board, principally through the Audit and Risk Committee, sets*

*the criteria consistent with the Company's Audit and Risk Committee Charter and sound business and management principles.*

(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:

<i>Risk Exposure</i>	<i>Risk Management Policy</i>	<i>Objective</i>
<i>Failure to discover commercial oil and gas resources</i>	<i>Diversify exploration portfolio and phased exploration commitments</i>	<i>Spread exploration risks and limit risked capital by providing exit options</i>
<i>Funding exploration and development costs</i>	<i>Partnership with financially capable partners and phased exploration commitments</i>	<i>Share cost and risks of exploration and development and provide exit options</i>
<i>Compliance with laws, regulations, and contractual obligations</i>	<i>Close coordination with regulatory agencies and engage reliable advisors and consultants</i>	<i>Avoid project delays, penalties, and loss of contractual rights</i>
<i>Operating hazards and natural disasters</i>	<i>Obtain insurance coverage and assess acceptability of residual risks not covered by insurance</i>	<i>Avoid risks that are not within the levels that the Company is will to accept</i>
<i>Volatility in international oil and gas prices</i>	<i>Evaluate economic sensitivity of investment opportunities to low, mid, and high oil price scenarios</i>	<i>Avoid exposure to projects that are not commercially viable in low oil price scenarios</i>
<i>Uncertainty in estimating oil and gas resources</i>	<i>Use reputable consultants and international standards for evaluating petroleum resources</i>	<i>Provide comparable resource estimates for investment decisions and capital allocation</i>
<i>Territorial boundary issues in areas where the Company has petroleum interests</i>	<i>Close coordination with the Philippine Government</i>	<i>Minimize delays to the implementation of work program</i>
<i>Competition in acquiring petroleum rights and contracts</i>	<i>Develop strategic partnerships with financially and technically capable oil and gas companies</i>	<i>Strengthen competitiveness in petroleum bid rounds and negotiated acquisitions</i>

### (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:

The Group's risk management policy and the risks it must manage are essentially the same as those of the Company. Note that all companies within the Group are natural resource companies. Please see further discussion on funding risks on table below.

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
<i>Capital Project Execution</i>	<i>Revisit, revise and prioritize previously target activities on capital projects to mitigate high inflation cost and macroeconomic uncertainties.</i>	<i>To mitigate effects of these factors to the capital investment of the Company.</i>
<i>Capital Management and access</i>	<i>Manage the volatility seen on capital markets to reduce the risk of limited funding to the energy exploration sector.</i>	<i>Make use of opportunistic financing proposals. Innovative approaches to capital expenditure discipline. Reviewing the options for raising funds through the public markets.</i>

(c) Minority Shareholders

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

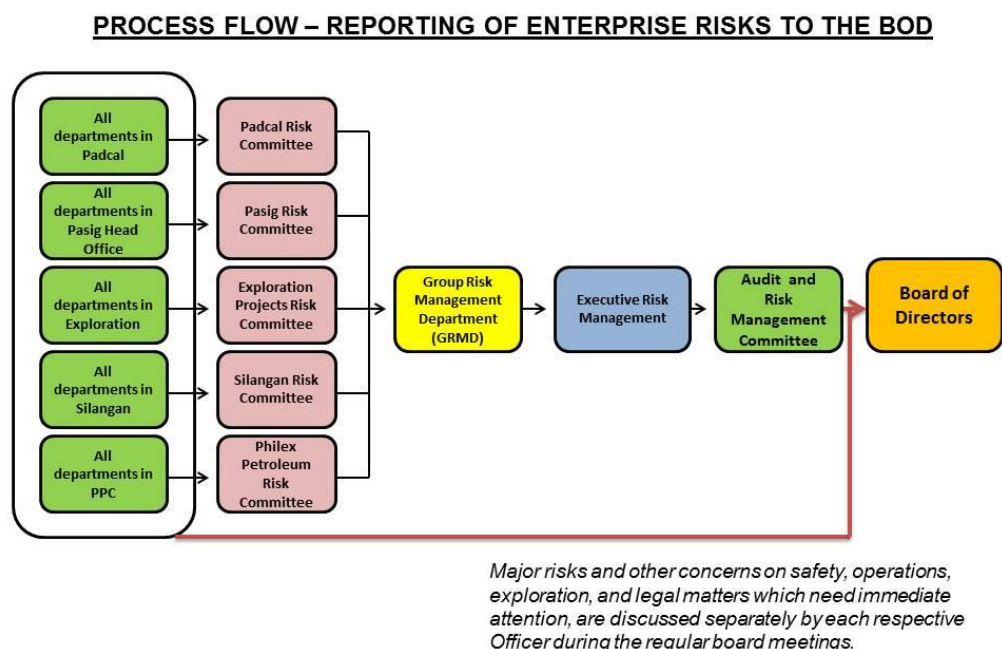
<b>Risk to Minority Shareholders</b>
<p><i>As with any other corporation that has various shareholder groups with differing philosophies, concerns and interests, the exercise by the controlling or major shareholder/s of voting power may place the minority shareholders at risk in that their concerns and interests may not be considered or prioritized, or that the interests of the controlling shareholder may be given priority at the expense of the minority shareholders.</i></p> <p><i>To address this risk, policies are in place towards ensuring that the Board will in all cases consider the <u>corporate interest as a whole</u> among them: (i) Emphasis on the fiduciary responsibilities of the Board and the officers to the Company and its shareholders and the duties of care and prudence; (ii) Emphasis on the avoidance of conflicts of interest and on prompt disclosure of potential conflict; (iii) Prompt, full and fair disclosure of material information; (iv) Adoption of policies on related party transactions; and (v) other policies towards avoidance of actions that will favor the controlling or major shareholder/s at the expense of the minority shareholder.</i></p>

3) Control System Set Up

(a) Company

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

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



(b) Group

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

*Please see responses to 3(a) above on the Company. The process for assessment, management and control of risk is adopted by the Company's subsidiaries, with appropriate modifications. Two of the Company's subsidiaries are public companies: (1) Forum Energy plc, which is listed on the London AIM market; and (2) FEC Resources, Inc., which is a publicly traded Canadian company. These corporations have risk management programs consistent with best practices in their jurisdictions.*

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<i>Please see discussion under 3 (a)</i>	<i>Please see discussion under 3 (a)</i>	<i>Please see discussion under 3 (a)</i>

(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:

Committee/Unit	Control Mechanism	Details of its Functions
<i>Audit and Risk Committee</i>	<i>Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company.</i>	<i>This function shall include regular receipt from Management of information on risk exposures and risk management activities</i>

## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

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

(a) Explain how the internal control system is defined for the company;

*As part of the Philex Group, the Company complies with its Parent's internal audit department and adheres to its internal control system. As provided by the Company's manual of corporate governance and internal audit charter, an internal control is a process, effected by the entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:*

- *Effectiveness and efficiency of operations*
- *Reliability of financial reporting*
- *Compliance with applicable laws and regulations*
- *Safeguarding of assets*

*The Company shall have in place an internal audit system whereby an internal audit or organization conducts independent and objective internal audit activities designed to add value to and improve the Company's operations and to help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes through which the Board, Management and stockholders of the Company shall be provided with reasonable assurance that the Company's key organizational and procedural controls are appropriate, adequate, effective and complied with. (Sec. 3.7.4, CG Manual; Internal Audit Charter)*

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

*At the Audit and Risk Committee meetings held on **24 July 2014 and 28 October 2014**, the Company's Audit and Risk Committee reviewed and discussed the reports of the Company's internal auditor, and confirmed that the internal controls of the Company are effective and adequate.*

(c) Period covered by the review;

*The Audit and Risk Committee's review covered the interim period between March 2013 and April 2014.*

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

*The Audit and Risk Committee shall review on a regular basis (a) internal control, (b) financial reporting, (c) internal audit activities, (d) external audit activities, (e) regulatory, legal and tax matters, (f) reporting responsibilities. (Item 3.3.6, Audit and Risk Committee Charter<sup>21</sup>)*

*In practice, overall planning is done once a year in February and assessment of the plan is done in the quarter set by the Audit and Risk Committee, which in this case was in July 2014.*

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

*Not applicable.*

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<sup>21</sup> A copy of the Company's Audit Committee Charter may be viewed on its website at [http://www.pse.com.ph/resource/disclosures/2012/pdf/dc2012-7249\\_PXP.pdf](http://www.pse.com.ph/resource/disclosures/2012/pdf/dc2012-7249_PXP.pdf)



## 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
<i>Please see below.</i>	<i>Please see below.</i>	<i>In-house</i>	<i>Ms. Geraldine B. Ateo-an</i>	<i>The internal audit head reports administratively to the Treasurer while reporting functionally to the Audit and Risk Committee. Please see (b) below.</i>

#### Role

As provided in the Company's Internal Audit Charter,<sup>22</sup> the mission of the Internal Audit Department is to provide independent, objective assurance and consulting services to management designed to add value and improve the Company's operations.

#### Scope

The scope of work of the Internal Audit Department is to determine whether the Company's network of risk management, control, and governance processes, as designed and represented by the management, is adequate and functioning in a manner to ensure:

1. Employee's actions comply with policies, standards, procedures, and applicable laws and regulations.
2. Resources are acquired economically, used efficiently, and adequately protected.
3. Programs, plans, and objectives of the Company are achieved.
4. Quality and continuous improvement are fostered in the Company's control processes.
5. Significant financial, managerial, and operating information are accurate, reliable, and timely.
6. Significant legislative or regulatory issues affecting the Company are recognized and addressed appropriately.
7. Risks management of the Company is in place.
8. Interaction with the various governance groups occurs as needed.

Opportunities for improving management control, profitability, and the company's image maybe identified during audits. It should be communicated to the appropriate level of management.

- (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 and Risk Committee?

<sup>22</sup> A copy of the Company's Internal Audit Charter may be viewed on its website at [http://www.philexpetroleum.com.ph/images/stories/philex/corporate\\_governance/pxp%20internal%20audit%20charter.pdf](http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/pxp%20internal%20audit%20charter.pdf)

*Yes, 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 and Risk Committee as stated below.*

*The Audit and Risk Committee shall review the appointment, removal and replacement of the Internal Audit Head who shall be appointed by Management in accordance with the Company's employment policies but shall functionally report directly to the Committee, and ensure that the internal audit organization shall be free from interference by Management in the performance of its work. (Item 3.2.1, Audit and Risk Committee Charter)*

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

*Internal audit reports functionally to the Audit and Risk Committee. It is a support unit reporting functionally to the Audit and Risk Committee and administratively to the Compliance Officer (Manual on Corporate Governance, 3.10.1; Audit and Risk Committee Charter, Item 3.2.1)*

*Yes, the internal auditor has direct and unfettered access to the Company's Board of directors and its Audit and Risk Committee, and to all records, properties and personnel necessary to the conduct of a comprehensive program of operational and financial audit. (Internal Audit Charter)*

- (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
<i>none</i>	<i>n/a</i>

As of December 31, 2014, there were five members of the Parent company's internal audit staff that were part of its manpower reduction program.

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

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

*The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following 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.*

<b>Progress Against Plans</b>	<i>Plans were generally attained</i>
<b>Issues<sup>23</sup></b>	<i>None</i>

<sup>23</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<b>Findings<sup>24</sup></b>	<i>Please see below</i>
<b>Examination Trends</b>	<i>Please see below</i>

*There were audit findings regarding one subsidiary. These were neither significant nor material and were addressed and resolved accordingly.*

(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."

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
<b>A. Corporate Office</b>	
<i>Risk Management Policy Statement</i>	<i>Implemented</i>
<i>Crisis Management and Recovery Policy</i>	<i>Implemented</i>
<i>Internal Audit Manual</i>	<i>Implemented</i>
<i>Budget Policies</i>	<i>Implemented</i>
<i>Internet Usage Policy</i>	<i>Implemented</i>

(g) Mechanism and Safeguards

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

<b>Auditors (Internal and External)</b>	<b>Financial Analysts</b>	<b>Investment Banks</b>	<b>Rating Agencies</b>
<i>Please see below</i>	<i>Financial analysts – the Company does not retain financial analysts; question is not relevant to the Company</i>	<i>Asked to sign non-disclosure or confidentiality agreement that contains a prohibition on trading in shares of Company.</i>	<i>The Company does not contract with rating agencies</i>

*The following policies show the mechanism established by the Company to safeguard the independence of the auditors:*

*It is the policy of the Company that all auditing activities shall remain free of influence by any of its organizational elements. To provide for the independence of the Internal Audit Department, its personnel will report to the Internal Audit Head, who reports functionally to the Audit and Risk Committee and administratively to the Compliance Officer. (Item 3.2.1, Audit and Risk Committee Charter; Internal Audit Charter)*

*The organizational status of the Internal Audit Department should be sufficient to allow fulfillment of its audit responsibilities. They shall be free from interference when determining scope of internal auditing, performing their work and communicating results of their review. (Internal Audit Charter)*

*Further, the internal auditor has direct and unfettered access to the Company's Board of directors and its Audit*

<sup>24</sup> "Findings" are those with concrete basis under the company's policies and rules.

and Risk Committee, and to all records, properties and personnel necessary to the conduct of a comprehensive program of operational and financial audit. (Internal Audit Charter)

The Audit and Risk Committee shall periodically review fees for non-audit services paid to the External Auditor in relation to their significance to the total annual income of the External Auditor and to the Company's overall consultancy expenses, and disallow any non-audit services that will conflict with the External Auditor's duties to the Company as such or may pose a threat to its independence. (Item 3.1.4, Audit and Risk Committee Charter)

The Audit and Risk Committee shall ensure that the External Auditor prepares and delivers annually a formal written statement delineating all relationships between the External Auditor and the Company (Statement as to independence) as required by the prevailing applicable Independence Standards, and discuss with the External Auditor and evaluate any relationships or services disclosed in such Statement that may impact the objectivity, independence or quality of services of the External Auditor and take appropriate action in response to such Statement to satisfy itself of the External Auditor's independence. (Item 3.1.5, Audit and Risk Committee Charter)

The Audit and Risk Committee shall ensure that the External Auditor, or its lead audit partner primarily responsible for the audit or review of the Company's financial accounts is rotated at least once every five (5) years or such shorter or longer period provided under applicable laws and regulations. (Item 3.1.7, Audit and Risk Committee Charter)

- (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.

The Chairman of the Board and the President, after review and consultations with the Audit and Risk Committee Chairman and management.

## H. ROLE OF STAKEHOLDERS

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

The Company likewise shares services with its parent company PMC on materials management, and adheres to the policies discussed below:

	Policy	Activities
Customers' welfare	<p>Fair and transparent dealings with customers.</p> <p>Note that the Company itself does not have customers. Its subsidiary, Brixton, sells coal production. Forum energy has minority interests in oil producing fields that are operated by third parties who deal with buyers.</p>	n/a
Supplier/contractor selection practice	PXP shall promote and implement standards of relationships with Suppliers that embody the Code's principles and core values as defined in the Code. Directors, Employees	<p>(1) <b>For vendor accreditation:</b></p> <p>(a) Prospective vendor must accomplish a new Vendor form (NVAAD) and existing Vendors</p>

	<p><i>and Consultants shall maintain the Company's reputation for equal opportunity and honest treatment of Suppliers in all business transactions.<sup>25</sup></i></p>	<p><i>must update their information periodically through the submission of Vendor Information Update form (EVIUF), duly accomplished. These are detailed forms that require information regarding the Vendor's financial condition, ownership, product lines; agreements with respective principals/OEM, experience and expertise.</i></p> <p><i>(b) Financial Ratios for vendor accreditation – a review of each vendor's financial ratios is undertaken as part of the accreditation process</i></p> <p><i>(c) Vendor must submit a statement that:</i></p> <p><i>(i) the information provided in the NVAAF or the EVIUF regarding financial condition, ownership, product lines; agreements with respective principals/OEM are true and correct;</i></p> <p><i>(ii) Vendor will comply with its commitments in terms of product and service quality, competitive cost, timely delivery of service</i></p> <p><i>(iii) Vendor will avoid any potential and actual conflict of interest, observe ethical and fair practices to ensure fair and transparent dealings with the Company</i></p> <p><i>(iv) Vendor will cooperate with and welcome evaluation of their performance as a tool for compliance and continuing improvement</i></p>
Environmentally friendly value-chain	<p><i>1. Vendor Accreditation</i></p> <p><i>2. Environmental Awareness: Life cycle environmental impact should be considered in all purchasing</i></p>	<p><i>1. Part of the Vendor Accreditation form is confirmation of any affiliation or involvement in any Environmental Organization</i></p>

<sup>25</sup> The Company's supplier/contractor relations policy can be found at the Company's website: [http://www.philexpetroleum.com.ph/images/stories/philex/corporate\\_governance/suppliercontractor%20relations%20policy.pdf](http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/suppliercontractor%20relations%20policy.pdf)

	<p><i>decisions, when appropriate.</i></p>	<p><i>2. The Environmental Awareness policy dwells on efficient, recyclable, reusable of materials related to Energy Efficiency, Shipping Materials, Content and Supplier Waste Management</i></p>
Community interaction	<p><i>The Company interacts and addresses the concerns of its host community.</i></p> <p><i>The Company being part of Philex Group commits itself to the environmental, social and economic progress of its partner communities and believes that their development is a means of contributing to national development.</i></p>	<p><i>The Company strives and continues to be a strategic partner for its host and its neighboring communities towards their development. To this end, the Company implements the following programs in its Brixton mine site:</i></p> <p><b>Education</b></p> <p><i>(a) Scholarship Program: College</i></p> <p><i>(b) Provision of Educational Equipment and Materials</i></p> <p><b>Social development</b></p> <p><i>Brixton sponsors activities such as fiestas, celebration of Mass and partnering with local government and NGOs to achieve its successful activities.</i></p>
Anti-corruption programmes and procedures?	<p><i>1. Supply Chain Management Conduct: Supply Chain professionals shall maintain a reputation that is beyond reproach and in accordance with the Institute of Supply Management (ISM) and Philippine Institute for Supply Management (PISM) Standards of Conduct aligned with Industry Best Practices</i></p> <p><i>2. Supplier Relations: Procurement Department is the primary source of contact and channel of communications with all vendors. It is therefore our policy to maintain and practice the highest possible standard of business ethics, professional courtesy and competence in all our dealings with existing and potential vendors</i></p>	<p><i>1. The Supply Chain Management Conduct Policy focuses on avoiding impropriety in the conduct of the profession pertaining to relationships, actions and communications; avoiding conflict or interest where an employee (of Philex) has an interest in another company dealing with Philex, among others.</i></p> <p><i>2. Supplier Relations policy puts emphasis on the decorum required when dealing with suppliers.</i></p>

	3. Gifts & Gratuities: No company employee shall accept gifts, personal loans, entertainment or other special considerations from an individual. Supplier or organization doing business with the Company	3. The Policy on Gift & Gratuities is specific on tokens, particularly during Christmas Season, where suppliers are discouraged to give lavish gifts and tokens. This is relayed to suppliers every November through an official letter from the Company
Safeguarding creditors' rights	The Company honors all of its obligations, including obligations to any creditor it may have. There has been no case where a creditor brought the Company to court for non-payment of a loan or financial obligation.	

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

*The company does not have a separate corporate responsibility (CR) report/section or sustainability report/section. The Company's policies on corporate responsibility may be viewed on its website.<sup>26</sup>*

- 3) Performance-enhancing mechanisms for employee participation.

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

**Policy:** *The Company promotes safety, non-discrimination, environmental awareness, and commitment in the workplace, and we support programs that promote the development and potential of our employees. We encourage transparency, professionalism, and accountability among our employees.*

*In keeping with this policy, the Operations Report at every meeting of the Board of Directors provides for a health and safety report.*

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

*The Company's employees and their qualified dependents are covered under a group medical insurance plan which includes inpatient and outpatient health care services and annual medical examinations. The Company has adopted a policy of sick and vacation leaves not being convertible to cash which has resulted in the employees using up their sick and vacation leave entitlement for its intended purpose.*

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

*The training needs of employees are determined based on gaps between the employee's level of expertise and the job requirements, and are assessed on an annual basis. The employees are then scheduled to attend the appropriate training programs organized by the First Pacific Leadership Academy, Philex Mining Corporation, industry organizations, and selected training organizations.*

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

*The Company adopts the reward/compensation policy of its parent company, Philex Mining, as follows:*

<sup>26</sup> [http://www.philexpetroleum.com.ph/index.php?option=com\\_content&view=article&id=5&Itemid=3](http://www.philexpetroleum.com.ph/index.php?option=com_content&view=article&id=5&Itemid=3)

Compensation Philosophy/Principles of the Company are as follows:

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

*Key officials of the Company are eligible participants in the 2011 Stock Option Plan of its parent company, Philex Mining (the "Philex SOP"). The objectives of the Philex SOP are to enable qualified participants who are largely responsible for the further growth and development of the Philex Group of Companies to obtain an ownership interest in the company; to encourage long-term commitment to the Group; to motivate them to continue their efforts in contributing to the long-term financial success of the Group; and to encourage other talents needed for the business to join the Group.*

- 4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.

*Complaints by employees concerning illegal and unethical behaviour are coursed through the Human Resources department of Philex Mining Corporation, which currently provides all HR-related requirements of the Company including recruitment, benefits, and compensation. The Human Resources department of Philex Mining Corporation has the capability and authority to (a) investigate and correct employee behaviors that are not in accordance with the Philex group policies, regardless of rank or position in the Company, and (b) ensure that employees reporting such behaviors are protected from possible avenues of retaliation such as performance evaluation, promotions, compensation, work assignment, etc.<sup>27</sup>*

## **I. DISCLOSURE AND TRANSPARENCY**

### **1) Ownership Structure**

- (a)** Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
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<sup>27</sup> The company's code of business conduct and ethics can be found in the Company's website [http://www.philexpetroleum.com.ph/images/stories/philex/corporate\\_governance/code%20of%20business%20conduct%20and%20ethics.pdf](http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/code%20of%20business%20conduct%20and%20ethics.pdf)



<i>Philex Mining Corporation</i>	<i>1,101,373,946</i>	<i>64.7867%</i>	<i>Philex Mining Corporation</i>
<i>Asia Link B.V.</i>	<i>127,909,498</i>	<i>7.5241%</i>	<i>First Pacific Company, Ltd.</i>
<i>Social Security System</i>	<i>124,075,356</i>	<i>7.2986%</i>	<i>Social Security System</i>
<i>Two Rivers Pacific Holdings Corp.</i>	<i>92,358,938</i>	<i>5.4329%</i>	<i>Two Rivers Pacific Holdings Corp.</i>
<i>PCD Nominee Corporation (Non-Filipino)**</i>	<i>87,728,290</i>	<i>5.1604%</i>	<i>**</i>
<i>PCD Nominee Corporation (Filipino)**</i>	<i>105,710,106</i>	<i>6.2182%</i>	<i>**</i>

As of November 30, 2014

**\*\*PCD Nominee Corporation (PCD)**, the nominee of the Philippine Depository & Trust Corp., is the registered owner of the shares in the books of the Company's transfer agent. The beneficial owners of such shares are PCD's participants who hold the shares on their own behalf or in behalf of their clients. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
<i>Manuel V. Pangilinan Chairman &amp; CEO</i>	<i>891,251</i>	<i>Direct</i>	<b>0.0524%</b>
<i>Carlo S. Pablo President &amp; COO</i>	<i>1</i>	<i>Direct</i>	<b>0.0000%</b>
<i>Danny Y. Yu Treasurer</i>	<i>nil</i>	<i>Not applicable</i>	<b>nil</b>
<i>Barbara Anne C. Migallos Director &amp; Corporate Secretary</i>	<i>40,485</i>	<i>Direct</i>	<b>0.0024%</b>
<b>TOTAL</b>	<b>1,050,488</b>	<b>-</b>	<b>0.0618%</b>

2) 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	Yes
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	Yes
Number of board of directors/commissioners meetings held during the year	Yes

Attendance details of each director/commissioner in respect of meetings held	Yes
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.

*Explanation on why answers were "No":*

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SyCip Gorres Velayo & Co ("SGV & Co")	P1.07 million	nil

4) Medium of Communication

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

1. Company website - [www.philexpetroleum.com.ph](http://www.philexpetroleum.com.ph)
2. PSE website - [http://edge.pse.com.ph/companyInformation/form.do?cmpy\\_id=628](http://edge.pse.com.ph/companyInformation/form.do?cmpy_id=628)
3. print media - Manila Bulletin, The Philippine Star, Philippine Daily Inquirer
4. email - [admin@philexpetroleum.com.ph](mailto:admin@philexpetroleum.com.ph) (posted in the Company's website)
5. postal mail - 27 Brixton Street, Pasig City 1600 (indicated in the company's website and letterheads)

5) Date of release of audited financial report: n/a.

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

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

*Explanation on why answers were "No":*

1. Materials provided in briefings to analysts and media

7) **Disclosure of RPT**

*Related party transactions are discussed in detail in its quarterly financial reports (SEC form 17Q) and the audited financial statements for each year, copies of which are disseminated to the Company's shareholders and are posted on the Company's website.<sup>28</sup>*

RPT	Relationship	Nature	Value
Philex Mining Corporation	Parent company	On demand; non-interest bearing cash advances to be used as additional working capital	P2,679,571,000

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 related party transactions are valued at an arm's length basis see the Company's policy on related party transaction:*

*[http://www.philexpetroleum.com.ph/images/stories/philex/corporate\\_governance/pxp%20related%20party%20transaction%20policy.pdf](http://www.philexpetroleum.com.ph/images/stories/philex/corporate_governance/pxp%20related%20party%20transaction%20policy.pdf).*

## J. 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.

<b>Quorum Required</b>	<p><i>The Company's By-laws comply with the requirements under the Corporation Code:</i></p> <p><i>The general rule is that at least a MAJORITY of the total outstanding capital must be present in person or represented by proxy to constitute a quorum.</i></p> <p><i>Certain corporate actions require the presence and positive vote of 66 2/3% of the total outstanding capital stock: (i) amendments to the articles and increase or decrease of capital; shortening or extension of corporate life; (ii) declaration of stock dividends; (iii) sale, mortgage, or other disposition of all or substantially all of the assets of the corporation; (iv) incurring of bonded indebtedness; (v) denial</i></p>
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<sup>28</sup> [http://www.philexpetroleum.com.ph/images/stories/philex/financialreports/ppc\\_sec\\_fs\\_092014%20final.pdf](http://www.philexpetroleum.com.ph/images/stories/philex/financialreports/ppc_sec_fs_092014%20final.pdf)

	<p>or waiver of pre-emptive right;</p> <p>(vi) investment in a business other than the corporation's primary purpose; (vi) merger and consolidation; (vii) amendment of by-laws; and (viii) delegation to the board of the power to amend the by-laws.</p>
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	<i>Tabulation of proxies submitted by the shareholders</i>
Description	<p>(1) At least 15 working days prior to each shareholders' meeting, the Company provides all shareholders of record with the materials for the meeting, including a proxy form that enumerates all items on the Agenda and provides a space for each item for the shareholder to indicate "Yes," "No," or "Abstain." Brokers and custodian banks are likewise provided with a number of copies for shares held under PCD accounts.</p> <p>(2) Proxies are tabulated.</p> <p>(3) A motion is made and seconded for the approval of each item on the agenda requiring the vote of the shareholders. The votes are announced based on the proxy tabulation.</p> <p>(4) The Chairman inquires whether there are any objections from the shareholders present. If there are no objections, the Chairman declares the motion carried and the corporate act approved. If there are objections, the Chairman requests the Corporate Secretary to record the objection and proceeds to declare the corporate act approved. Please note that prior to the meeting, the votes per agenda item have been tallied.</p>

(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
	<p><i>Right to receive full and fair information on a timely basis prior to the shareholders' meeting</i></p> <p><i>Propose the holding of meetings feasible or practicable and the items for discussion in the agenda that relate directly to the business of the Company. (Sec/ 6.3, CG Manual)</i></p>

## Dividends

Declaration Date	Record Date	Payment Date
<i>No dividends declared</i>	<i>No dividends declared</i>	<i>No dividends declared</i>

### (d) 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.

2. Measures Adopted	3. Communication Procedure
<i>Early announcement of date, time, venue and agenda of the meeting</i>	<i>PSE website Company website Newspapers of general circulation – at least 3 times in the three newspapers with largest circulation</i>
<i>Preliminary and Definitive Information Statement with the Management Report and audited financial statement attached.  A proxy form that indicates the items on the agenda and provides spaces where the shareholder may indicate Yes, No or Abstain is also provided to the shareholders well ahead of the meeting.</i>	<i>PSE website Company website Copies are distributed to shareholders at least 3 weeks before the annual or special meeting Brokers and custodian banks are also provided with a sufficient number of copies for distribution to their clients who are beneficial owners of shares of the Company</i>
<i>Meetings are held in a comfortable venue easily accessible to shareholders to encourage more attendance.  Registration process is simplified and identification is not required unless there is reason to believe that the person is not a legitimate shareholder.  Shareholders are not prohibited from bringing companions. This is particularly beneficial for elderly or disabled shareholders who may have difficulty attending on their own.</i>	<i>Details of the date, time and venue are announced well ahead of the meeting (please see above for the communication procedure)  There is no particular procedure followed to communicate the Company's measures intended to encourage attendance and participation at shareholders meetings. Shares of the Company were distributed to shareholders of the parent company, Philex Mining, by way of property dividend and most of the Company's shares are held by long-time shareholders of the parent, which has been in operation for more than 50 years and was listed in 1956. Corporate practices of the parent are followed and thus are well-known to most shareholders.</i>
<i>Chairman, Directors and Management are present and introduced at shareholders meetings. Audit and Risk Committee Chairman attends</i>	<i>An open forum is held after the annual report and audited financial report are presented.</i>

meetings.	<p><i>There is also an item Other Matters, during which shareholders are also invited to raise their questions or concerns</i></p> <p><i>The Chairman also gives shareholders the opportunity to object or interject before a motion is carried during the meeting.</i></p>
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4. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
- Amendments to the company's constitution
  - Authorization of additional shares
  - Transfer of all or substantially all assets, which in effect results in the sale of the company

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

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?

*Not less than 28 business days prior to a meeting, the Company announces that a shareholders meeting will be held, the date, time and venue of the meeting; and matters to be put to the vote of shareholders, other than matters that are submitted to the shareholders for approval in the normal course). These are posted on the PSE website and the Company website.*

*Not less than 15 trading days from the date of the meeting, the Company distributes to shareholders the Notice of the meeting with the Agenda, the Information Statement, the Management Report and audited financial statements, and the itemized proxy form.*

- Date of sending out notices: 21 April 2014
  - Date of the Annual/Special Stockholders' Meeting: 20 May 2014
5. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

*A shareholder asked about his entitlements to the property dividend declared by the Company in 2011, and said that he has not received the stock certificate for the same. The Corporate Secretary inquired about his address, to which he replied that it is in Quezon City. The Corporate Secretary said that a problem had been encountered with the messengerial service for deliveries to Quezon City addresses. She apologized to the affected stockholders for the delay in receiving their certificates. She requested all shareholders with similar complaints to please approach a representative of the Company's transfer agent, BDO, regarding the status of their certificates.*

6. Result of Annual/Special Stockholders' Meeting's Resolutions –

*The Company's 2014 Annual Stockholders' Meeting was held on 20 May 2014, with the following results:*

Resolution	Approving	Dissenting	Abstaining
Approval of minutes of previous	1,438,449,349	0	0

<i>stockholders' meeting</i>			
<i>Approval of annual reports and Audited Financial Statements for the year 2013</i>	<b>1,438,449,349</b>	<i>0</i>	<i>0</i>
<i>Ratification and approval of acts of the Board of Directors and executive officers</i>	<b>1,438,449,349</b>	<i>0</i>	<i>0</i>
<i>Appointment of Sycip, Gorres Velayo &amp; Co. as independent auditors</i>	<b>1,438,449,349</b>	<i>0</i>	<i>0</i>
<i>Election of Directors:</i>			
<i>Casting of votes in accordance with proxies submitted to the Corporation</i>	<b>1,438,449,349</b>	<i>0</i>	<i>0</i>

7. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

*The results of the AGM were reported to the Philippine Stock Exchange and posted on the corporate website on 20 May 2014, immediately after the AGM and were also reported to the Securities and Exchange Commission.*

(e) 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:

*There were no modifications*

<b>Modifications</b>	<b>Reason for Modification</b>
<i>None</i>	<i>n/a</i>

(f) Stockholders' Attendance

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

<b>Type of Meeting</b>	<b>Names of Board members / Officers present</b>	<b>Date of Meeting</b>	<b>Voting Procedure (by poll, show of hands, etc.)</b>	<b>% of SH Attending in Person</b>	<b>% of SH in Proxy</b>	<b>Total % of SH attendance</b>
<i>Annual</i>	<i>1. Manuel V. Pangilinan, Chairman of the Board &amp; CEO 2. Eulalio B. Austin, Jr., Director</i>	<i>May 20, 2014</i>	<i>A stockholder may vote in person or by proxy executed in writing by the stockholder or his duly</i>	<i>0.004%</i>	<i>84.60%</i>	<i>84.61%</i>

	3. Barbara Anne C. Migallos, Director & Corporate Secretary 4. Marilyn A. Victorio-Aquino, Director 5. Emerlinda R. Roman, Independent Director 6. Benjamin S. Austria, Independent Director		<i>authorized representative in accordance with the By-laws of the Company.</i>  <i>Voting is conducted by poll for shareholders attending in person, and by tabulation of proxies for shareholders represented by proxy.</i>			
<i>Special</i>	<i>The Company did not hold a special stockholders' meeting in 2014</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>

- (ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

*The Company's stock transfer agent, the trust department of a universal banking corporation, Banco de Oro, tabulates the votes.*

- (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.

*The Company's common shares carry one vote for one share. The Company has only one class of shares. All shares have the same voting right.*

(g) Proxy Voting Policies

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

	<b>Company's Policies</b>
Execution and acceptance of proxies	<i>The Company encourages shareholders to submit proxies. Its policies on the execution and acceptance of proxies are liberal and are intended to allow the counting of proxy votes to the extent possible.</i>
Notary	<i>Notarization is NOT required</i>
Submission of Proxy	<i>Submission may be done by personal delivery, by mail, by electronic mail or by facsimile.</i>
Several Proxies	<i>There has been no instance where a shareholder executed several proxies. Should this situation arise, it is believed that the latest dated proxy should be recognized.</i>
Validity of Proxy	<i>Valid for the meeting for which it was executed (valid for one</i>



	<i>meeting only)</i>
Proxies executed abroad	<i>Accepted; may be sent by electronic mail or by facsimile</i>
Invalidated Proxy	<i>There has been no instance where a proxy was invalidated.</i>
Validation of Proxy	<i>Date, time and venue of proxy validation is announced and contained in the notice of meeting. Shareholders and/or their representatives are welcome to attend.</i>
Violation of Proxy	<i>Votes are tabulated on the basis of itemized proxies that are accomplished by the shareholder and submitted to the Company. Instructions of the shareholder on voting are always honored. However, if a proxy designates a representative other than the Chairman of the meeting, the Company may not be in a position to determine whether such representative acted in accordance with the instructions of his principal.</i>

(h) Sending of Notices

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

<b>Policies</b>	<b>Procedure</b>
<i>The policy of the Company is fair, full and maximum compliance with the rules of the SEC and the PSE.</i>	<p><i>(1) The Company's Board approves the date, time and venue of the annual stockholders' meeting several months ahead of the meeting, and is immediately disclosed to the PSE and posted on the Company's website.</i></p> <p><i>(2) Copies of all materials for the meeting, including the notice, are posted on the Company website, uploaded to the PSE disclosure system, and submitted to the SEC.</i></p> <p><i>(3) For shares held under PCD accounts: Personal delivery to custodian banks and brokers of such number of sets of materials as are needed to provide their clients with copies.</i></p> <p><i>(4) For shareholders with addresses in Metro Manila, a courier service is engaged to personally deliver copies at the shareholder's address per corporate records.</i></p> <p><i>(5) For shareholders with addresses outside of Metro Manila, the notice and materials are sent by mail, postage prepaid.</i></p> <p><i>(6) The notice of the meeting is published in the three newspapers with the highest circulation nationwide on three different dates for each newspaper (a total of nine publications). The size of such publications is sufficiently large to ensure that it will be noticed and easily readable.</i></p>

(i) Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	35,819
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	21 April 2014 and not later than 28 April 2014
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	21 April 2014 and not later than 28 April 2014
<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.

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

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

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

*The Company is principally engaged in exploration activities at this time and has not yet declared dividends. However, the Company adopted its dividend policy on July 24, 2014.*

2) Treatment of Minority Stockholders

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

*The Company endeavors to always treat minority shareholders fairly and without discrimination. Please see: (1) Secs. 6.1 to 6.3 of CG Manual; (2) Detailed discussions on shareholders' rights at page 5 of this Report; and (3) Discussion on Stockholders' participation at pages 53 to 59 of this Report.*

Policies	Implementation
<i>Please see discussion above</i>	<i>Please see discussion above</i>

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

*Yes. All shareholders, regardless of number of shares, has the right to nominate candidates for the Board.*

#### K. 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.

*Shared services with parent company PMC include external and internal communications through PMC's Corporate Affairs unit and the office of the President.*

*1. PMC Corporate Affairs - headed by a SVP directly reporting to the President. In charge of press releases, print media, and media briefings. All press releases are reviewed by the Chairman of the BOD and the President. Press releases are distributed to the employees internally via email, to the media and other stakeholders through emails and/or press briefings.*

*2. All disclosures and announcements are reviewed and approved by the Chairman and by the President.*

- 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
<p><i>(1) Objectives</i></p> <p><i>To foster and maintain a good relationship with shareholders.</i></p> <p><i>To ensure that shareholders receive relevant, material information on a timely basis</i></p> <p><i>To ensure investors have a point of contact to provide business information and listen to their feedback about the Company.</i></p>	<ol style="list-style-type: none"> <li>1. <i>The Company maintains a website with up-to-date, relevant and material information about the Company. (Please see <a href="http://www.philexpetroleum.com.ph">http://www.philexpetroleum.com.ph</a>)</i></li> <li>2. <i>The contact details of Company's stock transfer agent are posted on the Company website.<sup>29</sup></i></li> <li>3. <i>It is the policy of the office of the Investor/Stockholder Relations Manager to respond to queries and concerns immediately, within the day if possible.</i></li> <li>4. <i>Personal visits in the office are welcome.</i></li> </ol>

<sup>29</sup> [http://www.philexpetroleum.com.ph/index.php?option=com\\_content&view=article&id=36&Itemid=28](http://www.philexpetroleum.com.ph/index.php?option=com_content&view=article&id=36&Itemid=28)

<p><i>(2) Principles</i></p> <p><i>Transparency and fairness in all dealings with investors</i></p>	<ol style="list-style-type: none"> <li><i>1. Provide the stock market through PSE and the SEC with essential, correct, sufficient and up-to-date information on regular and timely basis.</i></li> <li><i>2. Hold investor and media briefings as regularly as practicable to update the public on the affairs and business of the Company.</i></li> <li><i>3. The Company's officers endeavor to be available to stakeholders to answer questions and concerns regarding the Company.</i></li> </ol>
<p><i>(3) Modes of Communications</i></p>	<p><i>Website, Email, postal mail, courier, print media, press briefings, telephone calls, personal visit if required</i></p>
<p><i>4) Investors Relations Officer</i></p> <p><i>Stockholder Concerns</i></p> <p><i>Investors &amp; Financial Affairs</i></p> <p><i>Corporate Affairs</i> <i>(Media and Press Relations)</i></p>	<p><b>Banco De Oro</b> 15th Floor, South Tower, BDO Corporate Center 7899 Makati Avenue, Makati City 0726, Philippines Tel: (632) 878 4052 (632) 840 7000 loc. 6977/6975 Fax: (632) 878 4056</p> <p><b>ROLANDO S. BONDOY</b> Division Manager -- Investor Relations Tel. No: +63 2 631-1381 to 88; 634-4442 Email: philex@philexmining.com.ph; rsbondoy@philexmining.com.ph</p> <p><b>MICHAEL T. TOLEDO</b> SVP - Corporate Affairs of PMC and PXP Tel. No:(632) 631-1381 to 88 Email :mttoledo@philexmining.com.ph</p>

- 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?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

*The unit in charge of business development, working with the President and Treasurer, and external financial and technical consultants, prepare a detailed recommendation for consideration by the Board. An independent party is named for a specific transaction. In most transactions considered, an independent adviser was retained.*

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

Initiative	Beneficiary
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<i>The Company spends for its host community in Brixton mine site specifically on providing scholarship grants and allowances to deserving individuals</i>	<i>Host and Neighboring Communities;</i>
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#### M. 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>	<i>Self-assessment and rating</i>	<i>CG Manual</i>
<b>Board Committees</b>	<i>Self-assessment and rating</i>	<i>CG Manual</i>
<b>Individual Directors</b>	<i>Self-assessment and rating</i>	<i>CG Manual</i>
<b>CEO/President</b>	<i>Self-assessment and rating and assessment by Chairman and Board</i>	<i>CG Manual</i>

#### N. 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

Violations	Sanctions
<i>None</i>	