

Information on Board Committees and their Activities

Board Committees

— The creation of Board Committees and other such oversight bodies enables the members of the Governing Board to efficiently manage their time and ensure the proper understanding and resolution of all issues affecting the PMDC and the proper handling of all other concerns, and allows the Board to effectively utilize the expertise of its Directors.

The Board shall constitute the proper committees to assist them in performing their duties and responsibilities, providing each of the committees with written terms of reference defining the duties, authorities and the composition of the committees constituted. The committees shall report to the entire Board as a collegial body and the minutes of their meetings shall be circulated to all members of the Board. The existence of the committees shall not excuse the Board of its collective responsibility for all matters that are within the primary responsibility and accountability of the Board.

As a minimum, the Board shall be supported by the following specialized committees:

1. ***Executive Committee*** — The Executive Committee shall be composed of five (5) members of the Board, with the Chairman of the Board being the Committee Chairman.

The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by a vote of at least four (4) of its members on such specific matters within the competence of the Board as may from time to time be delegated to the Executive Committee in accordance with the PMDC's By-laws, except with respect to:

- (a) Approval of any action for which shareholders' approval is also required;
- (b) Filling of vacancies on the Board or in the Executive Committee;
- (c) Amendment or repeal of By-laws or the adoption of new By-laws;
- (d) Amendment or repeal of any resolution of the Board which by its express terms cannot be amended or subject to repeal;

- (e) Distribution of cash dividends; and
- (f) Exercise of powers delegated by the Board exclusively to other committees.

2. **Audit Committee** — The Audit Committee shall consist of at least three (3) Directors, whose Chairman should, as much as possible, have audit, accounting or finance background. The Committee shall be responsible for the following:

- (a) Overseeing, monitoring and evaluating the adequacy and effectiveness of the PMDC's internal control system, engage and provide oversight of the PMDC's internal and external auditors, and coordinate with the Commission on Audit (COA);
- (b) Reviewing and approving audit scope and frequency, the annual internal audit plan, quarterly, semi-annual and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, regulatory and COA requirements;
- (c) Receiving and reviewing reports of internal and external auditors and regulatory agencies, and ensuring that Management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
- (d) Ensuring that internal auditors have free and full access to all the PMDC's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results; and
- (e) Developing a transparent financial management system that will ensure the integrity of internal control activities throughout the PMDC through a procedures and policies handbook that will be used by the entire organization.

3. **Governance Committee** — The Governance Committee shall assist the Board in fulfilling its corporate governance responsibilities. The Committee shall be composed of at least three (3) members of Board, and chaired by the Chairman of the

Board. The Committee shall be responsible for the following:

- (a) Overseeing the periodic performance evaluation of the Board and its committees and Management; and also conducting an annual self-evaluation of their performance;
- (b) Deciding whether or not a Director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards;
- (c) Recommending to the Board regarding the continuing education of Directors, assignment to Board Committees, succession plan for the Executive Officers, and their remuneration commensurate with corporate and individual performance; and
- (d) Recommending the manner by which the Board's performance may be evaluated and proposing objective performance criteria to be approved by the Board. Such performance indicators shall address how the Board will enhance long-term shareholder value.

4. ***Nomination and Remunerations Committee*** — The Nomination and Remunerations Committee shall consist of at least three (3) members of the Board. The Committee shall be responsible for the following:

- (a) Installing and maintaining a process to ensure that Officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules and regulations;
- (b) Reviewing and evaluating the qualifications of all persons nominated to positions in the PMDC which require appointment by the Board;
- (c) Recommending to the GCG nominees for the shortlist in line with the PMDC's and its subsidiaries' Board composition and succession plan; and
- (d) Developing recommendations to the GCG for updating the CPCS and ensuring that the same continues to be

consistent with the PMDC's culture, strategy, control environment, as well as the pertinent laws, rules and regulations.

5. ***Risk Management Committee*** — The Risk Management Committee shall consist of at least three (3) members, with, as much as possible, at least one member having a background in finance and investments. The Risk Management Committee shall be responsible for the following:
 - (a) Performing oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of the PMDC and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities;
 - (b) Developing the Risk Management Policy of the PMDC, ensuring compliance with the same and ensure that the risk management process and compliance are embedded throughout the operations of the PMDC, especially at the Board and Management level; and
 - (c) Providing quarterly reporting and updating the Board on key risk management issues as well as *ad hoc* reporting and evaluation on investment proposals.

Activities of Board Committees

1. Risk Management Committee meeting held last August 28, 2014, Thursday at Philippine Mining Development Corporation (PMDC) Board Room.
2. Nomination and Remuneration Committee meeting held last August 28, 2014, Thursday at Philippine Mining Development Corporation (PMDC) Board Room.
3. Risk Management Committee meeting held last September 24, 2014, Wednesday at Philippine National Oil Company (PNOC).