

BenguetCorp

July 15, 2020

SECURITIES AND EXCHANGE COMMISSION
Secretarial Building, PICC Complex
Roxas Boulevard, Pasay City 1307

Attention: Mr. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Market & Securities Regulation Department

THE PHILIPPINE STOCK EXCHANGE
6F Philippine Stock Exchange Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Attention: Ms. JANET A. ENCARNACION
Head, Disclosure Department

Gentlemen:

We submit hereto five (5) sets (for SEC) of amended copy of Benguet Corporation's Annual Report 2019 (SEC Form 17-A) which the Company submitted to the SEC and PSE on June 30, 2020. The amendment was due to correction on ITEM 8-CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE portion of said report, specifically the name of SGV's audit engagement partner. The audit engagement partner who conducted the audit for calendar year 2019 was erroneously named Mr. Alexis C. Zaragoza instead of Mr. Peter John R. Ventura. This is Mr. Ventura's first year as audit engagement partner for the Company. Previous partner for calendar years 2017 and 2018 was Mr. Zaragoza,

Attached to the amended report are the following (a.) Benguet Corporation and its Subsidiaries Audited Consolidated Financial Statements for fiscal year ended December 31, 2019; and (b.) 2019 Sustainability Report.

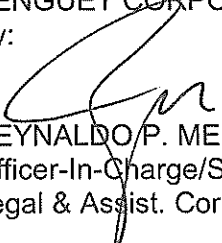
Please note that we just noticed today the error, hence the amendment.

We trust that you will find everything in order.

Very truly yours,

BENGUET CORPORATION

By:


REYNALDO P. MENDOZA
Officer-In-Charge/Sr. Vice President
Legal & Assist. Corporate Secretary

“A”

COVER SHEET

1 1 3 4 1

SEC Registration Number

B E N G U E T C O R P O R A T I O N

(Group's Full Name)

7 t H F l o o r , U n i v E r S a l R e B u i l d i n g ,

1 0 6 P a s e o d e R O x A s , M a k a t i C i t y

(Business Address: No. Street City/Town/Province)

Mr. Reynaldo P. Mendoza

(Contact Person)

8812-1380 /7751-9137

(Group Telephone Number)

1 2

Month Day (Calendar Year)

3 1

1 7 - A

(Form Type)

Month

Day

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

16,906

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended**DECEMBER 31, 2019**.....
2. SEC Identification Number**11341**..... 3. BIR Tax Identification No. ...**000-051-037**....
4. Exact name of issuer as specified in its charter**BENGUET CORPORATION**.....
5.**PHILIPPINES**..... 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. **7F UNIVERSAL RE-BUILDING, 106 PASEO DE ROXAS, MAKATI CITY****1226**.....
Address of principal office Postal Code
8. **(632) 7751-9137 / 8812-1380**
Issuer's telephone number, including area code
9.
Former name, former address, and former fiscal year, if changed since last report.

1. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of Each Class</u>	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (as of December 31, 2019)
Convertible Preferred Class A P3.43 par value	217,061 shares
Common Class A Stock P1.00 par value	370,739,961 shares*
Common Class B Stock P1.00 par value	245,031,222 shares*

(*) – Net of Treasury Shares

Total consolidated outstanding principal loans payable as of December 31, 2019 –P270.06 Million

11. Are any or all of these securities listed on a Stock Exchange.

Yes [**X**] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

The Convertible Preferred Class A, Common Class A and Common Class B shares of the Company are listed in the Philippine Stock Exchange (PSE).

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [] No []

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Not Applicable.

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [] No []

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

- (a) Any annual report to security holders;
- (b) Any information statement filed pursuant to SRC Rule 20;
- (c) Any prospectus filed pursuant to SRC Rule 8.1.

PART I – BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

COMPANY PROFILE

Benguet Corporation (the “Company” or “Benguet”) is a publicly listed company that pioneered modern mining in the Philippines. It was established on August 12, 1903 and its 116 years of existence is a testament to its adaptability and resiliency in the highs and lows brought about by global events, natural phenomena, economic conditions, and industry trends. Benguet was initially organized as a sociedad anonima known as “Benguet Consolidated Mining Company”. It was registered as a corporation with the Securities and Exchange Commission (SEC) on June 18, 1956 under the name “Benguet Consolidated Inc.” and finally to its present corporate name of “Benguet Corporation” in 1980. Benguet is now on its third term of 50-year corporate life, with the last extension approved by the SEC on June 19, 2006.

Benguet started mining gold in 1903, chromite in 1934, copper in 1971 and nickel in 2007. The Company’s stature peaked in the 1980s when it was operating five major mines: gold mining at Benguet Gold Operations (BGO), Benguet Antamok Gold Operation (BAGO), and Paracale Gold Operation (PGO); producing copper concentrate (significant gold and silver by products) at Dizon Copper Gold Operation (DCO); and chromite at Masinloc Chromite Operation (MCO). In the 1990s, as the Philippine mining industry went through a difficult period, the Company likewise suffered a decline. The operations were gravely affected by natural calamities such as the Baguio earthquake in 1990 and the Mount Pinatubo eruption in 1991, countless typhoons, and other external factors such as low metal prices and the 1997 Asian currency and economic crisis. All these led to the suspension of operations of the Company’s BGO in 1992; PGO in 1993; BAGO in 1998; the Company decided to transfer its remaining interest in DCO in 1997; and it turned over MCO to the claim owner in July 2007 due to expiration of the operating contract.

In 2002, Benguet reopened BGO on a limited scale through the Acupan Contract Mining Project (ACMP) now renamed as the Acupan Gold Project (AGP), and it developed in 2007 the Sta. Cruz Nickel Project (SCNP) operated by wholly owned subsidiary, Benguetcorp Nickel Mines, Inc. (BNMI). The Company continue to review and package its various mineral properties for future development or sale. It remained focus in gold and nickel mine development, as gold remains a stable commodity and nickel consistently contributing revenues to the Company from saleable stockpiled nickel ores while mining operations remain suspended. It continues to stake claim on the Pantingan Gold Prospect which is now in the exploration and development stages. The Company also continues to hold interest in the Ampucao Copper-Gold, Zamboanga Gold, Surigao Coal, the Ilocos Norte and Apayao FTAA prospects, all in the Philippines, and gold/silver mining property in Royston Hills, Nevada, USA.

Aside from mining and mineral exploration, Benguet is also engaged in healthcare and diagnostics services through its subsidiary, Benguetcorp Laboratories, Inc.(BLI); logistics services through subsidiary, Arrow Freight Corporation (AFC); trading of construction materials, equipment and supplies through subsidiary, Benguetrade, Inc. (BTI); port and shipping services through subsidiary, Keystone Port Logistics and Management Services Corporation (KPLMSC); and real estate development and lime kiln operation through subsidiary, BMC Forestry Corporation (BFC).

For the past three years, Benguet and its subsidiaries have not been involved in any bankruptcy, consolidation, or purchase/sale of significant amount of assets not in the ordinary course of business.

1. BUSINESS DEVELOPMENT

MINING BUSINESS

Benguet Gold Operation (BGO) in Itogon, Benguet Province:

In 2002, the Company reopened BGO on a limited scale through the Acupan Contract Mining Project (ACMP) now renamed as the Acupan Gold Project (AGP). ACMP was initially conceived as a

community based underground mining operation which started commercial operation in January 2003.

During the year, AGP milled 41,151 tons of ore producing 8,174.72 ounces of gold with average grade of 6.18 grams of gold per ton, lower as compared to 44,073 tons of ore milled producing 9,204.50 ounces of gold with average grade of 6.50 grams of gold per ton in 2018 and 53,893 tons of ore milled producing 10,923 ounces of gold with average grade of 6.83 grams of gold per ton in 2017. The average milling rate of 113 tons per day (tpd) this year is lower than the 121 tpd in 2018 and 148 tpd in 2017.

Despite lower volume of 8,069 ounces of gold sold this year versus 9,216 ounces in 2018 and 10,923 ounces in 2017, AGP ended the year with ₱29.9 million net earnings, a turnaround from the net loss of ₱27.0 million in 2018 and higher than the net earnings of ₱10.8 million in 2017. The profit performance is mainly attributable to lower mining cost and administrative expenses and improve price of gold averaging this year at US\$1,384.64 per ounce versus average gold price of US\$1,274.67 per ounce in 2018 and US\$1,260 per ounce in 2017.

AGP continues to look for opportunities to improve production through expansion of BC mining areas that are not awarded to contractors. The additional revenue source from Batuang has been put on hold recently by MGB / EMB to resolve some issues. AGP continues to do mine development works and clearing activities to access much better grade at L1700 and eventually at L1500 so that AGP contractors' production efficiency and volume will improve. The Company is investing in these critical areas to ensure sustainability in the coming years. Continuing evaluation of production and operating performances of existing contractors is being done with the aim of sustaining AGP operation. New qualified contractors are accepted to replace non-performing contractors. The outlook for the first quarter 2020 will not be as good as the 4th quarter 2019 due to major refurbishment of two ball mills at the plant. Moreover, the lockdown imposed toward the last month of the first quarter in response to the Pandemic (Covid-19) has caused disruption in production. The missed production opportunities, however, will be recouped back in the succeeding quarters of 2020 after the lockdown is lifted.

BGO was ISO 14001:2015 certified in March 2016 by an accredited certifying body TÜVRheinland®. It successfully maintained the Environment Management System and subsequent surveillance audits conducted by TÜVRheinland® in 2019 saw BGO passing them with zero (0) non-conformities or non-compliances.

Sta. Cruz Nickel Project (SCNP) in Sta. Cruz, Zambales Province:

In 2007, the Company developed the Sta. Cruz Nickel Project (SCNP), a surface nickel mining in Zambales, Province operated by its wholly owned subsidiary, Benguetcorp Nickel Mines, Inc. (BNMI). On December 10, 2010, subject to DENR approval, the Company transferred the mining permit denoted as Mineral Production Sharing Agreement (MPSA) No. 226-2005-III of its SCNP, to BNMI. The transfer of the MPSA was approved by the Mines and Geosciences Bureau (MGB) on January 16, 2012.

Starting in July 2016, BNMI has remained suspended. It is still awaiting the results of the MGB validation of compliances as basis for lifting the suspension order. Notwithstanding its suspended operations, BNMI continued to implement its Social Development Management Programs (SDMP) in coordination with the Local Government Units (LGU), various government agencies and organizations, and its host and neighboring communities. It continued to implement environmental rehabilitation programs including the Temporary Revegetation Program (TRP) of the Department of Environment and Natural Resources (DENR) under its Department Administrative Order (DAO) 2018-19. Since start or from 2009 to date, BNMI has reforested 740.77 hectares inside its tenement with 1.946 million seedlings planted of various plant species at 95% survival rate. Outside the tenement, BNMI planted 216,150 seedlings at 95% survival rate over an area of 418.3 hectares under the National Greening Program of the government.

The regulatory agencies allowed suspended mining companies like BNMI to haul and ship its remaining ore inventory to avoid possible environmental risks that the stockpiles may pose especially during the rainy season. BNMI was able to export 55,000 tons grading 1.5% nickel ore this year, lower compared to 218,635 tons of nickel ore ranging from 1.3% to 1.4% Ni grade in 2018 and 530,690 tons of nickel ore ranging from 1.3% to 1.4% Ni grade in 2017. Nickel ore was sold at an effective average price of US\$22.50/ton this year, higher as compared to the effective average price of US\$19.73/ton in 2018 and US\$21.97/ton in 2017. As a result, the nickel business contributed revenues of ₱64.6 million from the sale of its mine products, lower than the revenues of ₱226.5 million in 2018 and ₱603.8 million in 2017. BNMI incurred a net loss of ₱191.2 million this year, higher compared to the net loss of ₱169.3 million in 2018 and ₱146.8 million net loss in 2017. Export shipments scheduled in the fourth quarter of the year were moved to the first quarter of 2020.

In March 2016, BNMI was ISO 14001:2015 certified by an accredited certifying body TÜVRheinland®. It successfully maintained the Environment Management System and subsequent surveillance audits conducted by TÜVRheinland® in 2019 saw BNMI passing then with zero (0) non-conformities or non-compliances.

Irisan Lime Project (ILP) in Baguio City:

On December 23, 1950, the Company acquired the Irisan Lime Project from Mr. Richard L. Lile (formerly Lime Products Manufacturing). ILP is engaged in the production and trading of quicklime and hydrated lime. It generated net earnings of ₱20.4 million for this year, higher than the net earnings of ₱13.3 million in 2018 and ₱14.5 million in 2017. The improvement was mainly due to increase sales volume of 9,671 tons this year, as compared to 9,434 tons in 2018 and 9,522 tons in 2017 coupled with higher average selling price of ₱11,021/metric ton this year versus ₱10,233/metric ton in 2018 and ₱8,260/metric ton in 2017. The Mineral Processing Permit (MPP) for ILP was renewed and is valid until September 3, 2022.

The Philippine Mine Safety and Environment Association (PMSEA) and DENR-MGB awarded ILP as runner-up for the Safest Mineral Processing- Calcium Plant during the 66th Annual National Mine Safety and Environment Conference at ACAP, Camp John Hay, Baguio City on November 2019

Benguet Antamok Gold Operation (BAGO) in Itogon, Benguet Province:

The Antamok Final Mine Rehabilitation and Decommissioning Plan (FMRDP) was finally submitted for approval by the Mines and Geosciences Bureau (MGB). The aim of the FMRDP is principally to mitigate environmental risks and provide a sustainable final land use for the community. It includes long-term programs such as the Ecological Solid Waste Management Project with Temporary Residual Containment Area (TRCA), and Waste to Energy (WtE) facilities; the Eco-tourism Water Park Project; and the Minahang Bayan (MB).

EXPLORATION, RESEARCH AND DEVELOPMENT

Exploration, research and development are currently undertaken by the Company's in-house team, with or assisted by consultants and other service providers, like engineering and/or drilling contractors.

Balatoc Tailings Project (BTP) in Itogon, Benguet Province:

With the expiration and non-renewal of Mineral Processing Permit (MPP), BTP was reconveyed from Balatoc Gold Resources Corporation (BGRC) to BenguetCorp as viability of the reprocessing project will be enhanced if made as an integral part of the Acupan Gold Project. The Company updated the BTP information memorandum and negotiation with potential financial consultant on engagement terms is ongoing.

Pantangan Gold Prospect in Bagac, Bataan Province:

The Pantangan gold prospect is covered by Mineral Production Sharing Agreement (MPSA), officially designated as MPSA No. 154-2000-III, and it has an aggregate area of 1,410.25 hectares. Under a Royalty Agreement, BenguetCorp is the operator of the Pantangan claim owned by Balanga Bataan

Mineral Resources Corporation (BBMC). The Pantingan property is a viable prospect for epithermal gold mineralization and aggregates.

Improvement in the price of gold has kindled renewed interest in the Pantingan Gold Prospect. During the year, a diamond drilling exploration program was designed for a more exhaustive evaluation of this prospect. The Company commissioned JCP Geo-Ex to undertake exploration drilling program to assess and probe the behavior of the mineralization exposed on the surface. The Company has completed ground truthing, mapping and drill access road. Drilling will start on the first quarter of 2020. On the other hand, recent geological works in Pantingan property conducted by the Company's geologists has identified and block areas hosting good sources of mountain rock deposit for high-quality rock aggregate materials. Results of the initial geological evaluation and physical laboratory tests of samples indicated that the identified andesite and andesitic clasts of volcanic agglomerate rocks are good sources of rock aggregate materials that can be used in all types of construction. The aggregates resources are located within and outside the MPSA. Exploration Permit Application covering 1,200 hectares for the aggregate resource outside the MPSA (north of the MPSA), was submitted and formally accepted by MGB.

Ampucao Copper-Gold Prospect in Itogon, Benguet Province:

The Ampucao is a viable prospect for the discovery of deep-seated porphyry copper-gold deposit corresponding to surface and underground initial geological evaluation done by Geologists of the Company. Copper bearing formation hosted by intensely silicified quartz diorite was delineated in outcropping on a river within the Hartwell claims and at the mine levels of 1500 and 2300 of BC's Acupan Mine. A one-(1) kilometer long deep hole of surface drilling has been suggested to probe the down-dip extension of the projected mineralization in the Ampucao prospect, but this activity has been put on-hold pending resolution of the Application for Production Sharing Agreement (APSA) denial. The Company is awaiting decision on its appeal filed on the APSA denial under DMO No. 2010-04 (DENR Use it, Lose it Policy).

Zamboanga Gold Prospect (BOLCO) in R.T. Lim Zamboanga del Sur:

The Company has an operating agreement with Orelina Mining Corporation to explore and operate the property comprising of 399.03 hectares. The property is about 150 kilometers northeast from Zamboanga City. It straddles the common boundary of R.T. Lim, Zamboanga Sibugay and Siocon, Zamboanga del Norte. The Company is continuing Free, Prior and Informed Consent (FPIC) activities this year in coordination with the National Commission on Indigenous People (NCIP).

Surigao Coal Project in Lianga, Surigao del Sur:

Benguet Corporation (BC) acquired a coal property in Surigao del Sur under a Royalty Agreement with Diversified Mining Company in 1981. The property consist of 12-coal blocks measuring total area of 12,000 hectares. Six-(6) coal blocks were extensively explored by way of mapping, trenching, drilling, electrical logging and topographic surveying. The ground evaluation works of the Company resulted in the delineation of seven-(7) coal seams of lignitic to sub-bituminous coal quality (steam grade). The Company at present has submitted all the requirements for the renewal and extension of its Coal Operating Contract (COC) with the Department of Energy (DOE).

Financial Technical Assistance Agreement:

Benguet Corporation (BC) through its subsidiary company, Sagittarius Alpha Realty Corporation (SARC), holds two (2) pending applications for Financial Technical Assistance Agreement (FTAA) denominated as AFTA No. 003 and AFTA No. 033. AFTA No. 003 with an area of 21,513.37 hectares is within the provincial jurisdiction of Ilocos Norte, whereas AFTA No. 033 consisting of 51,892.92 hectares is situated in Apayao province. Both mineral claims lie within the porphyry copper-gold and epithermal gold mineralization belt of Northern Luzon and are still greenfield for mineral exploration. BC had already negotiated and signed four-(4) out of the five-(5) Memorandums of Agreement (MOA) with the Indigenous People (IP) of Ilocos Norte and now awaiting confirmation from the National Commission on Indigenous People (NCIP) of the Free, Prior and Informed Consent (FPIC) requirement.

SUBSIDIARIES AND AFFILIATES

A. LOGISTICS

- Arrow Freight Corporation (AFC)

AFC a logistics provider of the Company reported net earnings of ₱1.9 million this year, in contrast to the net loss of ₱12.5 million in 2018 but lower than the net earnings of ₱6.6 million in 2017. The positive variance is due to the ₱17.5 million discount earned from the settlement of its liability with Goldrich Construction and Trading. AFC is currently looking at resumption of its general cargo business.

- Keystone Port Logistics Management & Services Corporation (KPLMSC)

KPLMSC the port and barging services provider of the Company reported net loss of ₱5.3 million this year, lower as compared to the net loss of ₱40.2 million in 2018 and ₱6.8 million net earnings in 2017. The loss was mainly due to lower revenues from port usage on account of only 55,000 tons handled this year versus 267,994 tons in 2018 and 530,690 tons handled in 2017. With the reduced shipment volume coming out of BNMI operations, use of the Candelaria port is being offered for lease to third parties.

B. REAL ESTATE

- BMC Forestry Corporation (BFC)

BFC manages the lime kiln operation of Irisan Lime Project and various real estate projects. BFC continue to develop and sell subdivision lots in its real estate project in Rosario, La Union, the Woodspark Subdivision which reported net earnings of ₱1.6 million this year, higher as compared to the net earnings of ₱0.3 million in 2018 and ₱0.3 million in 2017. BFC continues to collect monthly amortizations and sell the remaining lots.

C. HEALTHCARE

- BenguetCorp Laboratories Inc. (BCLI)

BCLI generated total revenues of ₱36.0 million this year, lower than 2018 revenues of ₱42.9 million and ₱64.2 million in 2017 due to challenges in sales operations. As a result, BCLI reported a net loss of ₱18.0 million, as compared to the net loss of ₱34.9 million in 2018 and ₱14.8 million in 2017. BCLI continues to serve its core customers and the Health Management Organizations catering to corporate and institutional clients, both from the private and government sectors A robust sales drive and increasing sales volumes for the next year is expected to improve BCLI's bottom line. BCLI was awarded a three-year contract for the clinic management and medical services of Texas Instrument in Baguio City and in Clark, Pampanga.

D. BENGUETCORP INTERNATIONAL LIMITED (BIL) IN HONGKONG

- In 1988, the Company acquired BenguetCorp International Limited (BIL), a Hongkong-based and wholly owned subsidiary for international operations, which remains largely inactive. BIL's subsidiary, BenguetCorp USA Limited (BUSA) in Nevada, U.S.A. continue to hold interest as the claimowner of about 259 hectares of mineral property for gold/silver at Royston Hills, Nevada, which are currently being offered for sale to interested parties.

2. BUSINESS OF ISSUER

Products or Services/Sales and Market & Distribution Method

The Company currently produces and markets gold (with silver by-product) from the AGP, nickel laterite ore from BNMI, and quicklime and hydrated lime from ILP. AGP directly sell its gold produced to Banko Sentral Ng Pilipinas, BNMI principally export its nickel ore, and ILP's quicklime products is mainly sold to local customers. Through its subsidiaries, it provides logistic services under AFC, port and shipping services **under** KPLMSC, healthcare services under BCLI and real estate projects under BFC.

Percentage of Sales/Revenue

The Company's sales/revenue of product/services which contributed ten percent (10%) or more to sales/revenues for the past three years are as follows:

	2019 (% to total revenue)			2018 (% to total revenue)			2017 (% to total revenue)		
	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total
Gold	72%	-	72%	61%	-	61%	47%	-	47%
Lime	13%	-	13%	10%	-	10%	6%	-	6%
Nickel	-	8%	8%	-	22%	22%	-	41%	41%
Logistics & Others	7%	-	7%	7%	-	7%	6%	-	6%

Status of Any Publicly-Announced New Product or Service

Except as otherwise disclosed in the discussion of the businesses of the Company and its subsidiaries, there are no other publicly-announced new products or service introduced in 2019 whether prototypes that are existing or in planning stage.

Competition

The gold produced by the Company are readily marketable. The selling price of gold is based on world spot market prices from the London Metal Exchange. There is virtually no competition in the industry and gold producers may easily sell their products. The price of gold is currently at historically above average level but there is no assurance that the upward trend will continue. On the other hand, the Company principally competes in selling its nickel outside the Philippines. The method of competition is basically in price. However, the Company believes it can effectively compete in price with other companies due to lower operating cost and proximity of the mine to major buyers/users in Asia and China. Prices of the company's products are dictated by the world market.

Sources of Raw Materials and Supplies

The ore mined from the Company's gold properties is the raw material for processed gold (silver by-product), while in Sta. Cruz Nickel Project (SCNP) of the Company, the nickel laterite ore actually mined is directly exported/sold to foreign buyers. The limestone ore is the basic raw material of quicklime and hydrated lime produced by ILP.

In the process of producing gold (silver by-product), nickel laterite ore and quicklime, labor, materials and supplies, power, and other services are employed and utilized. Labor is generally provided by the Company's regular employees, augmented by outsourced workers and contractors for certain projects and seasonal activities in the gold and nickel mining operations. In the Company's AGP, it also engaged the services of accredited mining contractors to do large scale underground mining. Operating supplies, equipment and spare parts, which are generally available, are obtained on competitive basis from sources both locally and abroad. The Company has no existing major supply contracts. Electrical power to run the Company's mining operations in Itogon, Benguet Province is currently sourced from Aboitiz Power Corporation through its wholly owned subsidiary Therma Luzon, Inc. (TLI) under the terms of 20-year contract up to 2031.

Customers

The gold produced by the Company's AGP which is directly sold to Banko Sentral Ng Pilipinas represents more than 50% of the total sales. The Company and its subsidiary, BNMI has an existing off-take agreements with Chinese and Korean trading companies for the sale of nickel ore. BNMI is free to sell its nickel ore to other traders or refineries.

Transactions with and/or Dependence on Related Parties

In the normal course of business, the Company has transactions with its subsidiaries which principally include: (a) Purchase of materials and supplies and services needed in its mining operations which are consummated at competitive prices, (b) Sales of mine products, (c) Rental of office space and certain machinery and equipment, and (d) Other transactions comprising non-interest bearing cash advances for working capital requirements. The Company has dealings with its subsidiaries as follows:

- a. On August 8, 2011, the Company was appointed as the exclusive marketing agent of its wholly owned subsidiary BNMI for a marketing fee per ton of nickel ore shipped. The marketing agreement is still in effect as intended by both parties.
- b. In 2011, Arrow Freight Corporation (AFC), a wholly-owned subsidiary of the Company through BMC, started providing equipment services to the Company for the mining operation of BNMI.

Please see Note 29 - Related Party Transactions, of the Company's 2019 Audited Consolidated Financial Statements for details.

Terms and Expiration Dates of Royalty Contracts

The Company does not own any trademark, patent, copyright, franchise or concession. However, the Company has Operating Agreement with the following claimowners: Balanga Bataan Minerals Corporation (BBMC) for its Pantingan Gold Prospect in Bagac, Bataan and Orelina Mining Corporation (OMC) for its Zamboanga Gold Prospect (BOLCO) in R.T. Lim, Zamboanga del Sur. Duration is up to end of mine life.

Government Regulations and Approval

The following Mineral Production Sharing Agreement (MPSA) applications of the Company are under evaluation and pending resolution of appeal by the Mines and Geosciences Bureau (MGB): (a.) MPSA application denominated as Production Sharing Agreement (APSA) No. 009 CAR for the Company's Benguet Gold Operation, Antamok Gold Operation and Ampucao Copper-Gold Prospect in Itogon, Benguet; (b.) and MPSA application denominated as APSA No. IX-015 for the Company's Zamboanga Gold Prospect in R.T. Lim Zamboanga del Sur; and (c.) The Foreign Technical Assistance Agreements (FTAA) in Ilocos Norte (AFTAA- 003) which is undergoing Free, Prior and Informed Consent (FPIC) process under the NCIP Regional Office while the Apayao (AFTAA-033) is pending with the MGB-Cordillera Administrative Region.

The Company have secured all necessary business licenses and permits required for its continuous operation, production and sale of products, including new licenses or permits as well as those that have to be renewed periodically.

Effect of Existing or Probable Governmental Regulations

The effect of existing governmental regulations are mainly on their corresponding costs of compliance. In the case of probable government regulations, the effect or impact of such probable governmental regulations on the Company's operations could only be determined upon their passage and implementation. The indecisive stance of some government bureaus to approve and issue much-needed permits and licenses may also cause delays in the mining and/or operating activities of the Company and its Subsidiaries.

Research/Developmental Expenses

The Company's total expenses for exploration and development activities for the last three (3) years as follows:

	Amount in Millions	% to Total Revenue
2019	₱4.0	0.5%
2018	₱0.8	0.1%
2017	₱5.6	0.4%

Costs and Effects of Compliance with Environmental Laws

The nickel and gold mining operations of the Company was ISO 14001:2015 certified since March 2016. Guided by the standards of the ISO, the Company continues to implement environmental mitigation and enhancement programs, not only to meet compliance requirements but also to address community environmental issues, protection and sustainability for its mining operations. Based on approved Environmental Protection and Enhancement Program (AEPEP), it implemented enhancement of land resources which includes the progressive rehabilitation and maintenance of tailings storage facility, spillways and drainage tunnels; enhancement and desilting of settling ponds,

silt traps and drainage canals; effectively manage solid and hazardous wastes; and care and maintenance of all other critical environmental infrastructures were given priority. Regular water and air quality tests are conducted making sure the company passes the DENR standards required. The Company continues to implement environmental rehabilitation programs, the national greening program of the Department of Environment and Natural Resources (DENR), including Temporary Revegetation Program (TRP) of the DENR. Since 2009, the Company's Nickel operations has planted about 1,903,869 seedlings of various plant/tree species inside and outside its tenement at 95% survival rate. The Gold operations has planted to-date about 1,285,478 seedlings of various plant/tree species all over its tenements at 82% survival rate. With the Company's commitment to the protection and enhancement of environment, the Gold operations has spent P5.2 million in 2019, bringing its expenditures to-date to P68.3 million since 2015, while the Nickel operations has spent P10.8 million in 2019, bringing its expenditures to-date to P262.3 million since 2010.

Community Relations/Social Development & Management Programs

The Company continues to fulfill its social development obligations through implementation of various Social Development and Management Programs (SDMP) which supplemented the general welfare programs of the national and local governments through the provision of health, medical, peace and order, safety, livelihood, educational, waste management, public infrastructure services, and scholarship program continues to benefit 90 high school students and 15 college students to its host and neighboring communities. All programs were implemented in coordination with the Local Government Units, various government agencies and organizations, and the host communities in Zambales and Benguet. The Company continued to promote public awareness and education on mining activities and technology. These were in the form of print and radio campaigns on the social programs of the Company, installation of signages infrastructure projects, and production of Company's and Barangay's newsletters, among others. The Company's Gold operations spent P8.9 million in 2019, bringing its expenditures to-date to P39.4 million since 2005, and the Nickel operations has spent P2.6 million in 2019, bringing its expenditures to-date to P46.5 million since 2013.

Total Number of Employees

The Company has a total manpower complement of 853 employees as of December 31, 2019. This is broken down as follows:

Type of Employee	2019
Administrative	76
Clerical	60
Exploration/Operation	263
Outsourced Staff (seasonal, project based, security guards, janitors & retainers/consultants	454
Total	853

The total number of employees is likely to increase in 2020 because of manpower requirement of underground operation. There are no labor unions in the Company and its subsidiaries nor are there any labor strike, nor any attempt to protest against the Company and its subsidiaries during the past three years. The Company provide free housing for managers at mine site, free water and power to minesite based employees; basic and major medical benefits; education benefit; transportation allowance; vacation/sick/ paternity/birthday leave with pay; free protective and safety paraphernalia; Integrated Retirement Plan; Group Life and Personal Accident Insurance; and Stock Option Plan among others.

Business Risks

The Company recognizes, assesses, and manages certain risks that could materially and adversely affect its business, financial condition, results of operations and prospects. Regulatory risks are changes in regulations, policies, and law that will affect the mining industry and Company in particular.

1. The operations of the Company's business are subject to a number of national and local environmental laws and regulations. While the Company believes it is in substantial compliance with all material environmental regulations, it can give no assurance that changes in these regulations will not occur in the future which may impede the Company's current and future business activities and negatively impact the profitability of operations. The Company has incurred and expects to continue to incur, operating costs to comply with environmental laws and regulations. To ensure compliance, the Company puts a great amount of effort and invests a substantial amount of resources into environmental protection and rehabilitation in the areas of operations. In addition, the Company maintains liaison with regulatory agencies to allow the Company to identify potential regulatory risks and proactively respond to these risks.
2. On August 2016, the Department of Environment and Natural Resources (DENR) ordered a mining audit to all operating mines in the country and the Company's BNMI and AGP were affected by the audit results. Presently, there is standing cancellation order dated 8 February 2017 from DENR issued to BNMI cancelling the MPSA and to AGP cancelling the authority of the Company to undertake mining operation under the Patent Claim PC-ACMP-002-CAR. The cancellation order were appealed to the Office of the President (OP) and implementation of the appealed order is stayed pending decision of the OP. Since then, BNMI remained suspended and it is still awaiting the results of the MGB validation of compliances as basis for lifting the suspension order. While mining operations remain suspended, and given the favorable market price, the Company continued to market the saleable stockpiled low grade nickel ores. The regulatory agencies allowed suspended mining companies like BNMI to haul and ship its remaining ore in inventory to avoid possible environmental risks that the stockpiles may pose especially during the rainy season. The direct effect to BNMI of the suspension order is the displacement of mine workers and adverse impact on the Company's financial condition and results of operations.
3. The Company's revenues are directly affected by the prices of the metal it produces, which are gold and nickel ore. A decline in metal prices will also affect financial condition, future operations and recoverability of the Company's investment in the mining business. The Company has experienced, and expects to continue to experience, significant fluctuations in operating results due to a variety of factors, including among others, appreciation of the Philippine Peso against the US Dollar, ore grades, and mineable ore reserves. The ultimate outcome of this matter cannot presently be determined and related effects will be reported as they become known and estimate. The metal prices in the world market are US Dollar denominated. The Company's reporting currency in its financial statements is the Philippine Peso. Changes in the US\$:Php exchange rate may adversely affect the financial condition of the Company. The Company maintains to export the saleable stockpiled nickel ores at favorable market price while the gold produced is directly sold to Banko Sentral Ng Pilipinas.
4. The Company depends on certain key personnel, and its business and growth prospects may be disrupted if their services were lost. There is no assurance that certain key officers and employees which are critical to the continued operation of the Company business will remain employed. Should several of these key personnel will resign from their present posts, the Company may face difficulties in hiring replacements and the business and operations may be disrupted as a result, which may adversely affect the financial conditions and operations of the Company. To maintain their employment, the Company continuously review and ensure that compensation and benefit packages for officers, managers and rank and file are competitive with industry standards. Continuous trainings are provided to ensure that their knowledge and skill are continually updated.
5. The operations of the Company's business is subject to various other risks which are beyond its control. These include typhoons, earthquakes, floodings, landslides, and virus outbreak among other natural disasters which may disrupt its operations. There can be no assurance that the aforementioned risks will not have an adverse effect on the Company. To mitigate the risks, management meeting are conducted to identify, assess and formulate related contingency plans

to manage or minimize the adverse impacts of potential risks and to ensure that concerned units manage or promptly address identified risks.

6. The Company can face competition from large metal producers who have greater financial and technical resources (resulting to lower production cost) thereby flooding the market with cheaper metal produce. This competitive pressure could result not only in sustained price reductions, but also in a decline in sales volume, which would have a material adverse effect in the long term on the Company's business, operating results and financial condition. This is true in nickel where there is price and grade competition among nickel mining companies. But this not true in gold, where there is no competition in the industry and gold producers may easily sell their product.

Additional Requirements as to Certain Issues or Issuers - The Parent Company's outstanding principal debt subject to the 1992 Restructuring Agreement was reduced to ₱85.06 million. The Company remains committed to a final and comprehensive settlement of all the old debt or to arrange a suitable restructuring of the remaining obligations.

Certain parcels of land of the Company was used as collateral to secure loan which was fully settled and mortgage annotation also cancelled in 2019. Information on loans payable is presented in Note 14 of the Notes to 2019 Audited Consolidated Financial Statements under "Secured Loans".

ITEM 2. PROPERTIES

The Company owns patented lands, mining, milling, various automotive equipment/vehicles and support facilities for its gold mining operations in Itogon, Benguet Province and Irisan Lime Project in Baguio City. The Company also owns various artworks, vehicles, office furniture and computer units in its corporate office in Makati City. It likewise owns milling and support facilities at Zamboanga Gold Prospect in R.T. Lim Zamboanga del Sur, which are currently on care and maintenance basis.

The Company continues to lease a unit at the Universal Re Building, 106 Paseo de Roxas, Makati City where its Corporate Head Office is situated. Rental is ₱63,175.00 per month subject to 15% escalation yearly up to June 30, 2020.

Subsidiaries: - BNMI a holder of MPSA No. 226-2005-III with an area of 1,406.74 hectares located in Sta. Cruz, Zambales. It owns assaying/laboratory equipment and various automotive equipment/vehicles for its mining business operations. BNMI continues to lease ₱70,950.00 per month for office occupancy in Sta. Cruz, Zambales. The lease is renewable yearly.

BFC owns 2 office condominium units (Unit 304 with a floor area of 138.27 square meters and Unit 305 with a floor area of 186.20 square meters) located at 3rd Floor One Corporate Plaza Condominium, Pasay Road, Legaspi Village, Makati City. BFC continued to develop and sell the remaining five (5) lots with an aggregate area of 1,763 square meters in its real estate project Woodspark Rosario Subdivision Project located in Rosario, La Union.

BTI owns 2 residential lots where a 3 storey residential building staff house was erected with a floor area of 283 square meters. The two (2) lots have an aggregate area of about 708 square meters and are located at Monterraza Village, Barangay Tuding, Itogon, Benguet.

BCLI owns various medical instruments, medical furniture/fixtures/appliances, office and laboratory equipment for its clinic operations. BCLI continues to lease for its business operation occupancies in SM Baguio at ₱296,352 per month and in Central Mall, Baguio City at ₱112,299 per month. The lease is renewable yearly.

AFC owns an industrial lot in Brgy. San Antonio, San Pedro, Laguna containing an aggregate area of about 2,045 square meters. The property is located in an area where land development is for industrial purposes. AFC owns various automotive equipment/vehicles for logistics business operations.

The Company and its subsidiaries have no intention at present to acquire any significant property in the next 12 months.

Please refer to Item I of this report under title “Business Development” as to the conditions of the mining operations/projects and non-mining properties/projects of the Company.

ITEM 3. LEGAL PROCEEDINGS

The following are significant legal cases which the Company and its subsidiaries are involved in litigation which arise in the normal course of business, which are either pending decision by the courts or are being contested, and the outcomes of which are not presently determinable. The Company expects that the resolution and/or decision of such lawsuits would have no material adverse effect on each of the Company’s operations.

Title of Case	Nature of Case
<p>Benguet Corporation vs. Dominador Aytona, et. al., Civil Case No. Q-04-077, Regional Trial Court, Branch 90, Quezon City</p>	<ul style="list-style-type: none"> • Intra-corporate case in Pantukan Minerals Corporation (PMC). Violation of stockholder’s rights under Section 38 of the Corporation Code and the Articles of Incorporation and By-Laws. Benguet Corporation (BC), as stockholder of PMC, filed the case on January 14, 2004 against other stockholders/ officers of PMC, questioning the legality of the increase of PMC’s capitalization which resulted to decrease of its shareholdings because: (a) BC was denied the right to participate and exercise its voting rights in the proposal to increase the authorized capital stock of PMC; and (b) it was deprived of its pre-emptive rights to subscribe to additional shares in proportion to its 45% holdings in PMC. The unlawful acts of defendants resulted into dilution of BC’s shareholdings from 45% to 9.47% in PMC. • The case is pending before Regional Trial Court of Quezon City.
<p>Mineral Production Sharing Agreement of Benguet Corporation (BC) Denominated as APSA Nos. 009, 010, 011, 012, 013 and 015. DENR Case No. 10025</p>	<ul style="list-style-type: none"> • On July 16, 1991, the Company filed its applications for Mineral Production Sharing Agreement denominated as APSA No. 009, 010, 011, 012, 013 and 015 in the Mines and Geosciences Bureau (MGB) Cordillera Administrative Region (CAR) covering an area of 2,697.9112; 643.9583; 152.1846; 1.1098; 490.5458 and 643.9500 hectares, respectively, and located in Itogon, Benguet. • On February 8, 2011, MGB-CAR issued an order denying APSA’s due to failure of the Company to fully comply with requirements within the prescribed period pursuant to Section B.3 of DENR Memorandum Order (DMO) No. 2010-04 otherwise known as the “Use it, Lose It Policy” • On March 3, 2011 and February 19, 2016 the Company filed a Motion for Reconsideration (MR) and Appeal on June 14, 2011 with the MGB-CAR which was subsequently denied on April 5, 2011, February 1, 2016 and July 2, 2019, respectively. • On July 18, 2019 the Company filed an Appeal with the Department of Environment and Natural Resources (DENR). • The case is awaiting resolution by the DENR.

<p>Benguetcorp Nickel Mines, Inc. (BNMI) Vs. Hon. Regina Paz L. Lopez, as Secretary of the DENR.</p> <p>DENR Order of Cancellation O.P. Case No. 17-B-040</p>	<ul style="list-style-type: none"> • The DENR Order of Cancellation dated February 8, 2017 cancelling BNMI's Mineral Production Sharing Agreement No. 226-2005-III (MPSA No. 226-2006-III) for violation of certain provisions of mining and environmental laws, rules and regulations was appealed to the Office of the President (OP) on February 22, 2017 and implementation of the appealed order is stayed. • The case is awaiting resolution by the OP.
<p>Benguet Corporation (BC) Vs. Hon. Regina Paz L. Lopez, as Secretary of the DENR.</p> <p>DENR Order of Cancellation O.P. Case No. 17-B-047</p>	<ul style="list-style-type: none"> • The DENR Order of Cancellation dated February 8, 2017 from the Department of Environment and Natural Resources (DENR) cancelling its authority to undertake mining operation under the Patent Claim (PC-ACMP-002-CAR) in Itogon, Benguet Province for violation of certain provisions of mining and environmental laws, rules and regulations. The Cancellation Order has been appealed to the Office of the President (OP) on February 22, 2017 and implementation of the appeared order is stayed. • The case is awaiting resolution by the OP.
<p>Benguetcorp Nickel Mines, Inc. (BNMI) vs. DENR Represented by Sec. Regina Paz Lopez and MGB-Region 3 through Director Lope Cariño. (Appeal on DENR Memorandum requiring the placement of P2 million Trust Fund per hectare of disturbed land as condition to removal of nickel stockpiles)</p> <p>O.P. Case No. 17-C-067</p>	<ul style="list-style-type: none"> • On March 21, 2017, BNMI received DENR Memorandum dated March 07, 2017 which requires placement of Trust Fund equivalent to Two Million Pesos per hectare of disturbed land as condition to removal of nickel stockpiles. MGB Region 3 informed BNMI that pending compliance of the condition, the required permits to transport and export the stockpiles such as applications for Ore Transport Permit (OTP) and Mineral Ore Export Permit (MOEP) will not be processed and approved. There is urgency in removing the stockpiles from the mine site because of the environmental risk it posed during the rainy season. • Notice of Appeal to the OP was filed on March 23, 2017. The Appeal Memorandum was filed on March 27, 2017 • On April 11, 2017, the Office of the President issued a Stay Order on the implementation of the Trust Fund requirement. • BNMI renewed its Surety Bond in May 2018. • The case is awaiting resolution by the OP.
<p>IN RE: In the matter of the Minahang Bayan Application of the Benguet Federation Of Small Scale Miners, Inc. (BFSSM) over parcels of land located along Loacan, Tuding, Gumatdang, Ucab, Poblacion, Virac, Ampucao, Itogon, and Camp 4, Tuba, Benguet owned and/or possessed by Benguet Corporation (BC) covered by patented and patentable mineral lands.</p> <p>Philippine Mining Regulatory Board (PMRB) Case</p>	<ul style="list-style-type: none"> • June 20, 2018 – BC filed its protest / opposition to the Minahang Bayan Application that was published in a local newspaper on June 10, 2018. Approximately 2,069 Hectares or around 90% of the total mineral land holdings of Benguet Corporation were transgressed by the minahang bayan application. • Aug. 2, 2018 – BC filed a manifestation and compliance to the order of the PMRB attaching copies of additional documents. • Oct. 29, 2018 – Hearing of the case. • The case is submitted for resolution.

Except for the above, there are no other pending significant legal cases as far as the records of the Company is concerned.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

In the November 7, 2019 Annual Stockholders' Meeting of the Company, no election of directors was held because the 1993 Supreme Court Temporary Restraining Order (TRO) enjoining the holding of elections of directors, has not been lifted. Since no election of directors was held, the Company's incumbent directors (the composition of the Board of Directors is presented in Item 9 of this report) remained in office on hold-over capacity until their successors shall have been duly elected and qualified.

Except for the matters taken up in the November 7, 2019 Annual Stockholders' Meeting of the Company, there are no other matters submitted to a vote of security holders during the period covered by this report. All matters taken up and voted upon at the annual meeting including tabulation of votes in person and by proxy for approval, against and abstention to each matter and the results of annual stockholders' meeting were disclosed under SEC Form 17-C to the SEC on November 8, 2019 and PSE on November 7, 2019. The disclosure has been posted at the Company's website.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The Company has three classes of shares, two of which (the Common Class A with a par value of ₱1.00 per share and Convertible Preferred Class A shares with a par value of ₱3.43 per share) can be owned only by Philippine nationals and the other class of the Company's share is Common Class B with a par value of ₱1.00 per share which may be owned by anyone regardless of nationality. The Company's shares are listed and traded on the Philippine Stock Exchange (PSE) under the trading symbol of "BC" for Common Class A; "BCB" for Common Class B; and "BCP" for Convertible Preferred Class A share.

As of June 19, 2020, the closing price of the Company's Class A share in the PSE is ₱1.16 per share and Class B share is ₱1.14 per share as of June 17, 2020. The closing price of the Company's Convertible Preferred Class A on the last trading day of June 23, 2016 is ₱12.02 per share.

- a) For the First Quarter 2020, the high and low prices of the Company's shares in the PSE are as follows:

	<u>High Price</u>	<u>Low Price</u>
Common Class A	₱1.30/share	₱0.96/share
Common Class B	₱1.20/share	₱0.89/share
Convertible Preferred Class A	- No trading (last trading day is June 23, 2016)	

- b) For each Quarter 2019 and 2018, the high and low prices of the Company's shares in the PSE are as follows:

	1 ST QUARTER		2 ND QUARTER		3 RD QUARTER		4 TH QUARTER	
	2019	2018	2019	2018	2019	2018	2019	2018
<u>CONVERTIBLE PREFERRED CLASS A*</u>								
Highest Price/Share	₱ -	₱ -	₱ -	₱ -	₱ -	₱ -	₱ -	₱ -
Lowest Price/Share	-	-	-	-	-	-	-	-
<u>COMMON CLASS A</u>								
Highest Price/Share	₱1.50	₱1.99	₱1.80	₱1.70	₱1.25	₱1.70	₱1.28	₱1.55
Lowest Price/Share	1.12	1.61	1.08	1.45	1.10	0.97	0.98	1.00
<u>COMMON CLASS B</u>								
Highest Price/Share	₱1.57	₱1.96	₱1.75	₱1.84	₱1.30	₱1.70	₱1.15	₱1.50
Lowest Price/Share	1.11	1.60	1.11	1.41	1.02	0.87	1.02	0.90

(*) No trading transactions in 2019 and 2018.

Holders:

- a.) As of May 31, 2020, the Company's public float is 45% of the 615,988,244 outstanding shares of the Company consisting of 370,739,961 common Class A, 245,031,222 common class B and 217,061 Convertible Preferred Class A shares) with a total of 16,906 stockholders.
- b.) Of the 615,988,244 outstanding shares of the Company, 89,774,062 common Class B shares or 14.57% are owned by foreign nationals/institutions as of May 31, 2020.

The list of top 20 stockholders for Common Class "A", Common Class "B" and Convertible Preferred Class "A" shares of the Company as of May 31, 2020 are as follows:

A. Common Class "A" Share

Name	Number of Shares Held	Percent to Total Outstanding/Class
PCD Nominee Corporation (Filipino)	175,970,472	47.46%
Palm Avenue Holding Company, Inc.	65,624,727	17.70%
Palm Avenue Holdings Co. and/or Palm Avenue Realty Corp.	63,920,490	17.24%
Palm Avenue Holdings Co. and/or Palm Avenue Realty Corp.	30,834,375	8.32%
House of Investment, Inc.	8,545,911	2.31%
FEBTC TA 4113-000204-5 (ESPP)	5,067,846	1.37%
FEBTC TA 4113-00204-5	3,016,623	0.81%
Cynthia Manalili Manalang	1,500,000	0.40%
RP Land Development Corporation	960,000	0.26%
Sysmart Corporation	868,956	0.23%
Pan-Asia Securities Coporation	590,400	0.16%
Paredes, Gabriel M. or Paredes, Marianne G.	564,900	0.15%
Pan Malayan Management and Investment Corporation	431,844	0.12%
RCBC TA #74-034-9	363,129	0.10%
Sun Hung Kai Sec. A/C# YUO34	356,625	0.10%
Marilex Realty Development Corporation	331,200	0.09%
Enrique T. Yuchengco, Inc.	257,376	0.07%
Luis Juan L. Virata	234,003	0.06%
Franciso M. Vargas	219,000	0.06%
The First National Investment Company	188,130	0.05%

B. Common Class "B" Share

Name	Number of Shares Held	Percent to Total Outstanding/Class
PCD Nominee (Filipino)	106,368,734	43.40%
Palm Avenue Realty and Development Co.	43,680,000	17.82%
PCD Nominee (Non-Filipino)	31,712,949	12.94%
Cede & Co	29,674,860	12.11%
David L. Sherman	2,961,747	1.21%
Pan Malayan Management & Investment Corporation	2,100,000	0.86%
Michael Vozar TOD Sharon K. Vozar Sub To Sta Tod Rules	736,260	0.30%
Charles F Carroll TTEE, UA 05/24/95 FBO Carroll Family Trust 1	543,000	0.22%
National Financial Services	504,033	0.21%
Fairmount Real Estate, Inc.	484,257	0.20%
Independent Realty Corporation	483,441	0.20%
Evelyn B. Stephanos TR US 05/12/11 Elizabeth Bakas Irrev Trust	450,000	0.18%
Richard Soltis & Veronica T. Soltis JT Ten	396,000	0.16%
Arthur H. Runk TTEE of Arthur H. Runk Liv Tr U/A dtd 08/17/1990	354,000	0.14%
HSBC Private Bank (Suisse) SA 9-17 Quai Des Bergues	303,795	0.12%
Edmund S. Pomon	300,000	0.12%
William David Courtright	300,000	0.12%

William T. Coleman	300,000	0.12%
Garry A. Gil TTEE FBO Arthur Weir Gill Rev Tr	300,000	0.12%
Sanford E. Halperin	251,364	0.10%

C. Convertible Preferred Class "A" Share

Name	Number of Shares Held	Percent to Total Outstanding/Class
PCD Nominee Corporation (Filipino)	64,780	29.84%
Fairmount Real Estate	59,262	27.30%
Jose Concepcion, Jr.	5,000	2.30%
Reginaldo Amizola	1,737	0.80%
Evangeline Alave	1,720	0.79%
Maverick Marketing Corporation	1,720	0.79%
Jayme Jalandoni	1,380	0.64%
Rosendo U. Alanzo	1,376	0.63%
Romelda E. Asturias	1,376	0.63%
Rosalina O. Ariacho	1,324	0.61%
CMS Stock Brokerage Inc.	1,324	0.61%
Luisa Lim	1,238	0.57%
Delfin GDN Jalandoni	1,118	0.52%
Ventura O. Ducat	1,032	0.48%
Conchita Arms	1,000	0.46%
Equitiworld Securities, Inc.	1,000	0.46%
Benito V. Jalbuena	1,000	0.46%
Remedios Rufino	1,000	0.46%
Carlos W. Ylanan	1,000	0.46%
B & M Incorporated	952	0.44%

Dividends – The Company has not declared any dividends in the two (2) most recent fiscal years 2019 and 2018 due to restrictions provided for in the Company’s loan agreements with creditor banks. The dividend rights and restrictions of the Company’s Convertible Preferred Class A, Common Class A and Common Class B stocks are contained in the Amended Articles of Incorporation of the Company, to wit:

“For a period of ten years after issuance, the holders of each shares of Convertible Preferred Stock shall be entitled to receive out of surplus profits of the Corporation earned after issuance of such Stock, when and as declared by the Board of Directors, cash dividends equal to the peso amount of and payable at the same time as that declared on each share of Common Class A or Common Class B Stock. The total cash dividends payable at any given time on Common Class A, Common Class B and Convertible Preferred Stock shall not exceed seventy-five per centum (75%) of the total after-tax earnings for any current fiscal year of the Corporation from all sources.

Immediately upon the expiration of ten years from issuance, the holders of shares of Convertible Preferred Stock still outstanding shall be entitled to receive out of surplus profits of the Corporation, when and as declared by the Board of Directors, cash dividends at the fixed annual rate of eight percentum (8%) of the par value of such Stock before any cash dividends shall be declared or set apart for holders of Common Class A and Common Class B Stock. The balance of the net profits of the Corporation available for cash dividends shall be distributable exclusively to holders of Common Class A and Common Class B Stock. Dividends accrued and unpaid, if any, on the Convertible Preferred Stock at the end of any given fiscal year of the Corporation shall be cumulated, provided and to the extent that the net profits of the Corporation earned during such fiscal year are at least equal to the amount of such accrued and unpaid dividends; no cash dividends shall be declared and paid to holders of Common Class A and Common Class B Stock until after such accumulated, accrued and unpaid dividends on the Convertible Preferred Stock shall have been paid or provision for payment thereof made. Holders of Convertible Preferred Stock shall not be entitled to any part of

stock dividends declared and issued on outstanding Common Class A and Common Class B and no stock dividends may be declared and issued on Convertible Preferred Stock.”

Recent Sales of Unregistered or Exempt Securities

Under the present implementation of the Company’s Stock Option Plan (the “Plan”), below are the transactions of sold stocks/exercised options in the past three years ended December 31, 2019, 2018 and 2017:

1. In the May 3, 2011 stock option grant:
 - a) 313,500 Class “A” shares at option price of ₱1.69/share with par value of ₱1.00/share; and
 - b) 94,800 Class “B” shares at option price of ₱1.91/share with par value of ₱1.00/share.
2. In the September 7, 2012 stock option grant:
 - a) 180,000 Class “A” shares at option price of ₱1.69/share with par value of ₱1.00/share; and
 - b) 120,000 Class “B” shares at option price of ₱1.91/share with par value of ₱1.00/share

The shares granted under the Company’s Plan were exempted from registration under SEC Resolution No. 084 dated March 31, 2008 and the listing of the shares was approved by the PSE.

Other than the above transactions, the Company has not sold or issued any securities within the past three years ended December 31, 2019, 2018 and 2017 which are not registered under the SRC including the sales of reacquired securities, securities issued in exchange of property, services, or other securities, and new securities resulting from the modification of outstanding securities.

ITEM 6. MANAGEMENT’S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis of financial performance of the Company should be read in conjunction with the Company’s Audited Consolidated Financial Statements (ACFS) and related notes as of December 31, 2019 and 2018 prepared in conformity with Philippine Financial Reporting Standards (PFRS). The results and plan of operation of the Company and its subsidiaries are presented and discussed under Business Development in Item 1-Business of this report.

A. FOR THE YEARS ENDED DECEMBER 31, 2019 VERSUS. 2018

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated net income for 2019 amounted to ₱115.7 million, lower than the net income of ₱119.1 million in 2018. The increase/decrease in net income was the net effect of the following:

Revenues

The Company registered consolidated revenues of ₱802 million in 2019, 21% lower than ₱1,008.7 million in 2018. The negative variance is due to lower shipment volume of nickel ore and gold sold this year. BNMI sold only 1 boatload of 1.5% nickel ore aggregating 55,000 tons at an average price of US\$22.50/ton versus 4 boatloads of 1.4% to 1.5% nickel ore aggregating 218,635 tons at an average price of US\$19.73/ton in 2018. AGP sold 8,069 ounces of gold at average price of US\$1,384.64/ounce lower than the 9,263 ounces at US\$1,274.67/ounce in 2018. The decline is due to lower tons milled. AGP milled 41.2 thousand tons this year compared to 44.1 thousand tons last year.

Operating and Other Expenses

Cost and operating expenses decreased by 24% to ₱923.8 million from ₱1,209.1 million in 2018 mainly due to lower shipment tonnage of nickel ore this year.

Other income this year amounted to ₱272.1 million, mainly from the ₱287.2 million gain on revaluation of investment property, ₱68.6 million gain on sale of investment property and ₱22.5 million gain on settlement of trade and other liabilities partly offset by the ₱94.9 million provision for impairment on deferred mine exploration cost. Other income last year of ₱337.7 million was attributable mainly from the ₱605.8 million revaluation gain on investment property, ₱53.0 million

gain on settlement of trade and other liabilities partly offset by the ₱72.1 million provision for impairment on deferred mine exploration cost.

Provision for income tax of ₱32.6 million for this year pertains to the regular and minimum corporate income tax of the BC (Parent company), Benguetcorp Nickel Mines, Inc. (BNMI) and Keystone Port Logistics and Management Services Corporation (Keystone).

B. FINANCIAL POSITION

Assets

The Company's consolidated total assets as of December 31, 2019 increase by 4 % to ₱6.92 billion from the ₱6.63 billion in 2018. The increase is the net effect of the following:

Cash and cash equivalent decreased by 74% to ₱77.2 million mainly due to ₱302.1 million funds used in operation and exploration projects and payment of bank loan.

Receivables increased to ₱290.0 million from ₱210.9 million last year, mainly advances to suppliers and contractors.

Inventories slightly increased to ₱132.1 million from ₱129.0 million.

Other current assets decreased by 14% to ₱542.8 million from ₱632.1 million. The decrease was mainly due to applied VAT refund amounting to ₱40.23 million and creditable withholding tax used in payment of income tax liabilities.

Property, plant and equipment at revalued amount increased to ₱1,673.3 million from ₱1,236.5 million mainly due to the revaluation increment on land as determined by an independent appraiser.

Investment properties increased by 12% to ₱2,478.9 million from ₱2,217.6 million in 2018 mainly from the ₱287.2 million revaluation gain booked this year.

Deferred mine exploration costs decreased to ₱449.2 million from ₱539.0 million in 2018. The decrease is due to the provision for impairment losses of ₱94.9 million booked this year.

Decrease in deferred tax assets to ₱47.7 million from ₱73.6 million in 2018 was mainly due to deferred tax assets on NOLCO and Minimum Corporate Income Tax (MCIT).

Other noncurrent assets decreased to ₱253.4 million from ₱307.6 million last year. The decrease pertain to advances and prepayments to contractors and suppliers for exploration and other related activities and projects.

Liabilities

Total consolidated liabilities as of December 31, 2019 decreased to ₱2,509.9 million from ₱2,689.4 million as of December 31, 2018. The decrease was due to the following:

Trade and other payables decreased to ₱576.9 million from ₱858.6 million mainly due to payment of suppliers and contractors.

Decrease in loans payable is mainly due to the full settlement of loans from Malayan Savings Bank

Decrease in income tax payable is attributable to the repayment of ₱22.9 million payables in 2018.

Liability for mine rehabilitation slightly increased to ₱91.6 million from ₱90.3 million in 2018.

Pension liability increased to ₱62.5 million from ₱54.1 million last year mainly due to the additional service earned by employee and the newly hired employee this year.

Increase in deferred tax liability to ₱848.0 million from ₱725.7 million in 2018 pertain to deferred tax liability on revaluation increment on land.

Equity

Stockholders' Equity at year-end amounted to ₱4,411.7 million, higher than the ₱3,938.1 million in 2018. The increase is mainly attributable to the income earned this year and revaluation increment on investment properties.

Consolidated Cash Flow

The net cash used in operating activities for 2019 amounted to ₱280.1 million mainly due to repayment of trade payables compared to the ₱268.0 million cash inflows last year.

During the year, the Company generated ₱144.6 million from the sale of its 2,768,540 square meters land located in San Marcelino Zambales, ₱6.0 million from the sale of Namayan lot, and ₱3.2 million from the sale of some disposable equipment. The Company invested ₱4.0 million in exploration activities and ₱28.0 million in mining equipment for the expansion of its Acupan Gold Project.

In 2019, the Company fully paid its outstanding loan of ₱22.8 million loan with Malayan Savings Bank and spend ₱12.8 million in the rehabilitation of its mined-out areas.

B. FOR THE YEARS ENDED DECEMBER 31, 2018 VERSUS 2017

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated net income for 2018 amounted to ₱119.1 million, significantly higher than the net income of ₱21.5 million in 2017. The increase/decrease in net income was the net effect of the following:

Revenues

The Company registered consolidated revenues of ₱1,008.7 million for 2018, 31% lower than ₱1,462.9 million in 2017. The negative variance is due to lower shipment of nickel ore and gold production. BNMI sold 4 boatloads of nickel ore ranging from 1.4% to 1.5% aggregating 218,635 tons at an average price of US\$19.73/ton versus 10 boatloads of 1.3% to 1.4% nickel ore aggregating 530,690 tons at an average price of US\$21.17/ton in 2017. Gold production for 2018 decline to 9,216 ounces from 10,923 ounces in 2017. The decline is due to lower tons milled. The Acupan Gold Project (AGP) milled 44.1 million tons this year compared to 53.9 million tons last year.

Operating and Other Expenses

Cost and operating expenses decreased by 19% to ₱1,209.1 million from ₱1,492.9 million in 2017 mainly due to lower shipment tonnage of nickel ore in 2018.

Other income in 2018 increased by 316% to ₱337.7 million versus ₱81.2 million in 2017. The increase was attributable mainly from the ₱605.8 million revaluation gain on investment property partly offset by impairment losses booked in 2018. Other income in 2017 was attributable to the ₱45.6 million gain on sale of equipment and ₱38.6 million gain on write-off of loans.

Provision for income tax of ₱13.4 million in 2018 pertains to the minimum corporate income tax of the BC (Parent company), Benguetcorp Nickel Mines, Inc. (BNMI) and Keystone Port Logistics and Management Services Corporation (Keystone).

FINANCIAL POSITION

Assets

The Company's consolidated total assets as of December 31, 2018 slightly increase to ₱6.63 billion from the ₱6.57 billion in 2017. The slight increase is the net effect of the following:

Cash and cash equivalent in 2018 increased by ₱237.6 million mainly from the ₱326.6 million tax refund obtained from the Bureau of Internal Revenue.

Receivables in 2018 decreased to ₱210.9 million from ₱761.7 million in previous year, mainly from collection of nickel ore sold in 2017, impairment losses and reclassification to other noncurrent assets.

Inventories decreased by 23% to ₱129.0 million from ₱167.3 million mainly from the 218,635 tons of nickel ore sold in 2018.

Property, plant and equipment at revalued amount increased to ₱1,236.5 million in 2018 from ₱1,070.3 million in 2017 mainly due to the revaluation land as determined by an independent appraiser.

Property, plant and equipment at cost decreased by 13% to ₱964.2 million in 2018 from ₱1,108.8 million in 2017 mainly due to the disposal of some equipment.

Financial assets measured at fair value through other comprehensive income (FVOCI) pertains to the AFS financial assets consisting of UITF quoted shares.

Asset classified as held for sale of ₱4.1 million in 2018 pertains to the land situated in San Pedro Laguna owned by Arrow Freight Corporation.

Investment properties increased by 38% to ₱2,217.6 million in 2018 from ₱1,611.7 million in 2017 mainly from the ₱605.8 million revaluation gain booked in 2018.

Decrease in deferred mine exploration costs to ₱539.0 million in 2018 from ₱621.7 million in 2017 was due to the provision for impairment losses of ₱72.1 million provided in 2018 and write-off of deferred mine exploration cost amounting to ₱11.5 million.

Deferred tax assets increased to ₱73.6 million in 2018 from ₱69.4 million in 2017 mainly due to increase in unrealized foreign exchange loss and impairment of inventories.

Other noncurrent assets increased to ₱307.2 million in 2018 from ₱159.2 million in 2017 mainly due to the reclassification of some nontrade receivables.

Liabilities

Total consolidated liabilities as of December 31, 2018 decreased to ₱2,689.4 million from ₱2,860.7 million as of December 31, 2017. The decreased was due to the following:

Trade and other payables, mainly payables to suppliers and contractors, decreased to ₱858.6 million in 2018 from ₱1,028.0 million in 2017.

Decrease in loans payable is mainly due to the settlement of loans from Malayan Savings Bank

Decrease in Income tax payables is attributable to the repayment of ₱22.9 million payables in 2017.

Liability for mine rehabilitation slightly decreased to ₱90.3 million in 2018 from ₱100.9 million in 2017.

Pension liability increased to ₱54.1 million from ₱46.4 million in 2017 mainly due to the additional service earned by employee in 2018.

Equity

Stockholders' Equity at year-end 2018 amounted to ₱3,938.1 million, higher than the ₱3,704.6 million in 2017. The increase is mainly attributable to the income earned in 2018.

Consolidated Cash Flow

The net cash from operating activities for 2018 amounted to ₱269.9 million attributable mainly from the ₱326.6 million tax refund obtained from the Bureau of Internal Revenue and collection of nickel ore sold in 2018 compared to the ₱40.2 million cash used in 2018.

The Company generate ₱3.6 million in 2018 from the sale of some disposable equipment. The company invested ₱0.85 million in exploration activities and ₱8.2 million in mining equipment for the expansion of its Acupan Gold Project.

In 2018, the Company obtained ₱10.0 million loan from a local company. The amount was used in the repayment of outstanding loan with Malayan Savings Bank.

C. Key Performance Indicators

The Company's considered the following top five key performance indicators:

Working Capital

Working capital (current assets less current liabilities) and current ratio (current assets over current liabilities) measures the liquidity or debt paying ability of the Company. As of December 31, 2019, the Company's current ratio is 0.94:1 versus 0.92:1 in 2018 and 1.11:1 in 2017.

Metal Price

The Company's revenue is largely dependent on the world market prices for gold and nickel. The favorable metal prices will also have a favorable impact on the Company's revenue. The market price of gold in the Bangko Sentral ng Pilipinas which is based on world spot market prices provided by the London Metal Exchange for gold is the key indicator in determining the Company's revenue level. The average market prices for gold sold were at US\$1,384.64 per ounce in 2019, US\$1,274.67 per ounce in 2018 and US\$1,260 per ounce in 2017. Nickel ore was sold at effective average price of US\$22.50/ton this year versus US\$19.73/ton in 2018 and US\$21.97/ton in 2017.

Tons Milled and Ore Grade

Tons milled and ore grade is a key measure of operating efficiency. A lower unit production cost both in ore milled and smelting operation will result in the Company meeting, if not exceeding, its profitability targets. Tons milled totaled 41,151 in 2019 with average grade of 6.18 grams per ton of gold, compared to 44,073 tons in 2018 with average grade of 6.50 grams per ton of gold and 53,893 tons in 2017 with average grade of 6.83 grams per ton of gold. Gold sold in 2019 were 8,069 ounces versus 9,216 ounces sold in 2018 and 10,923 ounces sold in 2017. In 2019, BNMI sold 1.5 grade nickel ore with an aggregate volume of 55,000 tons, lower than in 2018 of 218,635 tons of nickel ore ranging from 1.4% to 1.5% Ni grade and in 2017 of 530,690 tons of nickel ore ranging from 1.3% to 1.4% Ni grade.

Foreign Exchange Rate

The Company's sales proceeds are mainly in U.S. dollars. A higher Philippine peso to U.S. dollar exchange rate means higher peso sales but would also reflect a foreign exchange loss on the restatement of the Company's dollar obligations. Conversely, a lower exchange rate reduces the Company's revenue in pesos but brings foreign exchange income on the loans. As of December 31, 2019, the peso to dollar exchange rate was at ₱50.635 higher as compared to ₱52.58 in 2018 and ₱49.93 in 2017.

Earnings Per Share

The earnings per share ultimately reflects the Company's financial and operational growth as a result of its performance in cost management, productivity and will provide investors comparable benchmarks relative to similar companies. The reported Company earnings per share in 2019 is ₱0.19, compared with the earnings per share of ₱0.19 in 2018 and loss per share of ₱0.03 in 2017.

D. Known Trends, Events or Uncertainties

The Company does not foresee any cash flow or liquidity problems over the next twelve (12) months. As of December 31, 2019, the Parent Company's outstanding principal debt subject to the

1992 Restructuring Agreement was reduced to ₱85.06 million. The Company has gold production from AGP which is directly sold to Bangko Sentral Ng Pilipinas, saleable stockpiled nickel ores from BNMI, steady market of ILP's quicklime, non-performing assets for disposal, tax refunds from the Bureau of Internal Revenue from which it expects to generate cash flow sufficient for the Company to meet its foreseeable requirements. The Company continues to expand its credit facilities and maintain optimum debt levels. Accordingly, efforts to reduce debt levels are continuing.

There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked although, the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business which are not presently determinable.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities of other persons created during the reporting period.

Other than what have been discussed in their respective sections above, there are no material events or uncertainties known to management that had material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Material changes in the financial statements of the Company from the year ended December 31, 2019 to December 31, 2018; and
- Seasonal aspects that had a material impact on the Company's financial condition or results of operations.

ITEM 7. FINANCIAL STATEMENTS

The Audited Consolidated Financial Statements (Benguet Corp & Subsidiaries) for the period ended December 31, 2019 is presented in Part V, Exhibits and Schedules, which said audited financial statements form part of this Annual Report (SEC Form 17-A).

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company's independent public accountants, Sycip Gorres Velayo and Company (SGV) was re-appointed by the Board of Directors and approved/ratified by the stockholders of the Company on August 15, 2019 and November 7, 2019, respectively. Audit services of SGV for the calendar year ended December 31, 2019 included the examination of the parent and consolidated financial statements of the Company, assistance in the preparation of annual income tax return and other services related to filing of reports made with the Securities and Exchange Commission (SEC).

The Company is in compliance with SRC Rule 68, paragraph (3)(b)(iv) requiring the rotation of external auditors or engagement partners who have been engaged by the Company for a period of five (5) consecutive years. The Company's audit engagement partner for calendar year 2019 was Mr. Peter John R. Ventura- SEC accredited auditing partner of SGV, previously was Mr. Alexis C. Zaragoza. This is Mr. Ventura's first year as engagement partner for the Company. No event has occurred where SGV and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures, or auditing scope or procedures.

For the last two fiscal years, the aggregate audit fees inclusive of VAT and out-of-pocket expenses billed by SGV & Company are ₱5.5 million for 2019 and ₱5.5 million for 2018. There are no other services rendered by the external auditor other than the usual audit services as mentioned above.

Prior to the commencement of audit work, the external auditor presented their program and schedule to the Company which included discussion of issues and concerns regarding the audit work to be done. The external auditor presented to the Audit Committee the audited financial statements of the Company for the year for approval and endorsed to the Board for final approval prior to release/issuance by the external auditor. Representatives of SGV are expected to be present at the stockholders' meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

A. DIRECTORS

The Directors of the Company are elected at the Annual Stockholders' Meeting to hold office until the next succeeding annual meeting or until their respective successors have been elected and qualified. In the November 7, 2019 Annual Stockholders' Meeting, no election was held because the Temporary Restraining Order (TRO) issued by the Supreme Court enjoining the election of directors remained in force. The following incumbent directors of the Company continued to remain in office on holdover capacity.

INCUMBENT DIRECTORS – (As of June 4, 2020)

Name	Position	Board Committee Membership
Bernardo M. Villegas	Chairman of the Board & Independent Director	Chairman- Nomination Committee Chairman- Corporate Governance Committee Chairman-Related Party Transaction Committee Member- Board Risk Oversight Committee Member- Audit Committee Member- Executive Committee Member- Salary & Stock Option Committee
Maria Remedios R. Pompidou	Director	Member- Executive Committee
Luis Juan L. Virata	Director	Member- Related Party Transactions Committee
Jose Raulito E. Paras	Director	Member-Board Risk Oversight Committee
Rhodora L. Dapula	Independent Director	Chairman – Audit Committee Member- Corporate Governance Committee Member- Nomination Committee
Reginald S. Velasco	Independent Director	Chairman- Board Risk Oversight Committee Member- Corporate Governance Committee Member-Related Party Transactions Committee
Edgar Dennis A. Padernal	Director	Member- Nomination Committee
Jennelyn F. Go	Director	Member- Audit Committee
Jesse Hermogenes T. Andres	Director	Chairman- Executive Committee Chairman- Salary & Stock Option Committee
Romeo L. Go	Director	Member-Salary & Stock Option Committee
Andres Patrick R. Casiño*	Director	-

(*) – Atty. Andres Patrick R. Casiño appointed as Director effective June 4, 2020

BOARD ATTENDANCE (YEAR 2019)

Board	Name	Date of Election/ Appointment	No. of Meetings Held During the Year	No. of Meetings Attended	% Attended
Chairman	Bernardo M. Villegas*	Nov 07, 2019	4	4	100%
Member	Maria Remedios R. Pompidou	Oct 25, 2000	4	2	50%
Member	Luis Juan L. Virata	Aug 08, 1995	4	4	100%
Member	Jose Raulito E. Paras	Aug 16, 2018	4	3	75%

Independent	Rhodora L. Dapula	Aug 16, 2018	4	4	100%
Independent	Reginald S. Velasco	Aug 16, 2018	4	4	100%
Member	Edgar Dennis A. Padernal	Aug 16, 2018	4	4	100%
Member	Jennelyn F. Go	Aug 16, 2018	4	4	100%
Member	Jesse Hermogenes T. Andres	Aug.16, 2018	4	4	100%
Member	Romeo L. Go	Nov 05, 2019	4	1**	100%

(*) *Mr. Bernardo M. Villegas became Chairman of the Board of Directors effective November 7, 2019. He has been a Director of the Company since June 25, 1998 and appointed as Independent Director since 2002.*

(**) *One (1) board meeting was held after his appointment as member of the Board of Directors last November 5, 2019.*

DIRECTORSHIP IN OTHER REPORTING COMPANIES

The following are directorships held by the directors in other publicly listed companies in the Philippines.

Name of Director	Name of Publicly Listed Company	Position Held
Jose Raulito E. Paras	Zeus Holdings, Inc. Manila Mining Corporation	Director Director
Luis Juan L. Virata	Nickel Asia Corporation	Director
Bernardo M. Villegas	Filipino Fund, Inc.	Chairman / Independent Director
Jesse Hermogenes T. Andres	BDO Leasing and Finance, Inc.	Director

BELOW ARE THE AGES, CITIZENSHIP, BRIEF DESCRIPTIONS OF BUSINESS EXPERIENCE FOR THE PAST FIVE YEARS OF BELOW NAMED INCUMBENT DIRECTORS

Directors Representing Holders of Convertible Preferred Class A and Common Class A Stocks of the Company:

ROMEO L. GO

Director

Atty. Romeo L. Go, Filipino, 67 years old, is a retired Commissioner of National Labor Relations Commission (NLRC)-Department of Labor and Employment (DOLE)- (May 2003-Sept 2018), has been appointed as Director of the Company on November 5, 2019. Atty Go obtained his Bachelor of Laws in 1983 from University of the Philippines, and his Bachelor of Science in Business Management in 1975 from Ateneo de Manila University. Atty. Go is a member of the Philippine Bar Association (PBA), Philippine Constitution Association (PHILCONSA), University of the Philippines Law Alumni Association (UPLAA), Alumni Association the Center for American and International Law. He recently joined as partner the Andres Padernal & Paras Law Offices. Formerly, he was a Labor Arbiter of NLRCDOLE (Jan. 1987-May 2003). He was admitted to the Bar in 1984.

JOSE RAULITO E. PARAS

Director

Atty. Jose Raulito E. Paras, Filipino, 47 years old, has been a Director of the Company since August 16, 2018. He is currently a partner at the Andres Padernal & Paras Law Offices since 2004. He obtained his Bachelor of Laws degree from the San Beda University (*class valedictorian*). After placing 5th in the 1997 Bar Exams, he started as an associate of the PECABAR law firm. He then joined the Lepanto Consolidated Mining Company and affiliates as General Counsel until 2003. He completed his Masters of Laws in Environmental Law at the University of Sydney.

MARIA REMEDIOS R. POMPIDOU

Director

Ms. Maria Remedios R. Pompidou, Filipino, 53 years old, has been a Director of the Company since October 25, 2000. She is currently the Chairman of BenguetCorp Laboratories, Inc., a wholly owned

subsidiary of the Company (2013 to present); Trustee of Doña Remedios Trinidad Romualdez Medical Foundation Inc., Dr. V. Orestes Romualdez (DVOR) Educational Foundation Inc., and RTR Foundation for Scientific Research and Development Inc.; and Director of Sequoia Business Management Corporation, Perea Realty and Development Corporation and Red Palmtree Realty and Development Corporation.

LUIS JUAN L. VIRATA

Director

Mr. Luis Juan L. Virata, Filipino, 65 years old, has been a Director of the Company since August 8, 1995. He is currently the Chairman and Chief Executive Officer of CLSA Exchange Capital, Inc., an investment banking joint venture formed in 2001 between CLSA Emerging Markets of Hong Kong and Exchange Capital of Manila. Exchange Capital was founded in 1987, formerly with Jardine Fleming of Hong Kong. He is also the President of Exchange Properties Resources Corporation; a major Shareholder and Director of Nickel Asia Corporation; Chairman of Cavitex Holdings Inc.; and Director and major Shareholder of Amber Kinetics, Inc., a battery storage company in California. His other activities include being a Member of the Huntsman Foundation of Wharton School of the University of Pennsylvania, and Founder, Trustee of Asia Society Philippine Foundation and the Metropolitan Museum of Manila. Other previous positions he held include Director and interim President of Philippine Airlines. Mr. Virata received an MBA degree from the Wharton School of the University of Pennsylvania, USA in 1979 and a BA/MA in Economics from Trinity College, Cambridge University, UK in 1976.

ANDREW PATRICK R. CASIÑO

Director

Atty. Andrew Patrick R. Casiño, Filipino, 53 years old, appointed as Director of the Company on June 4, 2020. Atty Casiño is a litigation lawyer with 25-year work experience as practicing lawyer in New York State in the fields of: - Criminal matters (domestic violence, DWI, orders of protection, misdemeanors), Commercial litigation, Philippine law matters (counselling and review of legal documents), Real estate (sale and purchase), Family and domestic matters (custody, child support, orders of protection, spousal support), Probate of last will and testaments, Petitions for administration of estates, Family based immigration, Employment based Immigration, US naturalization, Deportation proceedings, Petitions for political asylum, Loan contracts, Employment contracts, Commercial & Residential leases, Settlement agreements, Loan disputes, Trademarks and copyrights, Divorce and legal separation. Presently, he is collaborator on all legal matters in the United States of Philippine based law firms, Florello R. Jose and Associates and Law Firm of Ocampo Manalo. He graduated from the University of the Philippines with a degree of Bachelor of Science in Economics in 1987 and Bachelor of Laws in 1991. He obtained his Masters of Laws in Intellectual Property from the Franklin Pierce Law School, University of New Hampshire in 1999. Mr. Casiño passed the Philippine Bar Examinations in 1991 and New York State Bar Examinations in 1996.

RHODORA L. DAPULA

Independent Director

Atty. Rhodora L. Dapula, Filipino, 42 years old, has served as an Independent Director of the Company since August 16, 2018. Atty. Dapula is a partner in Dapula, Dapula and Associates Law Offices since August 2007; and President/CEO of G.D. Brains and Castles Inc., and Proficientlink Realty Corporation since 2017. She is a CPA-Lawyer, Professional Regulation Commission (PRC) Licensed Real Estate Broker, PRC Licensed Real Estate Appraiser, PRC Licensed Environmental Planner and Licensed Life and Variable Life Financial Advisor. She is a PRC accredited lecturer for Real Estate Service Seminars and Trainings.

REGINALD S. VELASCO

Independent Director

Mr. Reginald S. Velasco, Filipino, 68 years old, has served as an Independent Director of the Company since August 16, 2018. Mr. Velasco is the Secretary General of National Unity Party since 2013. He graduated MA Political Science and candidate for Doctor of Philosophy in Political Science

at the University of the Philippines. He also took special study in Investment Negotiation Course at the Georgetown University Washington, D.C. USA. Formerly, he was Director of U.S. Section-Office of American Affairs (1991-1992) and Office of Asean Affairs of the Department of Foreign Affairs (Manila) in 1992-1993. His other professional experience includes, Appointment as Lecturer at the University of the Philippines (Manila) in 1973-1974 & 1981-1982 and Lyceum of the Philippines (Manila) in 1973-1974; Chief – International Division, Policy Coordination Staff of the National Economic and Development Authority (Manila) in 1978-1982; Second Secretary & Consul & Chief of Economic Section of the Philippine Embassy Washington, D.C. USA in 1989-1991; Vice President for Project Financing, Venture Industries Management (Makati City) and Development Corporation (1993-1994); and Public and Media Relations Consultant, Micron Public Affairs, Inc. (Makati City) in 1994-1995.

Representing Holders of Common Class B Stock of the Company:

BERNARDO M. VILLEGAS

Chairman & Independent Director

Mr. Bernardo M. Villegas, Filipino, 81 years old, first became a Director of the Company on June 25, 1998. Mr. Villegas was elected Chairman of the Board during the Organizational Board Meeting held on November 7, 2019 and was designated Independent Director of the Company since 2002 up to present, although he has been a Director prior to the issuance of SEC Circular No. 16 dated November 29, 2002. He also holds, among others, the following positions: Independent Director of Benguetcorp Nickel Mines, Inc. (2012 to present), a wholly owned subsidiary of the Company; He is Director and Consultant of Transnational Diversified, Inc. (1998 to present) and Alaska (1999 to present). Member of the Boards of Dualtech Foundation (1998 to present); and Columnist, Manila Bulletin (1964 to present). Formerly, he was Director of Makati Business Club (1981-2010); Director, Phinma Foundation (1995-2001); Director, Pilipinas Shell Foundation (1995-2001); Senior Vice President, University of Asia and the Pacific (2004-2006); Chairman, Center for Research and Communication (1995); President, Philippine Economic Society (1972-1974); Chairman, Department of Economics-De La Salle University Manila (1964-1969), Committee on the National Economy & Patrimony (1986); Director, Economic Research Bureau and Graduate School of Business-De La Salle University Manila (1967-1968); Project Director, Philippine Economic History under the National Historical Commission (1969-1972); Member, Preparatory Commission for Constitutional Reforms and Constitutional Commission (1999); Consultant, Productivity Development Center-National Economic Council and Program Implementation Agency (1968-1969).

JESSE HERMOGENES T. ANDRES

Director

Atty. Jesse Hermogenes T. Andres, Filipino, 53 years old, became a member of the Board of Directors of the Company on August 16, 2018. He is a litigation lawyer and since July 1, 2011, he has been the Managing Partner at Andres Padernal & Paras Law Offices. From 1996 to 2003, he was a Partner at PECABAR Law Offices, where he became Co-Head of its Litigation Department in 2001. He was also Chief of Staff (Undersecretary) of the Office of the Vice-President (2004-2010). In September 2004, he was appointed member of the Board of Trustees of the Government Service Insurance System (GSIS) where he also served as the Chairman of the Corporate Governance Committee for six (6) years. He was also Chairman of the Board of GSIS Family Bank from June 2007 to October 2010. Atty. Andres holds a Bachelor of Arts Degree in Economics from the School of Economics, University of the Philippines (U.P.) and a Bachelor of Laws degree from the U.P. College of Law. He has attended various international seminars on Alternative Dispute Resolution Methods, Corporate Governance and Risk Management.

JENNELYN F. GO

Director

Atty. Jennelyn F. Go, Filipino, 42 years old, first became a Director of the Company by appointment on August 16, 2018. Atty. Go is a CPA-Lawyer. She is a Partner and accredited CPA in Commerce and Industry Practice for D.S. Tantuico & Associates; Service Director for Legal Affairs Department of the House of Representatives since August 1, 2019; Director II, Cashiering Service of the House

of Representatives (March-July 2019); Director of Universal Re Condominium Corporation since 2016; Corporate Secretary of Kagitingan Printing Press, Inc. and Kamahalan Publishing Corporation (2010-June 2019); and Assistant Corporate Secretary of Philippine Manila Standard Publishing, Inc. (2016-June 2019). Formerly, she was Advertising Services Manager of Philippine Journalists, Inc. (2006-2012).

EDGAR DENNIS A. PADERNAL

Director

Atty. Edgar Dennis A. Padernal, Filipino, 61 years old, has been a Director of the Company since August 16, 2018. He is a litigation lawyer and a partner in Andres Padernal & Paras Law Offices. He obtained Bachelor of Laws in 1984 from Ateneo College of Law, and his Bachelor of Arts in History-Political Science in 1980 from De La Salle University. He was admitted to the Bar in 1985. Right after law school, he worked with the Supreme Court at the Office of the Chief Justice, Felix V. Makasiar, and then at the Office of the Court Administrator. He then worked in the Trenas Law Offices, the Acaban Corvera del Castillo Law Offices, and the Lagustan and Mabasa Law Offices. In 1996, he joined the Ponce Enrile Reyes & Manalastas Law Offices (PECABAR) and became a partner of PECABAR in July 1998-March 2004.

B. EXECUTIVE OFFICERS

The executive officers of the Company are appointed or elected annually to a one-year term (subject to removal) by the Board of Directors immediately following the Annual Stockholders' Meeting. None of the executive officers of the Company are government employees.

Name	Position
Reynaldo P. Mendoza	Officer-In-Charge/ Senior Vice President- Legal and Assistant Corporate Secretary
Lina G. Fernandez	Officer-In-Charge/ Senior Vice President- Finance and Controller / Compliance Officer for Corporate Governance
Max D. Arceño	Vice President for Finance & Treasurer
Valeriano B. Bongalos, Jr.	Vice President / Resident Manager of Benguet District Operations
Pamela M. Gendrano	Assistant Vice President- Environmental Compliance
Dale A. Tongco*	Assistant Vice President- Audit & Risk/ Risk Mgmt Officer
Hermogene H. Real	Corporate Secretary

(*)- Resigned effective February 16, 2020

Below are their respective ages, citizenships, positions held in the Company and its subsidiaries and brief description of business experiences.

REYNALDO P. MENDOZA, Filipino, 63 years old, is the designated Officer-In-Charge of the Company since October 18, 2018 and concurrently Senior Vice President for Legal (Aug. 25, 2006 to present) and Assistant Corporate Secretary (2002 to present). Currently, he also holds various positions and directorship in the following subsidiaries of the Company: He is concurrent Chairman and Acting President of Acupan Gold Mines, Inc.; Acting Chairman of BenguetCorp Nickel Mines, Inc., Agua de Oro Ventures, Inc., Ifaratoc Mineral Resources Corp. and Pillars of Exemplary Consultants, Inc.; Acting Chairman and President of Sagittarius Alpha Realty Corporation; Director and President of Batong Buhay Mineral Resources Corp.; Director and Acting President of Benguet Pantukan Gold Corporation and Berec Land Resources, Inc.; Director of BenguetCorp Laboratories, Inc., BMC Forestry Corporation, Balatoc Gold Resources Inc. Benguetrade, Inc. and BC Property Management; Director and Corporate Secretary of Benguet Management Corporation, Arrow Freight Corporation and Keystone Port Logistics and Management Services Corp. Before joining Benguet Corporation, he was Staff Lawyer of PDCP (1987-1988) and Malayan Insurance Company (1986-1987); Associate Lawyer, Castro, Villamor & Associate (1985-1986); Legal Assistant/Apprentice Lawyer, Gono Law Office (1985).

LINA G. FERNANDEZ, Filipino, 55 years old, is the designated Officer-In-Charge of the Company since October 18, 2018 and concurrently Senior Vice President for Finance & Controller since March 21, 2018 and Compliance Officer for Corporate Governance since June 1, 2018. Formerly, she was Senior Vice President for Finance & Treasurer, Nickel Marketing Officer (November 2015-March 2018); Vice President for Corporate Planning, Chief of Staff and Assistant Treasurer (August 2006-November 2015); Risk Management Officer (March 2011-March 2018) and the Compliance Officer for Corporate Governance of the Company (Dec 2016-March 2018). She also holds various positions and directorship in the following subsidiaries of the Company: Concurrent Vice President-Marketing and Director of BenguetCorp Nickel Mines, Inc. (2014-present); Chairman of Arrow Freight Corporation and Batong Buhay Mineral Resources Corporation; Acting Chairman/President of Benguet Management Corporation; Acting Chairman/Acting President of BC Property Management, Inc.; Acting Chairman of Keystone Port Logistics and Management Services Corporation, BMC Forestry Corporation, Benguet Pantukan Gold Corporation and Berek Land Resources Inc; Acting Chairman/Treasurer of Balatoc Gold Resources Corporation and Benguetrade, Inc.; Director/Acting President of Ifaratoc Mineral Resources Corporation; Director, President and COO of Pillars of Exemplary Consultants, Inc.; Director/Treasurer of Agua de Oro Ventures Inc.; and Director of BenguetCorp Laboratories Inc., Sagittarius Alpha Realty Corporation and Acupan Gold Mines, Inc. Formerly, she was Director of BenguetCorp Nickel Mines Inc. (2009-2011) and Kingking Copper-Gold Corp. (2008-2011).

MAX D. ARCEÑO, Filipino, 58 years old, is the Vice President for Finance and Treasurer of the Company since November 7, 2019. Formerly, he is Vice President for Finance, Treasurer, Taxation/Materials (March 2018-November 2019); Vice President for Accounting and Treasurer (March 2013-March 2018) and Assistant Vice President for Treasury (July 2011-February 2013). He also holds various positions of the following subsidiaries of the Company. He is concurrent Treasurer of BenguetCorp Laboratories, Inc. (Feb. 2013 to present); Director/President and GM of Arrow Freight Corporation and Benguetrade, Inc.; Director and President of Keystone Port Logistics and Management Services Corp., Director/Treasurer of BenguetCorp Nickel Mines, Inc., Benguet Management Corporation, BMC Forestry Corporation, Berek Land Resources, Inc. BC Property Management, Inc. Batong Buhay Mineral Resources Corp., Acupan Gold Mines, Inc. and Pillars and Exemplary, Inc. Director/VP and Treasurer of Benguet Pantukan Gold Corporation; and Director of Balatoc Gold Resources Corp., Sagittarius Alpha Realty Corp., Agua de Oro Ventures, Inc. and Ifaratoc Mineral Resources Corp. Mr. Arceño graduated from the University of the East (Batch 1983) with a degree in BSBA-Accounting and passed the board examination for Certified Public Accountant in 1984. He joined the Company in 1985 as Accounting Staff I, where he rose from the ranks.

VALERIANO B. BONGALOS, JR., Filipino, 70 years old, is the Vice President/Resident Manager of Benguet District Operations since January 15, 2020. Formerly, he worked with the Company as Consultant (May 2018-January 14, 2020); Vice President & General Manager of Benguet District Operations (July 2013-Sept 2015), and Mine Manager of Benguet Gold Operation (1978-1980 and in 1984-1992). Mine Manager, Lepanto Consolidated Mining Co., Lepanto, Mankayan, Benguet (2016-2017). He was Vice President for Operations and Resident Manager, Apex Mining Co., Compostella Valley, Mindanao. Inc. (May 2010-July 2011); Mine Manager, Phuoc Son Gold Company, Ltd., Quang Nam, Vietnam (November 2006-July 2009); Mine Planning Manager, Ban Phuc Nickel Mines in Hanoi, Vietnam (March to June 2006); Mine Superintendent, Lepanto Consolidated Mining Company (1999-2001); Tunnel Superintendent, San Roque Multipurpose Dam (1998); Mine Manager, Base Metal Mineral Res. Corp. (1996-1997); Project Manager, Ground Specialist, Inc.-Contractor (1994-1995); Drilling & Blasting Engineer, Al Dhary International Group in Tabuk, Saudi Arabia (1993-1994); Senior Assistant Mining Engineer, Zambia Consolidated Copper Mines (Underground Copper Mine) in Zambia, Africa (1980-1983); Project Engineer, Argonaut Mineral Exploration (1975-1978); and Shift Foreman, Long Beach Mining Corporation (1974). He is a BS Mining Engineering graduate of Mapua Institute of Technology (1973) and completed his Management Development Program at AIM in 1987. He obtained his Mining Engineering license in 1974.

PAMELA M. GENDRANO, Filipino, 53 years old, is the Assistant Vice President for Environmental Compliance since November 6, 2019. Formerly, she was AVP for Environmental Compliance-BNMI (Feb. 20, 2012-Nov. 6, 2019). Ms. Gendrano is a Masteral Degree holder of Environmental Studies and Community Development from the University of the Philippines at Los Baños where she gained it in 1992 and a Bachelor's Degree in Forestry from the same university in 1988. Her previous work experiences include: Freelance Environment Consultant (2008-2011); Technical Operations Manager/Senior Environment Management Specialist (GEOSPHERE Technologies, Inc., (2005-2008); Technical Operations Manager (Geographic Management Services Company (2002-2004); Senior Project Officer (BOI, JICA Study in Environmental Management w/ Public and Private Ownership (2002); Environment Management Specialist (Tetra Tech. Environmental Management, Inc. (1999-2001); EIA/IEE Consultant (1999); Project/Program Evaluator, Philippine-Canada Development Fund (1999); Section Chief, Strategic Coordination and Special Projects Section, DENR/EMB (1994-1999); Project Officer, Institute of Environment Science and Management-CIDA/Research Associate, UPLB-College of Forestry-JICA (1991-1995); Research Forester, DENR-Policy Planning Division (1987). Ms. Gendrano is also one of the seven (7) Filipinos accredited by the Environmental Protection Agency (EPA) of the United States of America to undertake Environmental Compliance Monitoring and Enforcement Trainings and an accredited Environmental Impact Assessment Study Preparer by the DENR-Environmental Management Bureau (EMB).

DALE A. TONGCO¹, Filipino, 55 years old, is the Assistant Vice President for Audit and Risk/ Risk Management Officer since March 21, 2018. Formerly, he was Assistant Vice President for Internal Audit of the Company (August 2015-March 2018). A Certified Public Accountant, he graduated with a degree in Commerce major in Accounting from Ateneo de Davao University. Prior to joining with the Company, he worked for Habitat for Humanity Philippines as Controller and Internal Control and Risk Management Head, and was a Partner Consultant, Audit and Advisory of C.P. De Guzman & Company. His previous work experiences include: Deputy Head/ Assistant Vice President-Enterprise Risk Management at PhilAm Life-AIA Philippines (2010-2011); Senior Manager-Financial Advisory of Deloitte Philippines(2008-2010), and KPMG Philippines (2006-2008); Head-Budget/MIS, Rizal Commercial Banking Corporation (1997-2005); Manager-Business Systems Analysis, Equitable Banking Corporation (1996-1997); Section Head-Methods and Procedures, China Banking Corporation (1990-1995); and In-charge- Banking Audit Group, SGV & Company (1986-1989).

HERMOGENE H. REAL, Filipino, 64 years old, is the Corporate Secretary of the Company since October 25, 2000. She is currently Director of publicly-listed Company, Bright Kindle Resources and Investment, Inc., where she is also Assistant Corporate Secretary (2014 to present). She is also Director of Arrow Freight Corporation; Director of Philippine Collectivemedia Corporation (2008 to present); Director, Brightgreen Resources Corporation (2014 to present); Director, Southern Alluvial Minerals and Alumina Resources Inc. (2017 to present); Director, Brightgreen Resources Holdings Inc. (2017 to present); Director, Strong Mighty Steel, Inc. (2017 to present); Director/Assistant Corporate Secretary, Mairete Asset Holdings Inc. (2017 to present); Corporate Secretary, Universal Re Condominium Corporation (1997 to 2009, 2010 to present); Corporate Secretary, Benguetcorp Nickel Mines, Inc. (2014 to present); Assistant Corporate Secretary of Doña Remedios Trinidad Romualdez Medical Foundation, Inc. (1996 to present); and Practicing Lawyer, D.S. Tantuico and Associates (1998 to present).

Retirement/Resignation of Directors and Officers

- a) Mr. Antonio L. Buenavista, retired as AVP/Resident Manager of Baguio District Operations of the Company effective July 1, 2019;
- b) Ms. Ana Margarita N. Hontiveros, voluntary retrenched as VP- Healthcare Operation / President & Director of BenguetCorp Laboratories, Inc. effective November 1, 2019;
- c) Mr. Daniel Andrew G. Romualdez, resigned as Chairman and as member of the board of directors of the Company and its subsidiaries effective November 5, 2019;
- d) Ms. Anna G. Vicedo-Montes, resigned as AVP- Business Development and Special Projects of the Company effective December 31, 2019; and.

¹ Resigned effective February 16, 2020

Significant Employees

Other than the executive officers, other employees are expected by the Company to make significant contribution to the business.

Family Relationship

None of the Directors or Executive Officers is related to another by affinity or consanguinity.

Involvement in Certain Legal Proceedings

The Company is not aware of any bankruptcy proceeding against any of its directors and officers during the past five (5) years. Neither is the Company aware of any conviction by final judgment in any criminal proceeding, or the involvement, of any of its directors or officers, in any case where such officer or director has been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting his involvement in any type of business, including those connected with securities trading, investments, insurance or banking activities.

ITEM 10. EXECUTIVE COMPENSATION

Summary Compensation Table

The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year to the President/Chief Executive Officer/Officer-In-Charge, four most highly compensated executive officers and all other directors and officers of the Company as a group are as follows:

<u>Name</u>	<u>Principal Position</u>
1. Reynaldo P. Mendoza	Officer-In-Charge / Sr. Vice President, Legal & Asst. CorpSec
2. Lina F. Fernandez	Officer-In-Charge / Sr. Vice President, Finance & Controller
3. Margarita N. Hontiveros	Vice President, Healthcare Operations <i>(Retrenched on 11/01/2019)</i>
4. Max D. Arceño	Vice President, Finance & Treasurer
5. Anna G. Vicedo-Montes	Assistant Vice President, Business Development & Special Projects <i>(Resigned on 12/31/2019)</i>
6. Dale A. Tongco	Assistant Vice President, Audit & Risk

	Year	Salary (In-Million)	Bonus (In-Million)	Other Annual Compensation
All above-named officers as a group	2020*	₱18.9	₱1.6	₱1.3
	2019**	19.3	1.7	1.7
	2018**	18.8	1.3	1.6
All other directors and officers as a group unnamed	2020*	₱3.2	₱0.3	₱1.1
	2019**	8.7	0.8	1.3
	2018**	14.3	1.0	0.8

(*) - Estimate (**) – Actual

Employment Contract with Executive Officers

The Company has no special employment contracts with its executive officers. In the ordinary course of business, the Company has employment contracts with all its employees, including officers, in compliance with the applicable labor laws and regulations. There are no compensatory plan or arrangements with any executive officers, which results or will results from the resignation, retirement or any other termination of the executive officer's employment or from a change-in-control in the Company or a change in the executive officer's responsibilities following a change in control of the Company.

Compensation of Directors

The non-executive directors of the Company do not receive any regular compensation from the Company, except for every regular, special or committee meeting actually attended, for which members of the Board of Directors receive a per diems of ₱15,000.00 (gross). There are no other material terms

of, nor any other arrangements with regard to compensation as to which directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

Retirement Plan

The Company maintained a qualified, noncontributory trusted pension plan covering substantially all of its executive officers and employees. Normal retirement age under the plan is age 60, except for non-supervisory underground mine workers who have the option to retire at age 55. An employee shall also be entitled to a benefit equal to 50% of his monthly basic salary or the normal benefit, whichever is higher, if his employment is terminated for reasons beyond his control, such as death, disability or government policy. Benefits are dependent on the years of service and the respective employee's compensation.

Incentive Bonus Plan

Since 1980, there is an Incentive Bonus Plan of the Company. The purposes of the Plan are: (1) to attract, employ and retain management personnel of outstanding competence, and (2) to motivate its management personnel to deliver superior performance in pursuing the goals and business interests of the Company. The Plan provides for a bonus award, calculated on the basis of net income, to top operating executives, managers and members of the Board of Director. Bonus awards are either paid in full directly to the awardees or are transferred to a trust fund and are payable to the awardees in three installments generally over a period of two years. Bonus awards for any year shall be paid in cash, or in common stock. Either Common Class A or Common Class B shares may be issued under the Plan subject to the legal limitations on ownership of Common Class A shares which can be owned only by Philippine citizens. From 1995 to 2019, there was no amount set aside for payment of bonuses in accordance with the Plan.

Warrants and Options Outstanding

Since 1975, there is an existing Stock Option Plan (the "Plan") for its selected staff employees, directors and consultants of the Company and its subsidiaries. The purpose in granting options are: (1) to encourage stock ownership in the Company, and thereby generate an interest in the Company and its subsidiaries, (2) to promote its affairs, and (3) to encourage its staff employees, directors and consultants to remain in the employ of the Company. The Plan have been amended several times and among others, there have been several amendments to extend the termination date of granting stock options. The latest amendment was approved by the Board of Directors on March 17, 2017 and by the stockholders of the Company during the November 8, 2018 annual stockholders' meeting, extending the termination date of granting stock options under the Plan until May 31, 2023.

The following changes in the stock option grants was approved by the Board in its meeting held on August 31, 2016 and by the stockholders during the November 8, 2019 Annual Stockholders' Meeting due to change in par value of both Class A and B shares from ₱3.00 to ₱1.00 per share: (a.) Change in the total number of unexercised shares on the May 3, 2011, September 7, 2012 and May 28, 2014 grants and corresponding change in the exercise price; (b.) Change in the maximum number of shares per grant: from 500,000 to 1,500,000 shares; and (c.) Repricing of the unexercised options in the May 3, 2011, September 7, 2012 and May 28, 2014 grants. The exercised price (net of 25% discount) is ₱1.69 per share for Class "A" and ₱1.91 per share for class "B". (The exercised price is based on closing price of August 18, 2016: Class A – ₱2.25 and Class B – ₱2.55 less 25% discount pursuant to the provisions of the Plan of the Company) The repricing was brought about by the low turn-out in the availment of the grant due to high exercise price compared to market price.

In the current implementation of the Plan, the Company granted the following stock options:

- a. On May 3, 2011, under the Plan, the Company granted stock option to its officers, directors, managers and consultants totaling 2,200,332 common shares with a par value of ₱3.00 per share consisting of 1,320,199 class "A" common shares at an exercise price of ₱16.50 per share and 880,133 class "B" common shares at an exercise price of ₱17.50 per share. Due to change in par value of both Class A and B shares from ₱3.00 to ₱1.00 per share and change of exercise prices from ₱16.50 to ₱1.69 per share for Class "A" and ₱17.50 to ₱1.91 per share, the total number of

unexercised shares were adjusted to 6,600,996 common shares consisting of 3,960,597 class “A” shares and 2,640,399 class “B” shares. The granted stock option came entirely from the unissued/cancelled shares of the April 6, 2006 option grant consisting of 7,004,000 common shares with par value of ₱3.00 per shares (adjusted to 21,012,000 common shares with par value of P1.00 per share) under the current implementation of the amended Plan. The shares are exempted from registration under SRC rules and the listing was approved by the PSE. As of December 31, 2019, the number of options granted to, exercised, and unexercised by the President/Officer-In-Charge, four (4) other most highly compensated executive officers and all other officers and directors of the Company under this grant are as follows:

	Option Grants		Option Exercise Price/Share		Options Exercised		Options Unexercised		Options Cancelled (Cessation from employment/directorship)	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
RP Mendoza	108,000	72,000	₱1.69	₱1.91	-	-	108,000	72,000	-	-
LG Fernandez	99,000	66,000	₱1.69	₱1.91	88,500	-	10,500	66,000	-	-
Four Highest Paid Named Exe. Officers:										
ANM Hontiveros	-	-	-	-	-	-	-	-	-	-
MD Arceño	86,999	58,000	₱1.69	₱1.91	-	-	86,999	58,000	-	-
AG Montes	-	-	-	-	-	-	-	-	-	-
DA Tongco	-	-	-	-	-	-	-	-	-	-
All Other Officers and Directors as a Group Unnamed	428,999	286,000	₱1.69	₱1.91	18,000	12,000	410,999	274,000	-	-

The options are non-transferable and 100% exercisable. Shares included in each installment may be exercised in whole at any time, or in part from time to time, until the expiration of the option. All shares purchased shall be paid in full, in cash, at the time of the exercise of the option. No option is exercisable after ten years from the date of the grant.

- b. On September 7, 2012, under the amended Plan, the Company granted stock option to officers, directors/members of the stock option committee and independent directors. The option grants of 828,000 common shares with a par value of P3.00 per share consisting of 496,800 class “A” common shares at an exercise price of ₱17.96 per share and 331,200 class “B” common shares an exercise price of ₱17.63 per share came entirely from the current balance of unissued / cancelled stock options under the present implementation of the Plan. Due to change in par value of both Class A and B shares from ₱3.00 to ₱1.00 per share and change of exercise prices from ₱17.96 to ₱1.69 per share for Class “A” and ₱17.63 to ₱1.91 per share, the total number of unexercised shares were adjusted to 1,872,000 common shares consisting of 1,123,200 class “A” shares and 748,800 class “B” shares. As of December 31, 2019, the number of options granted to, exercised, and unexercised by the President/Officer-In-Charge, four (4) other most highly compensated executive officers and all other officers and directors of the Company under this grant are as follows:

	Option Grants		Option Exercise Price/Share		Options Exercised		Options Unexercised		Options Cancelled (Cessation from employment / directorship)	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
RP Mendoza	-	-	-	-	-	-	-	-	-	-
LG Fernandez	-	-	-	-	-	-	-	-	-	-

Four Highest Paid Named Exe. Officers:										
ANM Hontiveros	-	-	-	-	-	-	-	-	-	-
MD Arceño	-	-	-	-	-	-	-	-	-	-
AG Montes	-	-	-	-	-	-	-	-	-	-
DA Tongco	-	-	-	-	-	-	-	-	-	-
All Other Officers and Directors as a Group Unnamed	396,000	264,000	₱1.69	₱1.91	-	-	306,000	204,000	90,000	60,000

Under the amended Plan, options are non-transferable and 100% exercisable. Options are exercisable to the extent of 30% after one year from the grant, 60% after two years from the grant, and 100% after three years from the grant. Shares included in each installment may be exercised in whole at any time, or in part from time to time, until the expiration of the option. No option is exercisable after ten years from the date of the grant. Payment may be made in full and in cash or installment over three years, at the time of the exercise of the option, provided that the stock certificate shall be issued only upon full payment of the option price.

- c. On May 28, 2014, under the amended Plan, the Company granted stock option to certain directors in recognition of their long years of service to the Company. The option grants of 600,000 common shares with Par Value of ₱3.00 per shares consisting of 360,000 class “A” common shares at an exercise price of ₱7.13 per share and 240,000 class “B” common shares an exercise price of ₱7.13 per share came entirely from the current balance of unissued / cancelled stock options under the present implementation of the Plan. Due to change in par value of both Class A and B shares from ₱3.00 to ₱1.00 per share and change of exercise prices from ₱7.13 to ₱1.69 per share for Class “A” and ₱7.13 to ₱1.91 per share, the total number of unexercised shares were adjusted to 1,800,000 common shares consisting of 1,080,000 class “A” shares and 720,000 class “B” shares. As of December 31, 2019, the number of options granted to, exercised, and unexercised by the President/Officer-In-Charge, four (4) other most highly compensated executive officers and all other officers and directors of the Company under this grant are as follows:

	Option Grants		Option Exercise Price/Share		Options Exercised		Options Unexercised		Options Cancelled (Cessation from employment / directorship)	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
RP Mendoza	-	-	-	-	-	-	-	-	-	-
LG Fernandez	-	-	-	-	-	-	-	-	-	-
Four Highest Paid Named Exe. Officers:										
ANM Hontiveros	-	-	-	-	-	-	-	-	-	-
MD Arceño	-	-	-	-	-	-	-	-	-	-
AG Montes	-	-	-	-	-	-	-	-	-	-
DA Tongco	-	-	-	-	-	-	-	-	-	-
All Other Officers and Directors as a Group Unnamed	1,080,000	720,000	₱1.69	₱1.91	-	-	1,080,000	720,000	-	-

Under the amended Plan, options are non-transferable and 100% exercisable. Options are exercisable to the extent of 30% after one year from the grant, 60% after two years from the grant, and 100% after three years from the grant. Shares included in each installment may be exercised in whole at any time, or in part from time to time, until the expiration of the option. No option is exercisable after ten years from the date of the grant. Payment may be made in full and in cash or installment over three years, at the time of the exercise of the option, provided that the stock certificate shall be issued only upon full payment of the option price.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners

The following table sets forth certain information about persons (or “groups” of persons) known by the Company to be the directly or indirectly the record or beneficial owner of more than five percent (5%) of any class of the Company’s outstanding stocks as of May 31, 2020.

Title of Class	Name, Address of Record Owner And Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares Held	Percent Per Class
Class A Common	PCD Nominee Corporation (Filipino), G/F MSE Bldg., Ayala Avenue, Makati City. (Stockholder)	(see note ²)	Filipino	175,970,472	47.46%
	Palm Ave. Holding Company, Inc. 3F Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note ³)	Filipino	65,624,727	17.70%
	Palm Avenue Holdings Company and/ or Palm Avenue Realty Corp., MM, Phil. Sequestered by the Republic of the Philippines, Presidential Commission on Good Government under Executive Order Nos. 1 & 2 c/o PCGG, IRC Bldg., #82 EDSA, Mandaluyong City. (Stockholder)	(see note ³)	Filipino	63,920,490	17.24%
	Palm Avenue Holdings Company and/or Palm Avenue Realty Corporation, Metro Manila, Philippines. Sequestered by the Republic of the Philippines thru PCGG under E.O. Nos. 1 & 2 and reverted to Palm Avenue as sequestered shares per Supreme Court Entry of Judgment dated March 15, 1993 in G.R. No. 90667 entitled Republic of the Philippines vs. Sandiganbayan, Palm Avenue Realty Development Corp. and Palm Avenue Holdings Company c/o PCGG, IRC Bldg., #82 EDSA Mandaluyong City. (Stockholder)	(see note ³)	Filipino	30,834,375	8.32%
Class A Convertible Preferred	PCD Nominee Corporation (Filipino), G/F MSE Bldg., Ayala Avenue, Makati City. (Stockholder)	(see note ²)	Filipino	64,780	29.84%
	Fairmount Real Estate c/o PCGG 6 th Floor, PhilComcen Bldg., Ortigas Avenue cor. San Miguel Avenue, Pasig City (Stockholder)	(see note ⁴)	Filipino	59,262	27.30%
	PCD Nominee Corporation (Filipino), G/F MSE Bldg., Ayala Avenue, Makati City. (Stockholder)	(see note ²)	Filipino	106,368,734	43.40%
	Palm Ave. Realty & Devt. Corporation, 3F				

² PCD Nominee Corporation (“PCDNC”) is a wholly-owned subsidiary of Philippine Central Depository, Inc. (“PCD”). The beneficial owners of such shares registered under the name of PCDNC are PCD’s participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares, instead the participants have the power to decide how the PCD shares in Benguet Corporation are to be voted.

³ The Company is not aware of who is/are the direct or indirect beneficial owner/s of the stocks issued to Palm Avenue Holdings Company, Inc. and Palm Avenue Realty and Development Corporation (the “Palm Companies”). In the November 7, 2019 Annual Stockholders’ Meeting of the Company, the Palm Companies issued a proxy in favor of its legal counsels, Attys. Otilia Dimayuga-Molo/Andrea Rigonan-Dela Cueva, to vote in all matters to be taken up in the stockholders’ meeting.

⁴ Sequestered shares which is presently in trust by PCGG and the record owner of which is Fairmount Real Estate. The Company is not aware of who is/are the direct or indirect beneficial owner/s of the stocks issued to Fairmount Real Estate.

Class B Common	Universal Re-Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note ³)	Filipino	43,680,000	17.82%
	PCD Nominee Corporation (Non-Filipino), G/F MSE Bldg., Ayala Avenue, Makati City. (Stockholder)	(see note ²)	American	31,712,949	12.94%
	CEDE & CO. (Non-Filipino), P.O. Box 20, Bowlig Green Stn. New York NY 10274	(see note ⁵)	American	29,674,860	12.11%

Please note that: (a) Palm Avenue Holding Company, Inc. and Palm Avenue Holdings Company are one and the same corporation, and (b) Palm Avenue Realty and Development Corporation and Palm Avenue Realty Corporation are one and the same corporation.

The following are participants under the account of PCD Nominee who hold five percent (5%) or more of any class of the Company's outstanding capital stocks as of May 31, 2020

Title of Class	Name, Address of Record Owner And Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares Held	Percent Per Class
Class A Common	RYM Business Management Corporation, Universal Re Building, 106 Paseo de Roxas, Makati City (Stockholder)	(see note ⁶)	Filipino	62,930,820	16.97%
Class B Common		(see note ⁶)	Filipino	60,108,441	24.53%

Security Ownership of Management

The following table sets forth certain information as of May 31, 2020, as to each class of the Company's securities owned by the Company's directors and officers. The Company is not aware of any indirect beneficial ownership of Directors and Executive Officers of the Company.

Title of Class	Name of Beneficial Owner	Citizenship	Amount and nature of beneficial ownership	Percent Per Class
A	Maria Remedios R. Pompidou	Filipino	15	0.000%
A	Rhodora L. Dapula	Filipino	1	0.000%
A	Jose Raulito E. Paras	Filipino	1	0.000%
A	Reginald S. Velasco	Filipino	1	0.000%
A	Romeo L. Go	Filipino	3	0.000%
A	Luis Juan L. Virata	Filipino	234,003	0.063%
B			69,600	0.028%
A	Andrew Patrick R. Casiño (Appointed as Director effective 06/04/2020)	Filipino	3	0.000%
B			3	0.000%
B	Jennelyn F. Go	Filipino	1	0.000%
B	Jesse H.T. Andres	Filipino	1	0.000%
B	Bernardo M. Villegas	Filipino	3	0.000%
B	Edgar Dennis A. Padernal	Filipino	1	0.000%

⁵ Cede & Co is the registered owner of the shares in the books of the Company's transfer agent Stock Transfer Service, Inc (STSI). Cede & Co operates as a subsidiary of Depository Trust Company (DTC) a New York City-based central securities depository, the securities holding bank for most stock brokerages, shares of stock that are held in brokerage accounts. During stockholders' meeting, DTC provides Omnibus Proxy as soon as possible after the record date. The Omnibus Proxy assign Cede & Co. consenting on voting rights to Cede's participants to whom account securities are credited on the record date. To the best knowledge of the Company, there are no participants under the Cede & Co account who own more than 5% of the Company's voting securities. Cede & Co. and DTC, the securities holding bank for most stock brokerages in U.S., is not in any way related to the Company.

⁶ The Company is not aware of who is/are the direct or indirect beneficial owner/s of the stocks issued to RYM Business Management Corporation. In the November 7, 2019 Annual Stockholders' Meeting of the Company, the RYM Business Management Corporation issued a proxy in favor of its legal counsel, Atty. Remegio C. Dayandayan, Jr., and/or its Corporate Secretary, Minda P. De Paz, to vote in all matters to be taken up in the stockholders' meeting.

A	Reynaldo P. Mendoza	Filipino	6,666	0.002%
A	Lina G. Fernandez	Filipino	114,066	0.031%
A	Max D. Arceño	Filipino	1,533	0.000%
A	Hermogene H. Real	Filipino	53,100	0.014%
B			300	0.000%
As a Group				
Class A Convertible Preferred		Filipino	59,262 shares ⁷	27.302%
Class A Common		Filipino	223,719,804 shares ⁸	60.344%
Class B Common		Filipino	103,858,350 shares ⁹	42.385%

Voting Trust Holders of 5% or More

There are no voting trust holders of 5% or more.

Changes in Control of the Registrant

There had been no changes in control of the Company that had occurred since the beginning of the last fiscal year. Furthermore, management is not aware of any arrangement, which may result changes in control of the Company.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

- a) There are no transactions or proposed transactions during the last two years in which the registrant or any director or executive officers, any nominee for election as director, any security holder or member of their immediate families, is a party and the amount of which exceeds P500,000.00. None of the directors, officers or affiliates of the Company, or beneficial owner of more than 10% of any class of voting securities of the Company, or any associate of any such director or security holder, or any of its subsidiaries, has a material interest adverse to the Company or any of its subsidiaries.
- b) There were no transactions with promoters since the Company was organized far beyond the five (5) years period requirement.
- c) The Company has no parent company.
- d) Intercompany transactions are eliminated in the consolidated financial statements. Items eliminated are separately disclosed in a schedule in accordance with Philippine SEC requirements under SRC Rule 68, as Amended (2011). Information regarding related party disclosure is discussed and presented on Note 29 – Related Party Disclosures of the Notes to 2019 Audited Consolidated Financial Statements of the Company.

PART IV – CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

The Company continues to further improve its current code of corporate governance practices and to develop an efficient and effective evaluation system and processes that governs the performance of the Board of Directors and management or determine the level of compliance of the Board of Directors and management with the new Manual of Corporate Governance (the “Manual”) of the Company. The new

⁷ Include 59,262 Convertible Preferred Class A shares, the record owner of which is Fairmount Real Estate which is presently in trust by PCGG. In the past stockholders’ meetings of the Company, the shares of Fairmount Real Estate were not voted by any person or proxies. The Company is not aware of who is/are the direct or indirect beneficial owner/s of the stocks issued to Fairmount Real Estate

⁸ Include 30,834,375 and 63,920,490 sequestered Common Class A shares, the record owners of which are Palm Avenue Holdings Company and/or Palm Avenue Realty Corporation and presently held in trust by PCGG. Also included is 65,624,727 Common Class A shares, the record owner of which is Palm Avenue Holding Co., Inc. and 62,930,820 Common Class A shares, the record owner of which is RYM Business Management Corporation (PCD Nominee).

⁹ Include 43,680,000 Common Class B shares, the record owner of which is Palm Avenue Realty and Development Corporation and 60,108,441 Common Class B shares, the record owner of which is RYM Business Management Corporation (PCD N

Manual was adopted to institutionalize the principles of good corporate governance in the entire organization and in compliance with SEC Memorandum Circular No. 19, S2016, Corporate Governance Code for Publicly Listed Companies. In May 2019, the Company submitted to the Commission/Exchange the SEC mandated reportorial on Integrated Annual Corporate Governance Report (I-ACGR).

The directors, officers and employees substantially adhere to the leading practices and principles of good corporate governance. Corporate governance policies and principles were established to ensure that the interest of stakeholders are always taken into account; that directors, officers and employees are conducting business in a safe and sound manner; and that transactions entered into between the Company and related interests are conducted at arm's length basis and in the regular course of business. There are no incidences of deviation from the Company's Manual requiring disclosure as to the person/s and sanction/s imposed.

In compliance with SEC Memorandum Circular 4 Series of 2019, attached to this Annual Report (SEC form 17-A) is the Company's Sustainability Report (Annex "A") for the year ended 2019.

PART V – EXHIBITS AND SCHEDULES

ITEM 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

(A) Exhibits and Schedules

1. Benguet Corporation & Subsidiaries - Audited Consolidated Financial Statements for fiscal year ended December 31, 2019:

- Statement of Management's Responsibility for Consolidated Financial Statements
- Independent Auditors' Report
- Audited Consolidated Financial Statements & Notes for the year ended December 31, 2019
- Independent Auditors' Report on Supplementary Schedules
 - Schedule I : Reconciliation of Retained Earnings Available for Dividends Declaration
 - Schedule II : Schedule of Financial Ratios
 - Schedule III: Map Showing the Relationship of the Companies within the Group

Schedule as Required by SRC Rule 68-E

- Schedule A. Financial Assets
- Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
- Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
- Schedule D. Long Term Debt
- Schedule E. Indebtedness to Related Parties
- Schedule F. Guarantees of Securities of Other Issuers
- Schedule G. Capital Stock

(B) The following disclosures have been reported and disclosed to the SEC and PSE under SEC Form 17-C during the last six months period covered by this report including disclosure up to June 04, 2020:

Date of SEC Form 17-C	Description of Disclosure
06.04.2020	Board approval on the holding of virtual annual stockholders meeting on November 11, 2020 at 3 PM, Benguet Corporation's board room, 7 th Flr Universal Re Building, 106 Paseo de Roxas, Makati City, with September 21, 2020 as the record date for stockholders entitled to notice of, and to vote at this meeting.
06.04.2020	Board approval on: <ul style="list-style-type: none"> - 2019 audited parent & consolidated financial statements of the Company - Appointment of Atty. Andrew Patrick R. Casiño as Director of the Company - Appointment of directors and officer in the Board Committees
06.03.2020	Report on shares by lot for the month of May 2020
06.03.2020	Report on the implementation of stock option plan for the month of May 2020
05.08.2020	Report on the implementation of stock option plan for the month of April 2020
05.07.2020	Report on shares by lot for the month of April 2020
03.13.2020	The Company apprised the investing public the impact of Covid-19 to its business operations.
02.13.2020	Resignation of Mr. Dale A. Tongco, AVP, Audit & Risks effective Feb. 16, 2020.
01.15.2020	Board approval on the appointment of Mr. Valeriano B. Bongalos as VP-Resident Manager of Benguet District Operations effective January 15, 2020.
12.19.2019	Resignation of Ms. Anna G. Vicedo-Montes as AVP-Business Development and Special Projects effective December 31, 2019.
11.08.2019	Stockholders approval to change the schedule of the regular annual stockholders' meeting of the Company from last Tuesday of May of each year or on such other day in May as may be determined by the Board of Directors to the First Wednesday of November of each year or on such other day in November as may be determined by the Board of Directors.
11.07.2019	Results of Annual Meeting of the Stockholders and Organizational Meeting of the Board of Directors held on 07 November 2019, 3:00 p.m. at the 4 th Floor, JV Del Rosario, Rooms 2-5, JV Del Rosario Building, AIM Conference Center Manila, Benavidez cor. Trasierra Streets, Legaspi Village, 1229 Makati City.
11.05.2019	Board approval on the resignation of Mr. Daniel Andrew G. Romualdez as Chairman and as member of the board of directors of the Company and its subsidiaries effective November 5, 2019; and Board approval on the appointment of Atty. Romeo L. Go as Director of the Company effective November 5, 2019.
10.30.2019	Voluntary retrenchment (under BCLI retrenchment program) of Ms. Ana Margarita N. Hontiveros as Vice President-healthcare operations of the Company and as President and Director of BCLI effective November 1, 2019.
10.24.2019	BenguetCorp's policy on related party transactions
09.10.2019	PSE clarification of the article referring to Benguet Corporation entitled "What a tangled web Villar and Romualdez weave over mining deal"

SIGNATURES


Pursuant to the requirement of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on July 15, 2020.

BENGUET CORPORATION

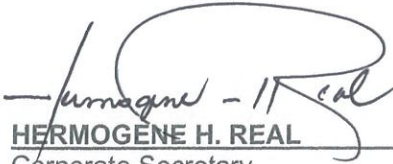
(Issuer)

By:


LINA G. FERNANDEZ
Officer-In-Charge /
Senior Vice President- Finance & Controller


REYNALDO P. MENDOZA
Officer-In-Charge /
Senior Vice President, Legal and
Asst. Corporate Secretary


MAX D. ARCEÑO
Vice President, Finance & Treasurer

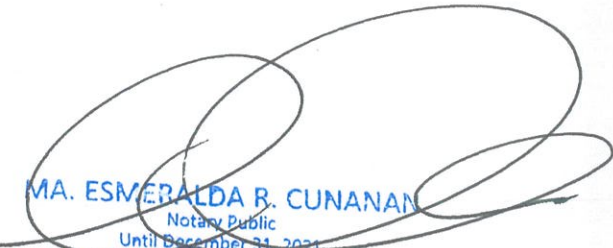

HERMOGENE H. REAL
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY : S.S.
X-----X

JUL 15 2020

SUBSCRIBED AND SWORN to before me this ___ day of July, 2020 at Makati City, Affiants exhibited to me their identifications to wit: Atty. Lina G. Fernandez with Social Security System No. 03-7537025-8, Atty. Reynaldo P. Mendoza with Social Security System No. 03-3865936-9; Atty. Hermogene H. Real with Social Security System No. 03-3865936-9 and Max D. Arceño, with Social Security System No. 03-8205668-8, all are issued by the Office of the Social Security System, Philippines.

Doc. No. 44
Page No. 10
Book No. XIV
Series of 2020.


MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2021
Appt. No. M-27 (2020-2021) Attorney's Roll No. 34562
MCLE Compliance No. V1-0008196/4-23-2018
P/R No. 8116147/1-2-2020/Makati City
IBP Lifetime Member Roll No. 05412
Ground Level, Deia Rosa Carpark I
Deia Rosa St. Legaspi Village,
Makati City



STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Benguet Corporation (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Bernardo M. Villegas
BERNARDO M. VILLEGAS
Chairman of the Board

Reynaldo P. Mendoza
REYNALDO P. MENDOZA
Officer-In-Charge / Sr. Vice President
Legal/Ass't. Corporate Secretary

Lina G. Fernandez
LINA G. FERNANDEZ
Officer-In-Charge / Sr. Vice President
Finance & Controller

Signed this 10th day of June, 2020.

Republic of the Philippines)
City of Makati : s.s.

JUN 10 2020

SUBSCRIBED AND SWORN to before me this _____th day of June, 2020 at Makati City, affiants exhibited to me their identifications, to wit: Mr. Bernardo M. Villegas with SSS No. 03-1245504-2, Mr. Reynaldo P. Mendoza with SSS No. 03-3865936-9, and Ms. Lina G. Fernandez with SSS No. 03-75370258, all issued by the Office of the Social Security System, Philippines.

Doc. No. 28
Page No. 07
Book No. XV
Series of 2020.

Ma. Esmeralda R. Cunanan
MA. ESMERALDA R. CUNANAN
Notary Public

Until December 31, 2023
Bar No. 1224 (2020-2021) Attorney's Roll No. 34562
IACLE Compliance No. VI-0008196/4-23-2018
P. R. No. 2116147/1-2-2020/Makati City
No. Lifetime Member Roll No. 05413
Ground Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village,
Makati City

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	1	3	4	1					
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COMPANY NAME

B	E	N	G	U	E	T		C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U	B	S	I	D
I	A	R	I	E	S																								

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

7	t	h		F	l	o	o	r	,		U	n	i	v	e	r	s	a	l		R	e	-	B	u	i	l	d	i
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a	k	a	t	i		C	i	t	y																				

Form Type A A C F S	Department requiring the report C R M D	Secondary License Type, If Applicable N / A
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COMPANY INFORMATION

Company's Email Address admin@benguetcorp.com	Company's Telephone Number (02) 8812-1380	Mobile Number N/A
No. of Stockholders 16,906	Annual Meeting (Month / Day) November 11	Fiscal Year (Month / Day) December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person Atty. Lina G. Fernandez	Email Address lfernandez@benguetcorp.com	Telephone Number/s (02) 8812-1380	Mobile Number N/A
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CONTACT PERSON'S ADDRESS

65 Sikap Street, Mandaluyong City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Benguet Corporation
7th Floor, Universal Re-Building
106 Paseo de Roxas, Makati City

Opinion

We have audited the consolidated financial statements of Benguet Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Valuation of Land at Fair Value

The Group accounts for its land as investment properties and as property, plant and equipment using the fair value model. As at December 31, 2019, land classified as investment properties amounts to ₱2,478.86 million and represents 36% of the consolidated total assets while land classified as property, plant and equipment amounts to ₱1,621.15 million represents 23%. The determination of the fair values of these properties involves significant management judgment and estimations. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. Thus, we considered the valuation of land as a key audit matter.

The disclosures relating to investment properties are included in Note 12 while those relating to property, plant and equipment are included in Note 10 to the consolidated financial statements.

Audit Response

We evaluated the competence and capabilities of the external appraisers by considering their qualifications, experience and reporting responsibilities. We assessed the methodology adopted by referencing common valuation models and reviewed the relevant information supporting the sales and listings of comparable properties. We also inquired from the external appraisers the basis of adjustments made to the sales price.

Recoverability of Deferred Mine Exploration Costs

As at December 31, 2019, the carrying value of the Group's deferred mine exploration costs amounted to ₱449.18 million. These deferred exploration costs pertain to the expenditures incurred by the Group for the mining properties located in Benguet and Zambales. Under PFRS 6, *Exploration and Evaluation of Mineral Resources*, these deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceed the recoverable amounts. The ability of the Group to recover its deferred mine exploration costs would depend on the (a) status of each mine exploration project and plans on exploration and evaluation activities; (b) validity of the licenses, permits and correspondences related to each mine exploration project; (c) plans to abandon existing mine areas and plans to discontinue exploration activities; and (d) availability of information suggesting that the recovery of expenditure is unlikely. We considered this is a key audit matter because of the materiality of the amount involved and the significant judgment required in assessing whether there is any indication of impairment.

The Group's disclosures in relation to deferred exploration costs are included in Note 11 to the consolidated financial statements.

Audit Response

We obtained management's assessment on whether there is any indication that deferred mine exploration costs may be impaired. We inquired the status of each exploration project as of December 31, 2019, as certified by the Group's technical group head and compared it with the disclosures submitted to regulatory agencies. We reviewed contracts and agreements, and budgets for exploration and development costs. We inspected the licenses, permits and correspondences of each mine exploration project to determine that the period for which the Group has the right to explore in the specific areas has not expired, will not expire in the near future, and will be renewed accordingly. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.



Recoverability of Property, Plant and Equipment

The Group is adversely affected by the status of its mining operations and the continued volatility in gold and nickel prices in the market. In the event that an impairment indicator is identified, the assessment of the recoverable amount of property, plant and equipment requires significant judgment and involves estimation and assumptions about future production levels and costs, as well as external inputs such as commodity prices, discount rate, and foreign currency exchange rates. Hence, such assessment is a key audit matter in our audit.

The disclosures in relation to property, plant and equipment are included in Note 10 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies, composition of estimates, and discount rate used. We also evaluated the assumptions used by management which include the expected life of the mining project, forecasted production levels and costs as well as external inputs such as forecasted average commodity prices and foreign currency exchange rates. We compared the key assumptions used against the mine life based on the ore reserve reports, production reports from the operations departments, forecasted average market price of gold and nickel, discount rate based on industry weighted average capital cost, and foreign currency exchange rates of various financial institutions. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of property, plant and equipment.

Suspension of Nickel Mining Operations

Benguetcorp Nickel Mines, Inc. (BNMI) was registered primarily to carry on the business of operating mineral properties, mines and of prospecting, exploration and of mining. On July 8, 2016, BNMI received from the regional offices of Department of Environment and Natural Resources, Mines and Geosciences Bureau and Environmental Management Bureau, a joint suspension order, which suspended its mining operations. Subsequently, BNMI was only allowed to haul and sell its existing stockpile, which was mined before the suspension took effect, in order to avoid any adverse impact on the environment. We consider this as a key audit matter because the Group's assessment on the potential outcome of the suspension order and impact on the Group's operations, financial position and performance requires a significant level of judgment.

The Group's disclosures about the suspension of BNMI's nickel mining operations are included in Note 1 to the consolidated financial statements.

Audit Response

We evaluated management's assessment on the potential outcome of the suspension order by reviewing publicly available information on the results of the review commissioned by Mining Industry Coordinating Council of BNMI's mine site operations, discussing with management its planned action steps to address the findings, and the feasibility of management's plans. We obtained an understanding of management's legal position and basis on this matter. We also obtained and evaluated management's assessment of the potential impact on the Group of the continued suspension of BNMI's mining operations, including the cashflow projections prepared by management (see audit response to the key audit matter on impairment of property, plant and equipment for further discussion on the review of the methodology and key assumptions used).



Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

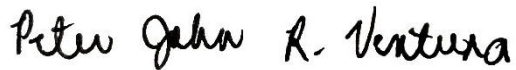
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



The engagement partner on the audit resulting in this independent auditor's report is Peter John R. Ventura.

SYCIP GORRES VELAYO & CO.



Peter John R. Ventura

Partner

CPA Certificate No. 0113172

SEC Accreditation No. 1735-A (Group A),

January 15, 2019, valid until January 14, 2022

Tax Identification No. 301-106-741

BIR Accreditation No. 08-001998-140-2018,

December 17, 2018, valid until December 16, 2021

PTR No. 8125315, January 7, 2020, Makati City

June 4, 2020



BENGUET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱77,172	₱302,118
Trade and other receivables (Note 5)	289,955	210,872
Inventories (Note 6)	132,157	128,999
Other current assets (Note 7)	314,147	632,107
Total Current Assets	813,431	1,274,096
Asset classified as held for sale (Note 9)	–	4,130
	813,431	1,278,226
Noncurrent Assets		
Property, plant and equipment (Note 10)		
At revalued amount	1,673,288	1,236,471
At cost	963,864	964,211
Financial assets measured at fair value through other comprehensive income (FVOCI) (Note 8)	13,168	10,798
Deferred mine exploration costs (Note 11)	449,181	538,998
Investment properties (Note 12)	2,478,862	2,217,566
Deferred tax assets - net (Note 31)	47,732	73,591
Other noncurrent assets (Note 13)	482,014	307,616
Total Noncurrent Assets	6,108,109	5,349,251
TOTAL ASSETS	₱6,921,540	₱6,627,477
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 15)	₱576,856	₱858,586
Loans payable (Note 14)	507,893	530,670
Lease liabilities (Note 16)	2,476	–
Liability for mine rehabilitation (Note 17)	25,007	–
Income tax payable	721	28
Total Current Liabilities	1,112,953	1,389,284
Noncurrent Liabilities		
Lease liabilities - net of current portion (Note 16)	5,583	–
Liability for mine rehabilitation - net of current portion (Note 17)	66,575	90,329
Pension liability (Note 30)	62,562	54,127
Deferred tax liabilities - net (Note 31)	848,016	725,721
Other noncurrent liabilities (Note 18)	414,201	429,953
Total Noncurrent Liabilities	1,396,937	1,300,130
Total Liabilities	2,509,890	2,689,414
Equity		
Capital stock (Note 19)	616,863	616,863
Capital surplus (Note 19)	380,382	376,964
Retained earnings	2,217,403	2,029,559
Other components of equity (Note 19)	1,205,018	922,693
	4,419,666	3,946,079
Treasury shares (Note 19)	(8,016)	(8,016)
Total Equity	4,411,650	3,938,063
TOTAL LIABILITIES AND EQUITY	₱6,921,540	₱6,627,477

See accompanying Notes to Consolidated Financial Statements.



BENGUET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share)

	Years Ended December 31		
	2019	2018	2017
REVENUE (Note 21)	₱802,067	₱1,008,704	₱1,462,893
COSTS AND OPERATING EXPENSES			
Costs of mine products sold (Note 22)	(504,267)	(688,362)	(859,143)
Costs of services and other sales (Note 23)	(49,795)	(67,980)	(96,543)
Selling and general expenses (Note 24)	(340,343)	(407,618)	(480,666)
Excise taxes and royalty fees (Notes 21 and 33)	(29,375)	(45,163)	(56,533)
	(923,780)	(1,209,123)	(1,492,885)
INTEREST EXPENSE (Notes 14, 16 and 37)	(2,031)	(4,828)	(4,556)
OTHER INCOME - net (Note 27)	272,073	337,690	81,195
INCOME BEFORE INCOME TAX	148,329	132,443	46,647
PROVISION FOR INCOME TAX (Note 31)	32,592	13,401	25,175
NET INCOME	₱115,737	₱119,042	₱21,472
BASIC AND DILUTED EARNINGS			
PER SHARE (Note 32)	₱0.19	₱0.19	₱0.03

See accompanying Notes to Consolidated Financial Statements.



BENGUET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2019	2018	2017
NET INCOME	₱115,737	₱119,042	₱21,472
OTHER COMPREHENSIVE INCOME, NET OF TAX			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Translation adjustment on foreign subsidiaries	871	(127)	(277)
Unrealized gain on changes in fair value of AFS financial assets (Note 8)	–	–	203
Realized gain on disposal of AFS financial asset (Note 8)	–	–	(10)
	871	(127)	(84)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Revaluation of land (Note 10)	316,392	119,241	–
Revaluation of artworks (Note 10)	21,562	–	3,399
Remeasurement gains (loss) on pension liability (Note 30)	(2,788)	(5,073)	20,845
Unrealized gain on intangible asset (Note 13)	135	–	–
Unrealized gain on equity instruments designated at FVOCI (Note 8)	83	336	–
	335,384	114,504	24,244
OTHER COMPREHENSIVE INCOME, NET OF TAX	336,255	114,377	24,160
TOTAL COMPREHENSIVE INCOME	₱451,992	₱233,419	₱45,632

See accompanying Notes to Consolidated Financial Statements.



BENGUET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Thousands)

	Other comprehensive income - net of deferred tax effect											
	Capital stock (Note 19)	Capital surplus (Note 19)	Cost of share-based payment (Notes 19 and 20)	Revaluation increment on land and artworks (Note 19)	Cumulative translation adjustment on foreign subsidiaries (Note 19)	Remeasurement gain on pension liability (Note 30)	Unrealized gain on financial assets at FVOCI (Note 8)	Unrealized gain on intangible asset (Note 13)	Total other comprehensive income	Retained earnings	Treasury shares (Note 19)	Total
Balances at January 1, 2017	₱616,155	₱367,862	₱32,995	₱717,029	₱33,125	₱8,429	₱866	₱-	₱759,449	₱1,888,663	(₱8,016)	₱3,657,108
Stock options vested	-	-	660	-	-	-	-	-	-	-	-	660
Stock options exercised	708	5,123	(4,587)	-	-	-	-	-	-	-	-	1,244
Expiration and forfeiture of stock options	-	2,741	(2,741)	-	-	-	-	-	-	-	-	-
Net income	-	-	-	-	-	-	-	-	-	21,472	-	21,472
Other comprehensive income (loss)	-	-	-	3,399	(277)	20,845	193	-	24,160	-	-	24,160
Total comprehensive income (loss)	-	-	-	3,399	(277)	20,845	193	-	24,160	21,472	-	45,632
Balances at December 31, 2017	616,863	375,726	26,327	720,428	32,848	29,274	1,059	-	783,609	1,910,135	(8,016)	3,704,644
Cancellation of stock options (Note 19)	-	1,238	(1,238)	-	-	-	-	-	-	-	-	-
Transfer of fair value reserve on disposed financial assets at FVOCI	-	-	-	-	-	-	(382)	-	(382)	382	-	-
Net income	-	-	-	-	-	-	-	-	-	119,042	-	119,042
Other comprehensive income (loss)	-	-	-	119,241	(127)	(5,073)	336	-	114,377	-	-	114,377
Total comprehensive income (loss)	-	-	-	119,241	(127)	(5,073)	336	-	114,377	119,042	-	233,419
Balances at December 31, 2018	616,863	376,964	25,089	839,669	32,721	24,201	1,013	-	897,604	2,029,559	(8,016)	3,938,063
Cancellation of stock options (Note 19)	-	3,418	(3,418)	-	-	-	-	-	-	-	-	-
Realization of revaluation increment on sale of investment property (Note 12)	-	-	-	(50,387)	-	-	-	-	(50,387)	50,387	-	-
Realization of deferred tax liability on sale of investment property (Note 12)	-	-	-	-	-	-	-	-	-	21,595	-	21,595
Transfer of fair value reserve on disposed financial asset at FVOCI	-	-	-	-	-	-	(125)	-	(125)	125	-	-
Net income	-	-	-	-	-	-	-	-	-	115,737	-	115,737
Other comprehensive income (loss)	-	-	-	337,954	871	(2,788)	83	135	336,255	-	-	336,255
Total comprehensive income (loss)	-	-	-	337,954	871	(2,788)	83	135	336,255	115,737	-	451,992
Balances at December 31, 2019	₱616,863	₱380,382	₱21,671	₱1,127,236	₱33,592	₱21,413	₱971	₱135	₱1,183,347	₱2,217,403	(₱8,016)	₱4,411,650

See accompanying Notes to Consolidated Financial Statements.



BENGUET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P148,329	P132,443	P46,647
Adjustments for:			
Provision for impairment losses on deferred mine exploration costs (Note 11)	94,930	72,059	–
Depreciation and depletion (Notes 10 and 26)	38,502	83,130	124,075
Noncapitalizable additions to liability for mine rehabilitation (Notes 17 and 27)	18,373	–	–
Change in estimate of liability for mine rehabilitation (Notes 17 and 27)	(9,672)	(8,226)	(5,771)
Accretion expense (Notes 17 and 27)	6,467	4,940	4,267
Movements in pension liability	4,452	457	(2,407)
Interest expense (Notes 14, 16 and 37)	2,031	4,828	4,556
Provision for impairment loss on other noncurrent assets (Notes 13 and 27)	1,838	95,374	–
Interest income (Notes 4, 13 and 27)	(1,727)	(261)	(264)
Stock option expense (Notes 19 and 23)	–	–	660
Loss (gain) on:			
Revaluation on investment property (Notes 12 and 27)	(287,213)	(605,820)	(5,167)
Sale of investment property (Notes 12 and 27)	(68,592)	–	–
Net foreign exchange	(11,491)	7,083	(726)
Retirement of property, plant and equipment (Notes 10 and 27)	–	60,404	–
Write-off of deferred mine exploration costs (Notes 11 and 27)	–	11,462	–
Legal settlement (Notes 13 and 27)	–	9,425	–
Disposal of property, plant and equipment (Notes 10 and 27)	–	(1,507)	(45,573)
Write-off of loans (Notes 14 and 27)	–	–	(38,644)
Disposal of financial assets at FVOCI and AFS financial assets (Note 8)	–	–	(15)
Operating income (loss) before working capital changes	(63,773)	(134,209)	81,638
Decrease (increase) in:			
Trade and other receivables	(13,961)	276,210	(38,646)
Inventories	(2,853)	38,275	70,897
Other current assets	81,763	287,180	(42,779)
Increase (decrease) in trade and other payables	(281,800)	(165,868)	4,594
Net cash flows generated from (used in) operations	(280,624)	301,588	75,704
Income taxes paid	(32)	(29,006)	(48,441)
Interest received	1,727	261	264
Interest expense paid	(2,031)	(4,828)	(4,544)
Net cash flows from (used in) operating activities	(280,960)	268,015	22,983
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of:			
Investment properties (Note 12)	144,614	–	–
Property, plant and equipment (Note 10)	3,173	3,551	46,554
Financial assets at FVOCI and AFS financial assets (Note 8)	3,163	1,928	1,115
Additions to:			
Property, plant and equipment (Note 10)	(28,019)	(8,235)	(56,234)
Financial assets at FVOCI and AFS financial assets (Note 8)	(5,450)	(949)	(1,500)
Deferred mine exploration costs (Note 11)	(4,018)	(848)	(5,551)
Decrease (increase) in other noncurrent assets	(15,696)	18,258	14,498
Net cash flows from (used in) investing activities	97,767	13,705	(1,118)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Loans payable (Note 14)	(22,777)	(57,223)	(58,339)
Principal portion of lease liability (Note 16)	(2,699)	–	–
Obligations under finance lease (Note 37)	–	–	(2,427)
Proceeds from:			
Availment of loans (Note 14)	–	10,000	70,000
Employees' exercise of stock options	–	–	1,244
Rehabilitation costs (Note 17)	(12,788)	–	–
Increase (decrease) in other noncurrent liabilities	(3,554)	3,077	(10,341)
Net cash flows from (used in) financing activities	(41,818)	(44,146)	137

(Forward)



	Years Ended December 31		
	2019	2018	2017
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(₱225,011)	₱237,574	₱22,002
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	65	16	(61)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	302,118	64,528	42,587
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱77,172	₱302,118	₱64,528

See accompanying Notes to Consolidated Financial Statements.



BENGUET CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, except number of shares, per share data and when indicated)

1. Corporate Information and Status of Business Operations

Corporate Information

Benguet Corporation (the Ultimate Parent Company) was incorporated on August 12, 1903 in the Philippines and was listed in the Philippine Stock Exchange (PSE) on January 4, 1950.

The Parent Company is currently engaged in gold, nickel, and other metallic and nonmetallic mineral production, exploration, research and development and natural resource projects. The nature of business of the Parent Company's subsidiaries are summarized in Note 2 to the consolidated financial statements.

The Parent Company's registered office address is 7th Floor Universal Re-Building, 106 Paseo de Roxas, 1226 Makati City.

Status of Business Operations

Quasi-reorganization

On December 5, 2011, the Philippine SEC approved the application of the Parent Company for quasi-reorganization to wipe out its deficit as at December 31, 2010, setting it off against its capital surplus and revaluation increment as follows:

	<i>Prior to quasi-reorganization</i>	<i>Effect of quasi-reorganization</i>	<i>After quasi-reorganization</i>
Capital surplus	₱1,153,579	(₱1,153,579)	₱-
Revaluation increment	1,561,048	(1,010,848)	550,200
Deficit	(2,164,427)	2,164,427	-

For purposes of dividend declaration, the retained earnings of the Parent Company shall be restricted to the extent of the deficit wiped out by the revaluation increment amounting to ₱1.0 billion until the asset to which the revaluation increment relates is disposed.

On December 11, 2012, the Philippine SEC approved the application of Benguet Management Corporation (BMC), a subsidiary, for quasi-reorganization to reduce its deficit as at December 31, 2011 against its revaluation increment and capital surplus as follows:

	<i>Prior to quasi-reorganization</i>	<i>Effect of quasi-reorganization</i>	<i>After quasi-reorganization</i>
Capital surplus	₱300,000	(₱300,000)	₱-
Deposit for future stock subscription	40,000	(40,000)	-
Revaluation increment	12,019	(12,019)	-
Deficit	(364,830)	312,019	(52,811)

After the quasi-reorganization, the Parent Company made an additional deposit for future stock subscriptions in BMC amounting to ₱160.0 million.



Of the ₱199.85 million and ₱65.82 million retained earnings of BMC as at December 31, 2019 and 2018, respectively, the amount of ₱1.00 million and ₱11.79 million, which represent the remaining revaluation increment that was offset against the deficit as at those dates cannot be declared as dividend.

Significant developments in the Parent Company's and its subsidiaries' (collectively, the Group) operations follow:

a. Mining Projects

Benguet Gold Operations (BGO)

The Group produces gold from the Benguet mines, consisting of the Acupan and Kelly underground mines, were suspended in 1992, following the 1991 earthquake, which flooded the said underground mines. BGO was initially conceived as a community based underground mining project, which started commercial operations in January 2003. In 2004, BGO resumed operations and production is partly carried out through independent mining contractors.

The Parent Company is currently working on exploration and drilling programs to upgrade BGO's capacity. The exploration and geology group completed the design for the surface and underground diamond drilling program for the Phase 1 of the Greater Acupan Project.

The related feasibility study for BGO was approved in 2013 and the Parent Company is still raising the necessary funds to start the execution of the project.

On March 18, 2019, TUV Rheinland, an independent evaluation and certification service body, issued to BGO the ISO 14001:2015, which is an internationally accepted certification and standard for environmental management system. The issuance of the said certification, which is valid until March 15, 2022, makes BGO fully compliant with the requirement of Department of Environment and Natural Resources (DENR) Administrative Order (DAO) No. 2015-07.

On October 28, 2016, the Parent Company received from the DENR the mine audit report dated October 21, 2016, which was conducted pursuant to DENR Memorandum Circular No. 2016-01 regarding audit of all operating mines and moratorium on new mining projects recommending the suspension of the Parent Company's mining operations and requires the Parent Company to submit an explanation thereof within seven days from the date of receipt.

On November 1, 2016, the Parent Company submitted an explanation to the DENR stating that there are no legal and factual bases to recommend the suspension of the Parent Company's operations due to the following reasons:

- Based on the mine audit report, there are no significant findings of violations that would warrant the suspension order.
- None of the alleged violations found pose imminent danger or threat to the community that would justify the suspension of operation.
- The deficiencies cited, which are mostly permitting issues or operational concerns, can easily be remediated without need of suspending the Parent Company's operation.

On February 14, 2017, the Parent Company received from DENR a cancellation order dated February 8, 2017 cancelling its authority to undertake mining operations under Patent Claim (PC-ACMP-002-CAR) in Itogon, Benguet for violation of certain provisions of mining and environmental laws, rules and regulations such as the following:

- Republic Act (RA) No. 6969, otherwise known as the 'Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990'
- DAO No. 2013-22 or the 'Revised Procedures and Standards for the Management of Hazardous Wastes'



- RA No. 7942, otherwise known as ‘The Philippine Mining Act of 1995’
- DAO No. 2010-21 or the ‘Revised Implementing Rules and Regulations of RA No. 7942’

On February 22, 2017, the Parent Company filed a Notice of Appeal before the Office of the President, which staged the execution of the cancellation order. On March 22, 2017, the Parent Company submitted to the Office of the President its Appeal Memorandum. As of June 4, 2020, the Office of the President has not yet resolved the appeal.

In November 2019, the DENR directed the regional offices of the Mines and Geosciences Bureau (MGB) and Environmental Management Bureau (EMB) to validate the environmental compliance of BGO as input to early resolution of the appeal. In January 2020, MGB submitted a favorable validation report to DENR.

Sta. Cruz Nickel Project (SCNP)

On December 10, 2010, the Parent Company and Benguetcorp Nickel Mines, Inc. (BNMI) entered into a Deed of Exchange, whereby the Parent Company transferred its interest in the nickel laterite mine in Sta. Cruz, Zambales. The transfer covers Mineral Production Sharing Agreement (MPSA) No. 226-2005-III, mine technical data and all related environmental and other permits of the nickel laterite mine. BNMI issued 1.0 billion ordinary shares to the Parent Company, with par value of ₱1 per share, as consideration for the transfer. In line with the transfer, BNMI applied for an increase in authorized capital stock from 10.0 million shares to 2.0 billion shares, with par value of ₱1 per share. On February 28, 2011, the Philippine SEC approved the amended Articles of Incorporation of BNMI covering the increase in authorized capital stock from 10,000,000 to 2,000,000,000 shares, with par value of ₱1 per share and increase in number of directors from five to seven. The transfer of the MPSA was approved by the MGB on January 16, 2012.

On March 11, 2016, TUV Rheinland, an independent evaluation and certification service body, issued to the BNMI the ISO 14001:2015, which is an internationally accepted certification and standard for environmental management system. The issuance of the said certification, which is valid until March 10, 2019, makes the BNMI fully compliant with the requirement of Department of Environment and Natural Resources (DENR) Department Administrative Order (DAO) No. 2015-07. In August 2019, BNMI passed the recertification audit.

On July 8, 2016, BNMI received from the regional offices of the DENR, MGB, and EMB a joint suspension order, which suspended the mining operations of the SCNP subject to conditions such as the resolution of issues arising from tree-cutting and earth-balling operations, rehabilitation of mined out areas and construction of an exclusive mine haul road.

The suspension order is based on the following grounds:

- The Writ of Kalikasan case filed in the Supreme Court in the case filed by the Concerned Citizens of Sta. Cruz, Zambales
- Executive Order No. 1 issued by the provincial government of Zambales declaring moratorium on mining operations in the said province
- Continuing complaints of various groups against alleged adverse impact of mining operations

The Supreme Court referred the Writ of Kalikasan case to the Court of Appeals for trial proceeding.



On October 18, 2016, BNMI received the mining audit report on the SCNP dated October 3, 2016. The report states that BNMI violated several conditions of its Environmental Compliance Certificate and the provisions of several other laws and regulations.

On October 22, 2016, BNMI filed before the Pampanga Regional Trial Court, a petition for certiorari with injunction to assail the joint suspension order issued by the MGB, EMB and DENR on the SCNP.

BNMI replied to the DENR that it takes strong exception to the mine audit report particularly on the recommendation to maintain the status quo of the suspension order issued by the DENR on July 7, 2016, on grounds summarized as follows:

- The conduct of the audit was irremediably flawed.
- The transparency and fairness of the audit report is under question because the audit team failed to follow its own protocol.
- Assuming the mine audit report was regularly conducted, it is very apparent that none of the findings of deficiencies therein were serious enough (even if taken collectively) to warrant the imposition or the continuance of the suspension order.
- The recommendation of status quo of the suspension order in the mine audit report will have far-reaching effect on its business, employees and the community.

On February 13, 2017, BNMI received from the DENR an order cancelling its MPSA. The cancellation order alleged that BNMI's operations has overlapped a watershed in the area and was issued on the grounds that BNMI has violated certain provisions of several laws and regulations, majority of which were previously raised in the mine audit report.

On February 22, 2017, BNMI filed a Notice of Appeal before the Office of the President to reverse the cancellation order received. BNMI is operating within the Zambales Chromite Mineral Reservation, a mineral reservation which has been excluded from government declared watersheds. BNMI's nickel project is operated outside of any known critical or declared watershed. BNMI filed before the Office of the President its appeal memorandum on March 21, 2017. As of June 4, 2020, the Office of the President has not yet responded to the appeal filed by BNMI.

On March 28, 2017, the local government of Zambales issued a Manifestation of Consent which lifted the moratorium and allowed BNMI to proceed with hauling and shipment of its nickel ore inventory, which was mined before the suspension took effect, to avoid any adverse impact on the environment.

On May 22, 2017, the Court of Appeals denied the petition for the Writ of Kalikasan case. Thereafter, the petitioners filed a Motion for Reconsideration.

On December 14, 2017, the Court of Appeals denied the Motion for Reconsideration. Accordingly, the prohibitory injunctive provisional Writ on the Kalikasan case issued by the Supreme Court was lifted.

Given that BNMI is currently the subject of two suspension orders, resulting in temporary cessation of its mining operations starting July 2016, the management has made an assessment on BNMI's ability to continue as a going concern entity and is satisfied that BNMI has sufficiently improved and remediated the deficiencies mentioned in the mine audit report and has timely appealed the foregoing orders, thereby impeding these orders to become final and operative, and that BNMI continues to address the deficiency based on Mining Industry Coordinating Council



Mining Industry Coordinating Council's initial review and it will still be able to generate sufficient cash from the sale of its remaining nickel ore stockpile.

Irisan Lime Project (ILP)

The Parent Company's ILP in Irisan, Baguio is engaged in the production and trading of quicklime. ILP produced 9,671 tons, 9,820 tons and 9,374 tons of quicklime in 2019, 2018 and 2017, respectively. On September 4, 2017, the Mineral Processing Permit (MPP) for the ILP was renewed for a period of five years or until September 3, 2022.

Benguet Antamok Gold Operation (BAGO)

The Parent Company's BAGO in Itogon, Benguet has been suspended since August 1998. BAGO has an estimated resource of about 12.4 million tons, averaging 3.45 grams of gold per ton, at the end of 1999. Pursuant to DAO No. 2010-04, the Parent Company's Application for Mineral Production Sharing Agreement (APSA) No. 009-Cordillera Administrative Region (CAR) was denied on February 8, 2011. Subsequently, the Parent Company filed an appeal on April 15, 2011 in MGB Central Office.

In October 2016, a leak occurred in BAGO's tailings dam which affected the Liang River. On November 23, 2016, the Company received from DENR a letter requiring the Company to show cause why its operation should not be suspended and/or mining contract be cancelled in view of the tailings spill.

On December 26, 2016, the Parent Company argued that there was no negligence because the incident is due to force majeure and the tailings leak was immediately remediated. The Parent Company also emphasized that it has no existing mining operations in BAGO as it has long been suspended. The BAGO open pit mine and the BAGO underground mine have not operated since 1998 and 1989, respectively. The Parent Company contested that its infrastructure in BAGO has been under care and maintenance since then up to the present. On January 1, 2017, the case was elevated to the Pollution Adjudication Board (PAB) from the EMB out of which the Parent Company submitted a position paper on May 8, 2017.

On May 9, 2017 a technical conference hearing was held in PAB regarding the case and as a result, the Parent Company submitted a supplemental motion on June 9, 2017. As of June 4, 2020, the Parent Company is still awaiting the decision of PAB.

Masinloc Chromite Operation (MCO)

From 1934 to 2007, the Parent Company managed the Coto mines under an operating agreement with its claimowner, Consolidated Mines, Inc. (CMI). With the expiration of the operating agreement on July 8, 2007, the Parent Company has transferred back the mine to CMI. As at June 4, 2020, the Parent Company is still engaged in discussion with CMI over the liquidation of MCO's assets.

b. Exploration, Research and Development Projects

Balatoc Tailings Project (BTP)

The Parent Company's Board of Directors (BOD) approved an initial ₱10.0 million research and development fund for the Balatoc Tailings Project (BTP) in Itogon, Benguet for the study on the feasibility of reprocessing 16.7 million tons of tailings resource with an average of 0.69 grams gold per ton and is estimated to contain 371,000 ounces of gold. A core research and development team, together with the Beijing Geological Research Institute of Mining and Metallurgy, has done the analysis toward the preparation and completion of the bankable feasibility study.



On October 21, 2009, the Group appointed ATR Kim Eng Capital Partners, Inc. as financial advisor to raise additional development capital for the BTP.

On the same date, the Parent Company entered into a processing agreement with Balatoc Gold Resources Corporation (BGRC), a subsidiary, to implement the BTP. The Parent Company has completed the bankable feasibility study of the BTP and engaged external Competent Persons to prepare and review reports as required under the Philippine Mineral Reporting Code modeled after the Joint Ore Reserve Committee of Australia.

On September 2010, the Parent Company signed a Deed of Assignment with BGRC, to transfer MPP No. 13-2010-Cordillera Administrative Region covering the BTP subject to approval by the DENR. The MPP allows reprocessing of the impounded mill tailings from the Acupan mines for recovery of residual gold. In November 2011, the transfer of the MPP was approved by the DENR-MGB.

BGRC signed contracts and undertook activities for the detailed engineering of the project, rehabilitation of the tailings ponds and reinforcement of the silt dam. BGRC continues the activities on expansion and rehabilitation of its penstocks at Tailings Pond Nos. 2 and 3 and earthmoving works on the silt dam at Gold Creek and the Ambalanga River pumping station, and the ridge enhancement works on Tailings Ponds Nos. 2 and 3. The excavated materials from its expansion and rehabilitation activities will be used for the raising of the embankment of Tailings Ponds Nos. 2 and 3 to the level in which the BTP will be able to pump the tailings to a processing plant in Balatoc.

On January 17, 2013, the Parent Company's BOD authorized and approved the deed of exchange between the Parent Company and BGRC covering all of the Parent Company's rights and interest in BTP in exchange of BGRC's shares.

Following the expiration of MPP No. 13-2010-CAR, BGRC reconveyed to the Parent Company on March 16, 2016, all rights and interest in BTP, including liabilities to third parties, so that the reprocessing of tailings can be made part of the Acupan operation once more. The reconveyance was approved by the DENR-MGB on May 31, 2016.

Antamok Tailings Project (ATP)

The ATP, which targeted the BAGO mill tailings pond, was conceived as a possible additional resource that could be developed similar to BTP. The BAGO tailings pond, located a few hundred meters downstream from the BAGO open pit mine, contains some 7.64 million tons of tailings produced from the BAGO milling operations. In addition, a considerable tonnage of extraneous materials, estimated at about 1.95 million tons washed from the BAGO pit over the years from the Otek marginal grade material dump and from the numerous illegal miners' workings, found its way into the pond and is now resting on top of the tailings deposit. A preliminary sampling of these extraneous materials showed that these can be considered for exploitation together with the original tailings in the pond. More core drilling, however, may be required to firm up the resource estimate of these impounded materials.

The Parent Company has approved an initial ₱7.5 million research fund for the ATP for the feasibility study on the reprocessing. The Parent Company is conducting a feasibility study on the reprocessing of tailings from the BAGO, which are impounded in the tailings pond downstream of the old BAGO mill. The initial drilling conducted to test the impounded materials indicates a grade of 4.0 grams of gold per ton.



As at December 31, 2019, the Parent Company intends to transfer to Benguet-Pantukan Gold Corporation (BPGC), a wholly owned subsidiary of BMC, the planned ATP.

Surigao Coal Prospect (SCP)

Pre-development activities for the SCP were put on hold in 2011 due to DENR Circular Executive Order (EO) 23, series of 2011, which declares a moratorium on the cutting of timber in the natural and residual forests. The City Environment and Natural Resources Office of the Municipality of Lianga denied the Group's request for a tree inventory, which is preparatory to the application for a cutting permit. The decision was reversed in January 2012 after the issuance of a memorandum from the Executive Secretary, which exempted exploration and mining activities from the said EO. The Parent Company is in the process of completing the requirements to secure permits for the development of the project. A preliminary hydrology study was done at the nearby Hubo river's water source to assess if the volume capacity of the river system can support a hydro plant, which will complement the Coal Power Plant Study. In 2012, the Parent Company also participated in the bidding under the Philippine Energy Contracting Round four for coal to possibly secure other prospective coal areas. The result of the bidding is awaiting the decision of the Department of Energy.

As at December 31, 2019, the Parent Company plans to transfer the SCP to Batong Buhay Mineral Resources Corporation (BBMRC), a subsidiary, when the said prospect materializes.

Ampucao Copper-Gold Prospect (Ampucao Prospect)

The Ampucao prospect is located inside the contract claims of Pugo Mining Company in the southern part of Benguet's Acupan gold mine. The initial exploration work conducted by the Parent Company's geologists indicates a porphyry copper-gold mineralization hosted in diorite below the 2000 level. Two test holes have been programmed to be drilled within the area, but have been put on-hold pending the resolution of the related APSA, which also covers the BAGO.

Pantangan Copper Gold Prospect (PGP)

The PGP in Balanga, Bataan consists of 1,410 hectares covered by MPSA No. 154-2000-III. The property is under an operating agreement with Option to Purchase, with Balanga Bataan Minerals Corporation, signed in March 1996. Surface mineralization consists of quartz and clay veins, ranging from 0.70 meters to 10 meters wide, with values as much as 1.0 gram of gold and 9.60 grams of silver.

Recent geological works in the Pantangan property have also led to the identification of two parcels composed of Block-1 and Block-3 area located inside the mineral tenement hosting high quality mountain rock deposits with favorable potential for rock aggregates. The potential rock formations comprise of consolidated volcanic conglomerate and massive andesite units based on their actual ground analysis. The Group shall implement drillworks in the property in late 2019 and early 2020.

Zamboanga Gold Prospect (ZGP)

The ZGP in R.T. Lim, Zamboanga Sibugay consists of 340.3 hectares of land area and is under an operating agreement with Orelina Mining Corporation (OMC). A drilling program to evaluate the gold potential of the main structure at depth has been put on-hold pending the resolution of the APSA No. 000015- IX of OMC. The APSA which was denied on May 12, 2010 and subject of an appeal filed on January 30, 2013, is still pending evaluation by the DENR.



Financial or Technical Assistance Agreement (FTAA) Application

The Parent Company and its subsidiary, Sagittarius Alpha Realty Corporation (SARC), have two pending FTAA applications consisting of land area totaling 72,806,291 hectares. The FTAA application in Ilocos Norte (denominated as AFTA-000003-I) and Apayao (denominated as AFTA No. 033-CAR) are undergoing Free, Prior and Informed consent requirement through the Regional Office of the National Commission of Indigenous Peoples. Exploration work for the two areas will be undertaken as soon as the applications have been approved by the Philippine government.

c. Water Projects

Baguio City Bulk Water Supply Project (BCBWSP)

On August 16, 2005, the BOD of the Baguio Water District (BWD) issued to the Parent Company a Notice of Award covering the BCBWSP. The Parent Company's proposal is to convert its mined-out 440 Vein Open Pit into a water reservoir with the capability of supplying, at least, 50,000 cubic meters of potable water per day to Baguio City.

On September 7, 2007, the BWD issued Board Resolution Number 30-2007, which resolved to terminate the bulk water supply contract negotiation and to scrap the project. The resolution cited grounds such as the irreconcilable differences of the parties on the contract provisions of parametric formula and rate rebasing, among others. On these issues, the BWD is concerned with the affordability and acceptability of the water tariff to the end-consumers. On the other hand, the Parent Company raised a concern on the delay in implementation and its effect on the viability of the project as justification for the contract provisions. The Parent Company has likewise requested the BWD to conduct a public hearing on these issues, which the BWD has deemed premature. The Parent Company filed a request for reconsideration on September 13, 2007.

On November 29, 2007, the BWD issued a Board Resolution denying the Parent Company's request for reconsideration. The Parent Company then filed a case against BWD with the Regional Trial Court.

In 2019, pursuant to a Memorandum of Agreement with Manila Water Company, Inc. (MWCI) regarding the assignment of water rights in Laboy River in connection with MWCI's bulk water supply proposal to Baguio City, the Parent Company has withdrawn the case for specific performance against BWD without prejudice to filing of a new case for recovery of cost and damages due to the aborted bidding award.

Water Rights of Agua de Oro Ventures Corporation (ADOVC)

ADOVC, a subsidiary of BMC, has water permits in various locations in Tuba, Benguet: Kairuz Spring granted on September 12, 2001, Amliang Spring granted on October 17, 2002, and Kias Creek granted on August 13, 2004.

The water permits give ADOVC water access to these water sources, except for Kairuz Spring. The owner sold the water source on August 2012. The new owner denied ADOVC to access the water source. No formal action nor complaint has been filed by ADOVC as of December 31, 2019. The diversion of the water shall be from the source and for the purpose indicated in the permit and in no case should said use exceed the quantity and period indicated therein.

As at December 31, 2019 and 2018, the cost and accumulated amortization of the water rights amounted to ₱4.59 million. The Company accrued and paid water permit fees amounting to ₱0.03 million in 2019 and 2018, respectively.



d. Land Development Project

Kelly Special Economic Zone (KSEZ)

The Parent Company has approved an initial ₱4.9 million for the feasibility study covering the KSEZ and the potential of other real estate project of the Group. The Parent Company plans to transfer the said properties to BC Property Management, Inc. (BCPMI), a subsidiary of BMC. The capital expenditures related to the implementation of the project will then be infused as equity of the Parent Company in BCPMI. As at December 31, 2019, the said project has not yet materialized.

e. Logistics Services

On August 31, 2017, the BOD approved the dissolution of Calhorr 1 Marine Services Corporation (CMSC) and Calhorr 2 Marine Services Inc. (CMSI), wholly owned subsidiaries of KPLMSC, by shortening their corporate term until September 30, 2017. CMSC and CMSI are awaiting the clearance letter from the Bureau of Internal Revenue (BIR) before it could apply for liquidation with the Philippine SEC. Final liquidation will take place after the Philippine SEC's approval of the said application. As at June 4, 2020, CMSC and CMSI have not yet received the clearance letter from the BIR.

f. Health Care Services

The Parent Company spun off its Benguet Laboratories (BL) Division on September 19, 2012 through its wholly owned subsidiary, Benguetcorp Laboratories, Inc. (BLI), to undertake the expansion of BL into a distinct operating unit that can raise the necessary development funds and create value for the Group. BLI operates two full-fledged tertiary multi-specialty facilities in Baguio under the trade name Benguet Laboratories. BLI operates another facility under the trade name MedCentral in San Fernando City, Pampanga and Taytay, Rizal which started its operations on December 2012 and December 2013, respectively. In April 2014, BLI opened its branch and started its operations in Makati City under the trade name Oncology.

On a regular meeting of the BOD of BLI on January 27, 2016, the President informed the BOD that the Department of Health (DOH) license and Philhealth accreditation for a free-standing chemo infusion was not yet obtained. The management then suspended the operations of Oncology.

Due to the continuous losses of the branches in Taytay and San Fernando, the BOD of BLI approved their closure on March 15, 2019 and August 15, 2019, respectively.

Recovery of Deferred Exploration Costs

The Group's ability to realize its deferred exploration costs with carrying value amounting to ₱449.18 million and ₱539.00 million as at December 31, 2019 and 2018, respectively (see Note 11), depends on the success of exploration and development work in proving the viability of its mining properties to produce minerals in commercial quantities, and the success of converting the Group's exploration permits to new mineral agreements, which cannot be determined at this time. The consolidated financial statements do not include any adjustment that might result from these uncertainties.

Net Negative Working Capital Position of the Group

The Group's current liabilities exceeded its current assets by ₱299.52 million and ₱111.06 million as at December 31, 2019 and 2018, respectively. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern for the next 12 months. The Group believes that it will be able to generate sufficient cash flows from its future operations to meet its obligations as and when they fall due.



Authorization for the Issuance of the Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, were authorized for issuance by the BOD on June 4, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for land and artworks classified as property, plant and equipment, which have been measured at revalued amounts, financial assets at FVOCI, intangible asset under “other noncurrent assets” and investment properties, which have been measured at fair value and asset classified as held for sale in 2018 which has been measured at fair values less costs to sell. The consolidated financial statements are presented in Philippine peso, which is the Group’s functional and presentation currency under PFRSs. All values are rounded to the nearest thousands (₱000), except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with the Philippine Financial Reporting Standards (PFRSs) as issued by the Financial Reporting Standards Council (FRSC). The consolidated financial statements provide comparative information in respect of the previous period.

Basis of Consolidation and Group Information

As at December 31, 2019 and 2018, the consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Nature of business	Country of incorporation	Effective percentage of ownership
Berec Land Resources Inc. (BLRI)*	Exploration and development	Philippines	100.00
BNMI	Exploration and development	Philippines	100.00
BMC*	Foundry	Philippines	100.00
BMC’s Subsidiaries:			
AFC	Logistics	Philippines	100.00
Benguetrade, Inc. (BTI)*	Trading	Philippines	100.00
BMC Forestry Corporation (BFC)	Real estate	Philippines	100.00
ADOVC*	Selling of treated and untreated water	Philippines	100.00
BPGC*	Exploration and development	Philippines	100.00
BCPMI*	Management services	Philippines	100.00
KPLMSC	Logistics	Philippines	100.00
KPLMSC’s Subsidiaries:			
CMSC**	Logistics	Philippines	100.00
CMSI**	Logistics	Philippines	100.00
Media Management Corporation (MMC)*	Management services	Philippines	100.00
BenguetCorp International Limited (BIL)*	Holding company	Hong Kong	100.00
BIL Subsidiaries:			
Benguet United States of America (USA), Inc.*	Exploration and development	USA	100.00
Pillars of Exemplary Consultants, Inc. (PECI)*	Professional services	Philippines	100.00
SARC*	Real estate holding	Philippines	100.00

(Forward)



	Nature of business	Country of incorporation	Effective percentage of ownership
SARC's Subsidiary:			
BGRC*	Exploration and development	Philippines	100.00
BBMRC*	Exploration and development	Philippines	100.00
Ifaratoc Mineral Resources Corporation (IMRC)*	Exploration and development	Philippines	100.00
Acupan Gold Mines Incorporation*	Exploration and development	Philippines	100.00
BLI	Health services	Philippines	100.00

* *Non-operating*

** *In process of liquidation*

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company's voting rights and potential voting rights

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intercompany balances, transactions, unrealized gains and losses resulting from the intercompany transactions and dividends are eliminated in full.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Parent Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.



If the Parent Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other component of equity, while any resultant gain or loss is recognized on profit or loss. Any investment retained is recognized at fair value.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncement did not have any significant impact on the Group's financial position or performance, unless otherwise indicated.

- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the consolidated statement of financial position.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

As a lessee, the Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC 4 at the date of initial application.

The effect of adoption of PFRS 16 as at January 1, 2019 is, as follows:

	Increase (decrease)
Assets	
Property, plant and equipment - at cost	P14,741
Other current assets	(1,470)
Other noncurrent assets	(2,431)
Liabilities	
Lease liabilities	10,758
Trade and other payables	(82)

The Group has lease contracts for various office spaces, clinic spaces, machinery, tools and equipment, and land. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.



Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for these leases were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application

Based on the above, as at January 1, 2019:

- Property, plant and equipment at cost were recognized amounting to ₱14.74 million representing the amount of right-of-use assets set up on transition date.
- Additional lease liabilities of ₱10.76 million were recognized.
- Prepaid expenses of ₱1.47 million under “Other current assets”, prepaid rent of ₱2.43 million under “Other noncurrent assets” and accrued expenses - others under “trade and other payables” of ₱81.81 million related to previous operating leases arising from straight lining under PAS 17 were derecognized.

The lease liability at as January 1, 2019 as can be reconciled to the operating lease commitments as of December 31, 2018 follows:

Operating lease commitments as at December 31, 2018	₱22,449
Less: Commitments relating to short term leases	(6,446)
Undiscounted operating lease commitments at January 1, 2019	16,003
Weighted average incremental borrowing rate at January 1, 2019	8.61%
<u>Lease liabilities recognized at January 1, 2019</u>	<u>₱10,758</u>

Due to the adoption of PFRS 16, the Company’s operating profit in 2019 has slightly decreased, while its interest expense has increased. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event



- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

This clarification provides that entities might have to recognize a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognized before. Changes in the effect of the asset ceiling are not netted with such amounts.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
 - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
 - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Standards issued but not yet effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expense in two statements: a consolidated statement of income and a consolidated statement of comprehensive income.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purposes of trading
- Expected to be realized within 12 months after the reporting period or



- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as noncurrent.

Cash and Cash Equivalents

Cash consists of cash on hand and in banks. Cash in banks earns interest at the respective bank deposit rates. Cash equivalents include short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets (Prior to adoption of PFRS 9 at the beginning of 2018)

Date of recognition

The Group recognizes a financial asset in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Initial recognition and classification of financial instruments

The Group determines the classification of financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of the reporting period. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market.

All financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial instruments.

Financial assets include available for sale (AFS) financial assets comprising of equity investments and unit investment trust fund (UITF). Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL.

Subsequent Measurement

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses arising from the fair valuation of AFS financial assets being reported as unrealized gain (loss) on AFS financial assets under other components of equity of the consolidated statement of financial position until the investment is derecognized. These are also reported as OCI



in the consolidated statement of comprehensive income. Interest earned while holding AFS financial assets is reported as interest income using the EIR method. Any dividend earned on holding AFS financial assets is recognized in the consolidated statement of income when the right of payment has been established.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for a foreseeable future.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to consolidated statement of income over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

Financial assets (Upon adoption of PFRS 9 at the beginning of 2018)

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI (FVOCI) and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from contracts with customers*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payment of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:



- *Financial assets at amortized cost (debt instruments)*

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash in banks and short-term deposits under "cash and cash equivalents", trade receivables, receivables from lessees of bunkhouses, loans receivable under "trade and other receivables", advances to contractors and nontrade under "other current assets" and "other noncurrent assets", respectively.

- *Financial assets designated at FVOCI (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to consolidated statement of income. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in consolidated statement of comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its UITF and quoted shares under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an



approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral on the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses publicly available ratings from (i.e. Standard and Poor's (S&P), Moody's and Fitch) to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognized a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities (Prior to and upon adoption of PFRS 9)

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables and accrued expenses under "trade and other payables", lease liabilities, and equity of claim owners on contract operations under "other noncurrent liabilities".

Subsequent measurement - Financial liabilities at amortised cost (loans and borrowings)

After initial measurement, interest-bearing loans and borrowings are measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income.



This category generally applies to the Group's loans payable.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle the liability simultaneously, or to realize the asset and the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Inventories

Inventories are valued at the lower of cost or net realizable value (NRV).

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Materials and supplies	-	at purchase price less purchase discount, returns and rebates on a first-in, first-out method
Beneficiated nickel ore	-	at cost on a moving average production method during the year exceeding a determined cut-off grade
Quicklime and slakelime	-	at cost on a moving average production method
Gold buttons	-	at cost on a moving average production method
Subdivision lots	-	at land costs, amounts paid to contractors for costs incurred in the development and improvement of the properties (planning and design costs, cost of site preparation, professional fees, property taxes, construction overheads and other related costs)

NRV for materials and supplies represents the current replacement cost. NRV for beneficiated nickel ore, quicklime and slakelime, gold bullions or buttons, and subdivision lots is the estimated selling price in the ordinary course of business less costs of completion and estimated costs necessary to make the sale.

Other Current and Noncurrent Assets

Other current and noncurrent assets include various prepaid expenses, advances to contractors, value-added tax (VAT), creditable withholding taxes (CWTs), and intangible asset.

Prepaid Expenses

Prepaid expenses pertain to advance payments for insurance, rent, other services and tax credit certificates (TCC) granted by the BIR to the Group. These are stated at the estimated NRV.

Advances to Contractors

Advances to contractors comprise mainly of advance payments made by the Group relating to services, materials and supplies necessary in the Group's operations. These are non-interest bearing and will be realized through offsetting against future billings from contractors, or cash payments, depending on the individual agreements.

VAT

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.



Deferred input VAT arises from the Groups' unsettled purchase of services and will be claimed as input VAT upon payment.

CWT

CWTs are amounts withheld from income of the Group subject to expanded withholding taxes. CWTs can be utilized as payments for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules of Philippine income taxation. CWTs are stated at the estimated NRV.

Intangible Asset

The Group's intangible asset pertains to a non-proprietary golf club share. The golf club share was initially measured at cost. Following initial recognition, the intangible asset is carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible asset pertaining to a golf club share is not amortized, but is tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

A revaluation surplus is recorded in OCI and credited to the unrealized gain on intangible asset in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit or loss. A revaluation deficit is recognized in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized as unrealized gain on intangible asset in equity.

Upon disposal, any unrealized gain on intangible asset in equity is transferred to retained earnings.

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

Deferred Mine Exploration Costs

Exploration and evaluation activity involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity include:

- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to consolidated statement of income as incurred, unless the Group concludes that a future economic benefit is



more likely than not to be realized. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalized, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Expenditure on exploration and evaluation is accounted for in accordance with the area of interest method. Exploration and evaluation expenditure is capitalized provided the rights to tenure of the area of interest is current and either: the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, then, any fulfillment exploration and evaluation expenditure is reclassified as mine and mining properties and mine development costs included as part of property, plant and equipment. Prior to reclassification, exploration and evaluation expenditure is assessed for impairment.

When a project is abandoned, the related deferred mine exploration costs are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Assets Classified as Held for Sale

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment, once classified as held for sale, are not depreciated or amortized.

Property, Plant and Equipment

Property, plant and equipment, except land and artworks, are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, depletion and amortization and accumulated impairment in value, if any. Such cost includes the cost of replacing part of such property, plant and equipment if the recognition criteria are met.

When significant parts of property, plant and equipment are to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates, depletes and amortizes them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income when incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Construction in progress (CIP) is recorded at cost. This includes costs of construction and other direct costs. CIP is not depreciated until such time that the relevant asset is completed, transferred to



the appropriate account and put into operational use. Land is carried at revalued amount less any impairment in value. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Artworks, which the Group holds for aesthetic purposes, are also stated at revalued amount less any accumulated depreciation and accumulated impairment in value. Depreciable amount is determined after considering the residual value. The initial cost of artworks includes purchase consideration, the fair value in the case of vested assets, and those costs that are directly attributable to bringing the asset to its location and condition necessary for its intended purpose.

Effective January 1, 2019, it is the Group's policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term, as follows:

<u>Lease assets</u>	<u>Lease terms</u>
Land	10 to 25 years
Office spaces	5 to 8 years
Clinic spaces	3 years
Machinery, tools and equipment	2 years

Right of use assets are subject to impairment.

The increment from valuation of land and artworks, net of deferred tax liability, resulting from the revaluation is credited to revaluation increment under the other components of equity caption included in the equity section in the consolidated statement of financial position. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in the consolidated statement of income, the increase is recognized in consolidated statement of income. A revaluation deficit is recognized in the consolidated statement of income, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation increment. Upon derecognition of the revalued property, the relevant portion of the revaluation increment realized in respect of previous valuations is released from the revaluation increment directly to retained earnings.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

<u>Category</u>	<u>Number of years</u>
Port facilities	25
Land improvements	3-25
Buildings	5-20
Machinery, tools and equipment	2-15



Depreciation and amortization of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation, depletion and amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the asset is derecognized.

The estimated useful lives, residual values and depreciation and amortization method are reviewed periodically to ensure these are consistent with the expected pattern of economic benefits from items of property, plant and equipment. The useful lives and residual values are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the accounts until these are no longer in use. No further depreciation is charged to current operation for these items.

The carrying values of property, plant, and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

Mine and Mining Properties

Capitalized expenditure is assessed for impairment and is transferred from deferred exploration costs to mine development costs when it has been established that a mineral deposit is commercially mineable, development sanctioned, and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit).

After transfer of the deferred exploration costs, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized in mine development costs. Development expenditure is net of proceeds from the sale of ore extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalized, net of any proceeds received from selling any product produced while testing. If these proceeds exceed the cost of testing, any excess is recognized in the consolidated statement of income.

No depletion is charged during the mine development phases.

When the Group has already achieved commercial levels of production, mine development costs are moved to mine and mining properties. Commercial production is deemed to have commenced when management determines that the completion of operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be continued.

The carrying value of mine and mining properties represents total expenditures incurred to date on the area of interest, less accumulated depletion and any impairment.

When a mine construction project moves into the production phase, the capitalization of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.



Mine and mining properties are subject to depletion, which is computed using the units-of production method based on the economically recoverable reserves. Mine and mining properties include the initial estimate of provision for mine rehabilitation and decommissioning, for which the Group is constructively liable.

Investment Properties

Investment properties pertain to properties, which are held to earn rentals or for capital appreciation or both.

Investment properties is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties is recognized in the consolidated statement of income in the period in which these arise. Fair values are determined based on the revaluation performed by an accredited external independent appraiser. Upon derecognition of the investment property, the portion of the revaluation increment realized in respect of previous valuation is released from the revaluation increment directly to retained earnings.

Investment property is derecognized either when these have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property and owner-occupied property do not change the carrying amount of the investment property transferred and they do not change the cost of the property.

If an owner-occupied property becomes an investment property that will be carried at fair value, the Group shall apply PAS 16, *Property, Plant and Equipment*, up to the date of change in use. The Group shall treat any difference at that date between the carrying amount of the property and its fair value in the same way as a revaluation in accordance with PAS 16. On subsequent disposal of the investment property, the revaluation surplus included in equity shall be transferred to retained earnings.

Impairment of Nonfinancial Assets

The Group assesses, at the end of each reporting period, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable value is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.



These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statement of income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to consolidated statement of comprehensive income. For such properties, the impairment is recognized in consolidated statement of comprehensive income up to the amount of any previous revaluation.

For assets, an assessment is made at each end of the reporting period to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, depletion or amortization, had no impairment loss been recognized for that asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.

Deferred Mine Exploration Costs

The Group assesses whether facts and circumstances suggest that the carrying amount of deferred mine exploration costs may exceed its recoverable amount. Below are some of the facts and circumstances, which the Group considers in determining whether there is impairment on deferred mine exploration costs:

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area, and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the deferred mine exploration costs is unlikely to be recovered in full of successful development or by sale

Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or is abandoned, all revocable cost associated with the project and the related impairment provisions are written off.

Recovery of impairment losses recognized in prior years is recorded if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The recovery is recorded in the consolidated statement of income.



Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of the provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense in the consolidated statement of income.

Liability for Mine Rehabilitation

Mine rehabilitation costs will be incurred by the Group either while operating, or at the end of the operating life of, the Group's facilities and mine and mining properties. The Group assesses its mine rehabilitation provision at each reporting date. The Group recognizes a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and re-vegetating affected areas.

The obligation generally arises when the asset is installed, or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development or construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognized as part of the related inventory item. Additional disturbances that arise due to further development or construction at the mine are recognized as additions or charges to the corresponding assets and rehabilitation liability when these occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognized in the consolidated statement of income as extraction progresses.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognizing an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognized as part of an asset measured in accordance with PAS 16.

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated statement of income.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.



Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of income as part of interest expense.

For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

Rehabilitation trust funds committed for use in satisfying environmental obligations are included in other noncurrent assets in the consolidated statement of financial position.

Capital Stock and Capital Surplus

Common and preferred shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares less any incremental costs directly attributable to the issuance, net of tax, is credited to capital surplus.

Deposits for Future Stock Subscriptions

Deposits for future stock subscriptions represent advance payments of stockholders for subscriptions of shares to be issued in the future but for which the Group has no sufficient unissued authorized capital stock.

In instances where the Group does not have sufficient unissued authorized capital stock, the following elements should be present as of the reporting date in order for the deposits for future subscriptions to qualify as equity:

- The unissued authorized capital stock of the entity is insufficient to cover the number of shares indicated in the contract
- There is BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the Parent Company)
- There is stockholders' approval of said proposed increase and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the Philippine SEC

Otherwise, these are recognized as noncurrent liabilities.

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend declarations, prior period adjustments, effect of changes in accounting policies and other capital adjustments.

Dividend Distribution

Dividend distribution to the Parent Company's stockholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are declared and approved by the BOD.

Other Components of Equity

The 'Other components of equity' caption in the consolidated statement of financial position consists of:

- Revaluation increment - net of deferred tax
- Cost of share-based payment
- Cumulative translation adjustment on foreign subsidiaries - net of deferred tax
- Remeasurement gain on pension liability - net of deferred tax



- Unrealized gain on FVOCI
- Unrealized gain on intangible asset

Treasury Shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in capital surplus under the equity section of the consolidated statement of financial position.

Revenue Recognition (Prior to adoption of PFRS 15 at the beginning of 2018)

Revenue is recognized to the extent that is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is principal in all of its revenue arrangements since it is the primary obligor in all revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

Sale of Mine Products

Revenue is recognized when the significant risks and rewards of ownership have transferred to the buyer, which is normally at the time of shipment, and the selling prices are known or can be reasonably estimated.

Sale of Services

Revenue is recognized when the outcome of a transactions involving the rendering of services can be estimated reliably.

Trucking Services

Revenue is recognized when the services are rendered and can be estimated reliably.

Rental Income and Others

Included under this caption are rental income, sale of real estate, sale of goods, interest and other income.

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of income.

Revenue from sale of real estate, which pertains to the sale of subdivision lots, is recognized on an installment basis and when the collectibility of the sales price is reasonably assured.

Revenue from the sale of goods is recognized when the significant risks and reward of ownership of the goods have passed to the buyer, usually on delivery of the goods and the amount of revenue can be measured reliably. Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue Recognition (upon adoption of PFRS 15)

The Group is principally engaged in the business of producing gold and nickel ore. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.



The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

Sale of Mine Products

Revenue from sale of mine products is recognized at the point in time when the control of the asset is transferred to the customer which is normally at the time of shipment, and the selling prices are known or can be reasonably estimated. Revenue from sale of gold is measured at the prevailing international gold buying price and prevailing Philippine peso to United States dollar buying rate set by the BSP Treasury department on a daily basis and is recognized based on the initial weight and assay tests, which represent the best estimate. Revenue from sale of nickel ore is measured based on contract at the prevailing price at Ferro Alloy and prevailing Philippine peso to United States dollar buying rate and is recognized based on the initial weight and assay tests, which represent the best estimate. Subsequent adjustments to revenue due to quantity and/or quality changes are recognized upon determination of the final weight and assay tests.

BSP Refining Charges

BSP refining charges are deducted from revenue to arrive at revenue from contracts with customers since BSP refining charges are necessary expenses by BSP in determining the final gold content.

Despatch/Demurrage

Despatch/demurrage is added/deducted from revenue to arrive at revenue from contracts with customers. Despatch is earned when shipment is loaded earlier than the allowable lay time while demurrage is incurred when shipment is not loaded on time.

Medical and Dental Services

The Group has contracts with customers to provide medical and dental services. Each individual service is either sold separately or bundled together with other medical services. In determining the transaction price for the sale of medical and dental services, the Group considers the effects of variable consideration.

Revenue from medical and dental services are recognized over the period in which the medical and dental services are provided.

Trucking services

The Group provides trucking services for the transportation of mining materials and construction supplies.

Revenue from trucking services is computed as actual delivered cubic meters multiplied by the contract price. The Group has concluded that revenue from trucking services is recognized over time since the customers simultaneously benefits as the Group performs the services.

Port Services

Revenue from port service is recognized over time upon loading of ores to the vessel.

Contract balances

Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

The Group does not have any contract asset as of December 31, 2019 and 2018.



Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Interest Income

For all financial instruments measured at amortized cost and interest-bearing financial assets, interest income is recorded using the EIR. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in other income (expenses) - net in the consolidated statement of income.

Other income not directly related to the Group's normal operations is recognized when the earnings process is virtually complete. These are classified under other income (expense) - net in the consolidated statement of income.

Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when these arise following the accrual basis of accounting.

Cost of Mine Products Sold

Cost of mine products sold is incurred in the normal course of business and is recognized when incurred. It comprises mainly of outside services, materials and supplies, depreciation, depletion and amortization, personnel expenses, power and utilities and others, which are recognized as expenses in the period when the mine products are delivered.

Cost of Services and Other Sales

Cost of services and other sales incurred in the normal course of business are recognized when the services are rendered, the goods are delivered, or the earnings process is virtually complete.

Included under this caption is the cost of real estate sold. Cost of real estate sold is recognized when the control over the subdivision lots have been transferred to the buyer. This includes land cost, costs of site preparation, professional fees for legal services, property transfer taxes, and other related costs. The cost of real estate sold recognized in consolidated income statement on disposal is determined with reference to the specific costs incurred on the subdivision lot and an allocation of any non-specific costs based on the relative size of the subdivision lot.

Selling and General Expenses

Selling and general expenses pertain to costs associated in the marketing and general administration of the day-to-day operations of the Group. These are generally recognized when incurred.

Excise Taxes and Royalty Fees

Excise taxes and royalty fees pertain to the taxes paid or accrued by the Group arising from the production of gold and nickel ore. These taxes and royalties are recognized once revenue from the



sale of the related mine product is recognized.

OCI

OCI comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income.

Leases - the Group as a Lessee (prior to adoption of PFRS 16)

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of the specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A reassessment is made after the inception on the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement
- (b) A renewal option is exercised, or extension granted, unless the term of the renewal or extension was initially included in the lease term
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset or
- (d) There is a substantial change to the asset

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) and (d) and at the date of renewal or extension period for scenario (b).

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as operating expenses in the consolidated statement of income on a straight-line basis over the lease term.

Leases - the Group as a Lessee (upon adoption of PFRS 16)

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.



In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of clinic spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases - Group as a Lessor (prior to and upon adoption of PFRS 16)

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Pension and other post-employment benefits

The Parent Company and AFC have separate, noncontributory, defined benefit pension plans, covering all permanent, regular and full-time employees.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains or losses, the effect of the ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in the net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which these occur. Remeasurements are not reclassified to consolidated statement of income in subsequent periods.

Past services costs are recognized in the consolidated statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognizes the following changes in the net defined benefit obligation under costs of mine products sold, costs of services and selling and general expenses in the consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements



- Net interest expense or income

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Share-based Payment Transactions

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, in employee benefits expense.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit and loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits.

No expense is recognized for awards that do not ultimately vest, except for equity settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense computed based on the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the Group or by the counterparty, any remaining element of the fair value of the award is expensed immediately in the consolidated statement of income.

When the terms of an equity-settled award are cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where an equity-settled award expires or is cancelled, its cost is transferred to capital surplus.

Forfeitures revise the expense to reflect the best available estimate of the number of equity instruments expected to vest.



The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss on translation of non-monetary items measured at fair value of the item is treated in line with the recognition of the gain or loss arising on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or consolidated statement of income are also recognized in OCI or consolidated statement of income, respectively).

Foreign Subsidiaries

On consolidation, the assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rates for the year. The exchange differences arising on the translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the consolidated statement of income.

Income Taxes

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted as of the end of the reporting period in the country where the Group operates and generates taxable income.

Current tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

Deferred Tax

Deferred tax is provided using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:



- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss)
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences, excess MCIT and unused NOLCO can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognized outside consolidated statement of income is recognized outside consolidated statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Uncertainty Over Income Tax Treatments

The Group assesses at the end of each financial reporting period whether it has any uncertain tax treatments by reviewing the assumptions about the examination of tax treatments by the taxation authority, determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and considering changes in relevant facts and circumstances. The Group then evaluates how likely is it that a certain tax treatment will be accepted by the taxation authority. If it is probable that the taxation authority will accept a certain tax treatment, the Group concludes that it has no uncertain tax treatment and will measure tax amounts in line with the income tax filings. If it is not probable that the taxation authority will accept a certain tax treatment, the Group measures tax amounts based on the 'most likely amount' method (better predicts uncertainty if the possible outcomes are binary or are concentrated on one value) or 'expected value' method (better predicts uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value). The Group



presents uncertain tax liabilities as part of current income tax liabilities or deferred income tax liabilities.

Earnings Per Share (EPS)

Basic EPS amount is calculated by dividing net income for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year.

Diluted EPS amount is calculated by dividing the net profit attributable to ordinary equity holders of the Parent Company (after deducting interest on the convertible cumulative preference shares) by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorized for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares shall be disclosed. In addition, basic and diluted earnings per share of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies accounted for retrospectively.

Operating Segments

The Group's operating businesses are recognized and managed according to the nature of the products or services offered, with each segment representing a strategic business unit that serves different markets.

Segment assets include operating assets used by a segment and consist principally of operating cash, trade and other receivables, inventories and property, plant and equipment, net of allowances and provisions.

Segment liabilities include all operating liabilities and consist principally of trade and other payables, accrued expenses and bank loans. Segment assets and liabilities do not include deferred taxes.

Segment revenue, expenses and profit include transfers between business segments. The transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in the consolidation.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial position but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.



3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRSs requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these judgements, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from such estimates.

Other disclosures relating to the Group's exposure to risks and uncertainties include capital management, financial risk management and policies and sensitivity analyses disclosures (see Note 34).

Judgments

In the process of applying the Group's accounting policies, management has made following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Going Concern

Management has made an assessment on the Group's ability to continue as a going concern and is satisfied based on its assumptions and cash flow projection that it has the resources to continue business for the foreseeable future.

Assessing Provisions and Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group assessed that these proceedings will not have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Assessing the Potential Outcome of the Suspension Orders

BNMI received from the regional offices of DENR, MGB and EMB, a joint suspension order, which suspended its mining operations. The Group assessed its planned action steps to address the findings and the feasibility of management's plans, including the potential impact on the Group of the continued suspension of BNMI's mining operations. Management believes that the suspension will be lifted by 2021 and consequently, assessed that there is no impairment on the related property, plant and equipment items.

Distinction between Investment Property and Owner-Occupied Property

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property is not occupied substantially for use by, or in operations of the Group, not for sale in the ordinary course of business, but is held primarily to earn rental income or capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.



In 2019, due to the change in use of the property from being an owner-occupied property to an investment property that is held for long-term capital appreciation, management concluded that its parcels of land in San Marcelino, Zambales are investment properties.

Management also concluded that the parcels of land in Irisan, Baguio City which were originally held for long-term capital appreciation have become owner-occupied properties in 2019 and are reclassified to property, plant and equipment.

Principal versus Agent Considerations

The Group enters into contracts with customers wherein the Group charges the customers for the services rendered. The Group determined that it does not control the goods or services before they are transferred to customers, and it does not have the ability to direct the use of the services or obtain benefits from the services. The following factors indicate that the Group does not control the services before they are being transferred to customers. Therefore, the Group determined that it is an agent in these contracts.

- The Group is not primarily responsible for fulfilling the promise to provide the professional services.
- The Group has no discretion in establishing the price for the services provided. The Group's consideration in these contracts is only based on the difference between the Group and the customer.

The Group determined that it is an agent with respect to the professional fees of its tenant doctors. Meanwhile, the Group concluded that it is the principal in all its other revenue streams.

Assessment Whether an Asset is Classified as Held for Sale

In 2018, the Board of Directors (BOD) announced its decision to sell a parcel of land presented under property, plant and equipment. The BOD considered the land to meet the criteria to be classified as held for sale for the following reasons:

- The land is available for immediate sale and can be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification
- A potential buyer has been identified and negotiations as at the reporting date are at an advanced stage
- The shareholders approved the plan to sell.

In 2019, due to events and conditions beyond the control of the Group and the potential buyer, the sale of the parcel of land did not materialize. As such, the parcel of land has been reclassified back to property, plant and equipment in the same year.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year, are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when these occur.

Provision for Expected Credit Losses on Trade and Other Receivables

The Group uses the simplified approach and general approach model in the assessment of the ECL for its trade and other receivables, respectively. An assessment of the ECL relating to these financial



assets is undertaken upon initial recognition and each financial year and involves exercise of significant judgment. Key areas of judgment include defining default, determining assumptions to be used such as timing and amounts of expected net recoveries from defaulted accounts, determining debtor's capacity to pay, and incorporating forward looking information.

Provision for ECLs recognized in 2019 and 2018 amounted to ₱20.09 million and ₱66.62 million, respectively (see Notes 5 and 24). The carrying amount of trade and other receivables amounted to ₱289.96 million and ₱210.87 million as at December 31, 2019 and 2018, respectively (see Note 5).

Estimating Ore Reserves

Ore reserves estimates are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies. The Group estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The Group also makes estimates and assumptions regarding a number of economic and technical factors affecting ore reserves estimates, such as production rates, grades, foreign exchange rates, production and transport costs, and commodity prices.

These geological, economic and technical estimates and assumptions may change in the future in ways, which can affect the quality and quantity of the ore reserves. The Group reviews and updates estimates as required to reflect actual production, new exploration data or developments and changes in other assumptions or parameters. These estimates will change from time to time to reflect mining activities, analyses of new engineering and geological data, changes in ore reserve and mineral resource holdings, modifications of mining plans or methods, changes in nickel or gold prices or production costs, and other factors.

Changes in the ore reserves estimates may impact the carrying values of property, plant and equipment, provision for mine rehabilitation and decommissioning and depletion charges.

Assessing Recoverability of Deferred Mine Exploration Costs

The Group reviews the recoverability of deferred mine exploration costs when events or changes in circumstances indicate that the carrying amount of deferred mine exploration costs may exceed its estimated recoverable amount. The Group considers the following factors, among others, in its assessment:

- Status of each mine exploration project and plans on exploration and evaluation activities
- Validity of the licenses, permits and correspondences related to each mine exploration project
- Plans to abandon existing mine areas and plans to discontinue exploration activities
- Availability of information suggesting that the recovery of expenditure is unlikely

In 2019 and 2018, the Group recognized provision for impairment losses on deferred mine exploration costs amounting to ₱94.93 million and ₱72.06 million, respectively (see Notes 11 and 27). As at December 31, 2019 and 2018, deferred mine exploration costs amounted to ₱449.18 million and ₱539.00 million, respectively (see Note 11).

Estimating Recoverability of Property, Plant and Equipment

The Group assesses impairment on property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable.



The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results
- Significant changes in the manner of use of the acquired assets or the strategy for overall business, and
- Significant negative industry or economic trends

In determining the present value of estimated future cash flows expected to be generated from the continued use of the property, plant and equipment, the Group is required to make estimates and assumptions such as commodity prices, discount rates and foreign currency exchange rates, which can materially affect the consolidated financial statements. Commodity prices and foreign exchange rates are based on forecasts of various financial institutions while the discount rate is based on industry weighted average cost of capital.

An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, property, plant and equipment are grouped at the lowest levels for which there are separately identifiable cash flows. An impairment loss is recognized and charged to profit or loss if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. The Group did not recognize any impairment loss in 2019, 2018 and 2017 on property, plant and equipment.

As at December 31, 2019 and 2018, property, plant and equipment (at cost) amounted to ₱963.86 million and ₱964.21 million, respectively (see Note 10).

Estimating Allowance for Inventory Obsolescence

The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Decrease in the NRV of inventories resulting in an amount lower than the original acquisition cost is accounted for as an impairment loss that is recognized in profit or loss. As at December 31, 2019 and 2018, the carrying value of inventories amounted to ₱132.16 million and ₱129.00 million, respectively (see Note 6).

Assessing Impairment of Other Current and Noncurrent Assets

The Group provides allowance for impairment losses on other current and noncurrent assets when these can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for probable loss would increase recorded expenses and decrease other current and noncurrent assets.

Impairment loss amounting to ₱1.84 million and ₱95.37 million was recognized in 2019 and 2018, respectively (see Note 13).

The total carrying value of other current assets and other noncurrent assets amounted to ₱799.16 million and ₱939.72 million as at December 31, 2019 and 2018, respectively (see Notes 7 and 13).

Revaluation of Property, Plant and Equipment and Investment Properties

The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. In addition, it measures the land and artworks at revalued amounts, with changes in fair value being recognized in the consolidated statements of comprehensive income. The land, artworks and investment properties were valued using the sales



comparison approach. The determination of the fair values of these properties involves significant management judgment and estimations. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. As at December 31, 2019 and 2018, the appraised value of land and artworks, and investment properties amounted to ₱4,152.15 million and ₱3,454.04 million, respectively (see Notes 10 and 12).

Leases - Estimating the Incremental Borrowing Rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities amounted to ₱8.06 million as at December 31, 2019 (see Note 16).

Estimating Liability for Mine Rehabilitation

The Group estimates the costs of mine rehabilitation based on previous experience in rehabilitating fully mined areas in sections of the mine site. These costs are adjusted for inflation factor based on the average annual inflation rate as of adoption date or re-evaluation of the asset dismantlement, removal or restoration costs. Such adjusted costs are then measured at present value using the market interest rate for a comparable instrument adjusted for the Group's credit standing. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's liability for mine rehabilitation. The change in estimate for mine rehabilitation asset included under property, plant and equipment amounted to ₱3.63 million and ₱7.26 million for the years ended December 31, 2019 and 2018, respectively (see Note 10). Liability for mine rehabilitation amounted to ₱91.58 million and ₱90.33 million as at December 31, 2019 and 2018, respectively (see Note 17).

Estimating Cost of Share-Based Payment

The Parent Company's Nonqualified Stock Option Plan grants qualified participants the right to purchase common shares of the Parent Company at a grant price. The employee stock ownership incentive plan (ESOIP) recognizes the services received from the eligible employees and an equivalent adjustment to the equity account over the vesting period. The Parent Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 20. While management believes that the estimates and assumptions used are reasonable and appropriate, significant differences in actual experience or significant changes in the estimates and assumptions may materially affect the stock compensation costs charged to operations. Cost of share-based payment amounted to ₱21.67 million and ₱25.09 million as at December 31, 2019 and 2018, respectively (see Notes 19 and 20).



Estimating Pension Benefits

The cost of defined benefit pension and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of each reporting period. Net pension liability of the Group amounted to ₱62.56 million and ₱54.13 million as at December 31, 2019 and 2018, respectively (see Note 30).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases, and pension increases are based on expected future inflation rates for the Philippines.

Further details about the assumptions used are provided in Note 30.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, the fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 36 for further disclosures.

Assessing Realizability of Deferred Tax Assets

The Group reviews the carrying amounts of deferred tax assets at each end of the reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management believes that there is no assurance that the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

The Group recognized deferred tax assets amounting to ₱195.90 million and ₱219.29 million as at December 31, 2019 and 2018, respectively (see Note 31).

The Group did not recognize deferred tax assets totaling ₱288.79 million and ₱284.26 million as at December 31, 2019 and 2018, respectively, on the remaining unused NOLCO, MCIT and deductible temporary differences (see Note 31).

4. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	₱69,298	₱302,060
Short-term deposits	7,874	58
	₱77,172	₱302,118



The Group has United States Dollar (US\$) denominated cash in banks amounting to US\$8, equivalent to ₱0.41 million and US\$99, equivalent to ₱5.21 million as at December 31, 2019 and 2018, respectively.

Interest income from cash and cash equivalents amounted to ₱1.55 million, ₱0.05 million and ₱0.19 million in 2019, 2018 and 2017, respectively (see Note 27).

5. Trade and Other Receivables

	2019	2018
Trade	₱90,666	₱137,305
Nontrade	160,775	29,047
Advances to officers and employees	57,837	50,640
ESOIP (Note 28)	58,416	58,416
Loan receivable	49,763	49,763
Receivables from lessees of bunkhouses	4,988	2,867
Others	20,930	25,673
	443,375	353,711
Less allowance for ECLs/impairment losses	153,420	142,839
	₱289,955	₱210,872

Trade receivables and receivables from lessees of bunkhouses are non-interest bearing and are generally collectible within a period of one year. Advances to officers and employees are non-interest bearing and are subject to liquidation.

Nontrade receivables pertain to advances made to suppliers by the Group relating to materials and supplies necessary in the Group's operation. These are non-interest bearing and will be realized through offsetting against future billings from suppliers or will be settled in cash.

Other receivables comprise of various receivable items from different debtors of the Group, while advances to officers and employees pertain to cash advances that are used in the operations of the Group.

Movements of allowance for ECLs/impairment losses are as follows:

	2019							Total
	Trade Receivables	Nontrade Receivables	Advances to officers and employees	ESOIP (Note 28)	Receivables from lessees of bunkhouses	Loans receivable	Others	
Balances at beginning of year	₱13,227	₱13,071	₱2,884	₱58,416	₱-	₱49,763	₱5,478	₱142,839
Provisions (Note 24)	14,655	-	68	-	3,644	-	1,718	20,085
Recoveries	-	(4,662)	(1,122)	-	-	-	(3,720)	(9,504)
Balances at end of year	₱27,882	₱8,409	₱1,830	₱58,416	₱3,644	₱49,763	₱3,476	₱153,420

	2018							Total
	Trade receivables	Nontrade Receivables	Advances to officers and employees	ESOIP (Note 28)	Receivables from lessees of bunkhouses	Loans receivable	Others	
Balances at beginning of year	₱5,798	₱11,732	₱2,157	₱58,416	₱35,079	₱-	₱1,811	₱114,993
Provisions (Note 24)	7,429	4,983	727	-	-	49,763	3,721	66,623
Write-off	-	(3,644)	-	-	(35,079)	-	(54)	(38,777)
Balances at end of year	₱13,227	₱13,071	₱2,884	₱58,416	₱-	₱49,763	₱5,478	₱142,839



Except for those impaired accounts, the Group assessed trade and other receivables as collectible and in good standing.

Loan Receivable

On March 3, 2010, MMC granted an unsecured loan facility to a third party amounting to ₱135.0 million with an interest rate of 9% per annum. Outstanding receivable from this loan, including accrued interest, amounted to ₱49.76 million, net of allowance amounting to ₱49.76 million as at December 31, 2019 and 2018.

6. Inventories

	2019	2018
Beneficiated nickel ore - at cost	₱97,669	₱105,487
Materials and supplies - at cost	329,231	325,662
Gold button - at cost	7,675	-
Quicklime and slakelime - at cost	5,570	4,496
Subdivision lots and housing units for sale - at cost	2,284	4,529
	442,429	440,174
Less allowance for impairment loss on materials and supplies	310,272	311,175
	₱132,157	₱128,999

Movements in subdivision lots are as follows:

	2019	2018
Balances at beginning of year	₱4,529	₱5,509
Sales (recognized as cost of real estate sales; Note 23)	(2,245)	(980)
Balances at end of year	₱2,284	₱4,529

As at December 31, 2019 and 2018, the NRV of the Group's beneficiated nickel ore, gold button, quicklime and slakelime, and subdivision lots is higher than the related cost.

The gold button inventory represents 167.62 ounces of gold and 4.85 ounces of silver by-product produced by the Group in 2019. These mineral products were immediately sold on January 2 and 3, 2020 for a total consideration of ₱12.85 million which was recognized in the Group's revenue in 2020. The gold button inventory includes depreciation and depletion related to the production of gold amounting to ₱0.31 million (see Note 26).

The amount of beneficiated nickel ore inventory recognized as expense, included in the costs of mine products sold in the consolidated statements of income, amounted to ₱31.29 million, ₱121.25 million and ₱234.75 million in 2019, 2018 and 2017, respectively.

The aggregate cost of beneficiated nickel ore inventory that increased cost of mine products sold amounted to ₱7.82 million, ₱35.27 million and ₱63.40 million in 2019, 2018 and 2017, respectively (see Note 22).

The NRV of materials and supplies, amounted to ₱18.96 million and ₱14.49 million as at December 31, 2019 and 2018, respectively.



Movements of allowance for impairment loss on materials and supplies are as follows:

	2019	2018
Balances at beginning of year	₱311,175	₱291,152
Recoveries (Note 27)	(903)	-
Provision (Note 27)	-	20,216
Write-off	-	(193)
Balances at end of year	₱310,272	₱311,175

Materials and supplies amounting to nil and ₱0.19 million, which were already provided with allowance for impairment loss, were written off as the Group assessed that such can no longer be used as at December 31, 2019 and 2018, respectively.

Materials and supplies charged to current operations amounted to ₱131.96 million, ₱143.17 million and ₱157.80 million in 2019, 2018 and 2017, respectively (see Notes 22, 23 and 24). There are no purchase commitments related to inventories or inventories pledged as security for liabilities as at December 31, 2019 and 2018.

7. Other Current Assets

	2019	2018
Advances to contractors	₱102,610	₱52,373
Input VAT - net	88,551	249,541
CWTs	79,059	204,658
Deferred input VAT	56,487	79,152
Prepaid expenses	17,869	79,858
Others	17,538	8,472
	362,114	674,054
Less allowance for impairment losses	47,967	41,947
	₱314,147	₱632,107

Prepaid expenses include tax credit certificates (TCC), which can be utilized as payment for income taxes. These also include prepayments for insurance, rent and other services. In 2019 and 2018, the Group applied for VAT refund amounting to ₱40.23 million and ₱80.30 million, respectively, for its input VAT related to export sales in 2017 and 2016, respectively. The BIR disallowed input VAT claims filed for refund in 2019 and 2018 and TCC in 2017 by BNMI and KPLMSC totaling ₱6.70 million, ₱11.15 million and ₱4.49 million in 2019, 2018 and 2017, respectively, and are recognized as other expenses (see Note 27).

In 2019, the Group encashed its TCC amounting to ₱59.14 million, which was granted by BIR in 2015 for input VAT related to export sales from April 2013 to December 2013.

In 2019, the Group wrote off advances to contractors amounting to ₱2.69 million as management believes these may no longer be realized. Allowance for impairment losses amounted to ₱47.97 million and ₱41.95 million as at December 31, 2019 and 2018, respectively.

Others include security deposits which pertain to deposits to satisfy lease obligations of the Group. These are refundable at the end of the related lease term.



Movements in allowance for impairment loss on other current assets are as follows:

	2019	2018
Balances at beginning of year	₱41,947	₱30,812
Provision (Note 27)	8,714	11,135
Writeoff	(2,694)	–
Balances at end of year	₱47,967	₱41,947

8. Financial Assets at FVOCI and AFS Financial Assets

	2019	2018
UITF	₱12,724	₱10,278
Quoted shares	444	520
	₱13,168	₱10,798

Movements in financial assets at FVOCI in 2019 and 2018 are as follows:

	2019	2018
Balances at beginning of year	₱10,798	₱11,441
Additions	5,450	949
Disposals	(3,163)	(1,928)
Change in fair value	83	336
Balances at end of year	₱13,168	₱10,798

The unrealized gain representing the change in fair value of these financial assets amounting to ₱0.97 million and ₱1.01 million as at December 31, 2019 and 2018, respectively, is shown as part of the other components of equity in the consolidated statements of financial position and in the consolidated statements of changes in equity. The fluctuations in value of these investments are also reported as part of other comprehensive income in the consolidated statements of comprehensive income.

Movements in unrealized gain on financial assets at FVOCI recognized as a separate component of equity are as follows (see Note 19):

	2019	2018	2017
Balances at beginning of year	₱1,013	₱1,059	₱866
Unrealized gain on fair value change	83	336	203
Realized gain on sale of financial asset at FVOCI transferred to retained earnings	(125)	(382)	–
Realized gain on sale of AFS financial assets recycled to consolidated statement of income	–	–	(10)
Balances at end of year	₱971	₱1,013	₱1,059

In 2019, 2018 and 2017, the Group sold AFS financial assets with cost amounting to ₱3.04 million, ₱1.55 million and ₱1.12 million, respectively. Proceeds from these disposals amounted to ₱3.16 million, ₱1.93 million and ₱1.12 million, respectively, resulting in realized gain amounting to ₱0.12 million and ₱0.38 million transferred directly to retained earnings in 2019 and 2018, respectively. Realized gain amounting to ₱0.02 million were recycled to consolidated statement of income in 2017 (see Note 27).



9. Asset Classified as Held for Sale

In 2018, the BOD resolved to dispose the land situated in San Diego Street, Veinte Reales, Valenzuela City and, therefore classified it from property, plant and equipment into an “Asset classified as held for sale”. The Group assessed that the asset, which amounts to ₱4.13 million, met the criteria to be classified as held for sale due to the following reasons:

- The land is available for immediate sale and can be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification
- A potential buyer has been identified and negotiations as at the reporting date are at an advanced stage
- The shareholders approved the plan to sell.

In 2019, due to events and conditions beyond the control of the Group and the potential buyer, the sale of the parcel of land did not materialize. Moreover, the Company no longer undertakes any operational activity in the said properties other than to hold these for capital appreciation. As such, the parcel of land has been reclassified to investment property at a fair value of ₱4.13 million as at reclassification date (see Note 12).

10. Property, Plant and Equipment

a. Property, plant and equipment - at revalued amount

The Group’s property, plant and equipment items carried at revalued amounts are as follows:

	2019	2018
Land	₱1,621,149	₱1,215,134
Artworks	52,139	21,337
	₱1,673,288	₱1,236,471

i. Land - at revalued amount

The Group adopted the revaluation model and engaged independent firms of appraisers to determine the fair value of its land and artworks classified under property, plant and equipment in the consolidated statements of financial position. The appraisers determined the fair value of the Group’s land based on its market value in 2019 and is categorized under level 3. The assigned values were estimated using the sales comparison approach, which considers the sales of similar or substitute properties and their related market values and establishes value estimates through processes involving comparisons.

In 2019 and 2018, the Group recognized revaluation increment on land amounting to ₱451.99 million and ₱170.35 million, respectively. Correspondingly, amounts charged to consolidated statements of comprehensive income amounted to ₱316.39 million and ₱119.24 million, net of deferred tax liability of ₱135.60 million and ₱51.11 million in 2019 and 2018, respectively.

In 2019, the Group ceased operational activities on the parcels of land located in San Marcelino, Zambales consisting of 2,768,540 square meters other than for long-term capital appreciation. This resulted to a reclassification from property, plant and equipment to investment property amounting to ₱83.06 million (see Note 12).



In the same year, parcels of land in Irisan, Baguio City with fair value of ₱37.08 million were reclassified from investment property to property, plant and equipment due to change in use from being held for long-term capital appreciation to being owner-occupied properties (see Note 12).

	2019		
	Cost	Revaluation increment	Total
Balances at beginning of year	₱35,356	₱1,179,778	₱1,215,134
Change in fair value	–	451,989	451,989
Reclassification:			
From investment property (Note 12)	37,082	–	37,082
To investment property (Note 12)	(4,040)	(79,016)	(83,056)
Balances at end of year	₱68,398	₱1,552,751	₱1,621,149

	2018		
	Cost	Revaluation increment	Total
Balances at beginning of year	₱39,486	₱1,009,433	₱1,048,919
Change in fair value	–	170,345	170,345
Reclassification (Note 9)	(4,130)	–	(4,130)
Balances at end of year	₱35,356	₱1,179,778	₱1,215,134

ii. Artworks - at revalued amount

Artworks owned by the Group are stated at revalued amounts. Independent revaluations are performed every three to five years by an independent appraiser. The latest appraisal was performed by Heritage Arts & Antiquities, Inc., an independent appraiser, on January 20, 2020 and May 27, 2020 in which the fair value measurement is categorized under Level 3. The assigned value was estimated using the sales comparison approach, which considers the sales of similar or substitute properties and related market values and establishes value estimates by processes involving comparisons. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered.

As at December 31, 2019 and 2018, the revalued amount of the artworks amounted to ₱52.14 million and ₱21.34 million, respectively. The artworks would have been recorded at ₱0.90 million in the consolidated statement of financial position had these been carried at cost.

	2019		
	Cost	Revaluation increment	Total
Balances at beginning of year	₱896	₱20,441	₱21,337
Change in fair value	–	30,802	30,802
Balances at end of year	₱896	₱51,243	₱52,139



	2018		
	Cost	Revaluation increment	Total
Balances at beginning and end of year	₱896	₱20,411	₱21,337

In 2019, the Group recognized revaluation increment on artworks amounting to ₱30.80 million. Correspondingly, amount charged to consolidated statement of comprehensive income amounted to ₱21.56 million, net of deferred tax liability of ₱9.24 million.

The management assessed that the residual value of the artworks approximates the revalued amount as at December 31, 2019 and 2018, and therefore, no depreciation was recognized in both years.



b. Property, Plant and Equipment - at cost

	2019							
	Land improvements	Buildings	Machinery, tools and equipment	Mine and mining properties	Port facilities	CIP	Right-of-use of assets	Total
Cost:								
At as January 1, as previously reported	₱74,083	₱309,701	₱906,159	₱1,626,907	₱101,517	₱78,164	₱-	₱3,096,531
Effect of adoption of PFRS 16 (Note 2)	-	-	-	-	-	-	14,741	14,741
At as January 1, as restated	74,083	309,701	906,159	1,626,907	101,517	78,164	14,741	3,111,272
Additions	-	-	19,572	8,447	-	-	-	28,019
Initial recognition of mine rehabilitation asset (Note 17)	-	-	-	2,498	-	-	-	2,498
Disposals	-	-	(3,400)	-	-	-	-	(3,400)
Change in estimate of the liability for mine rehabilitation (Note 17)	-	-	-	(3,625)	-	-	-	(3,625)
Retirements	-	(4,911)	(13,242)	-	-	-	-	(18,153)
Reclassification	-	-	9,405	-	-	(9,405)	-	-
Ending balance	74,083	304,790	918,494	1,634,227	101,517	68,759	14,741	3,116,611
Accumulated depreciation and depletion:								
At as January 1	66,789	292,777	906,159	843,449	23,146	-	-	2,132,320
Depreciation and depletion (Note 26)	1,874	12,782	2,687	11,789	4,236	-	5,439	38,807
Disposals	-	-	(227)	-	-	-	-	(227)
Retirements	-	(4,911)	(13,242)	-	-	-	-	(18,153)
Ending balance	68,663	300,648	895,377	855,238	27,382	-	5,439	2,152,747
Net book values	₱5,420	₱4,142	₱23,117	₱778,989	₱74,135	₱68,759	₱9,302	₱963,864



	2018						
	Land improvements	Buildings	Machinery, tools and equipment	Mine and mining properties	Port facilities	CIP	Total
Cost:							
Beginning balance	₱74,083	₱320,360	₱921,232	₱1,634,163	₱101,517	₱134,102	₱3,185,457
Additions	–	–	8,064	–	–	171	8,235
Disposals	–	–	(17,412)	–	–	–	(17,412)
Change in estimate of the liability for mine rehabilitation (Note 17)	–	–	–	(7,256)	–	–	(7,256)
Retirements	–	(10,659)	(5,725)	–	–	(56,109)	(72,493)
Ending balance	74,083	309,701	906,159	1,626,907	101,517	78,164	3,096,531
Accumulated depreciation and depletion:							
Beginning balance	64,915	291,438	873,408	827,976	18,910	–	2,076,647
Depreciation and depletion (Note 26)	1,874	7,703	53,844	15,473	4,236	–	83,130
Disposals	–	–	(15,368)	–	–	–	(15,368)
Retirements	–	(6,364)	(5,725)	–	–	–	(12,089)
Ending balance	66,789	292,777	906,159	843,449	23,146	–	2,132,320
Net book values	₱7,294	₱16,924	₱–	₱783,458	₱78,371	₱78,164	₱964,211



The Group's CIP includes the development of an enhanced mill production line in Balatoc, Benguet to increase the milling capacity of its gold operations. As of December 31, 2019, and 2018, construction of this production line is suspended.

Proceeds totaling ₱3.17 million, ₱3.55 million and ₱46.55 million in 2019, 2018 and 2017, respectively, from the disposal of property, plant and equipment items resulted in net gain of nil, ₱1.51 million, and ₱45.57 million in 2019, 2018 and 2017, respectively (see Note 27).

The Group recognized loss on retirement of property, plant and equipment amounting to nil, ₱60.40 million and nil in 2019, 2018 and 2017, respectively (see Note 27).

The cost of fully depreciated property, plant and equipment still being used in the Group's operations amounted to ₱962.21 million and ₱895.53 million as at December 31, 2019 and 2018, respectively.

Movements in mine and mining properties in 2019 and 2018 are as follows:

	2019			Total
	Mine and mining properties	Mine development cost	Mine rehabilitation asset	
Cost:				
Balances at beginning of year	₱1,513,745	₱-	₱113,162	₱1,626,907
Addition	-	8,447	-	8,447
Initial recognition of mine rehabilitation asset (Note 17)	-	-	2,498	2,498
Change in estimate of the liability for mine rehabilitation (Note 17)	-	-	(3,625)	(3,625)
Balances at end of year	1,513,745	8,447	112,035	1,634,227
Accumulated depletion:				
Balances at beginning of year	809,723	-	33,726	843,449
Depletion (Note 26)	9,433	-	2,356	11,789
Balances at end of year	819,156	-	36,082	855,238
Net book values	₱694,589	₱8,447	₱75,953	₱778,989

	2018			Total
	Mine and mining properties	Mine rehabilitation asset	Total	
Cost:				
Balances at beginning of year	₱1,513,745	₱120,418	-	₱1,634,163
Change in estimate of the liability for mine rehabilitation (Note 17)	-	(7,256)	-	(7,256)
Balances at end of year	1,513,745	113,162	-	1,626,907
Accumulated depletion:				
Balances at beginning of year	797,192	30,784	-	827,976
Depletion (Note 26)	12,531	2,942	-	15,473
Balances at end of year	809,723	33,726	-	843,449
Net book values	₱704,022	₱79,436	-	₱783,458

Additions to mine rehabilitation asset pertains to a liability for mine rehabilitation recognized by the Group in 2019 for one of its projects amounting to ₱2.50 million (see Note 17).



Movements in right of use of assets in 2019 are as follows:

	2019				
	Office Space	Clinic Space	Machinery, tools and equipment	Land	Total
Cost:					
Balances at beginning of year	P-	P-	P-	P-	P-
Effect of adoption of PFRS 16 (Note 2)	4,378	2,683	1,084	6,596	14,741
Balances at end of year	4,378	2,683	1,084	6,596	14,741
Accumulated depreciation:					
Balances at beginning of year	-	-	-	-	-
Depreciation (Note 16)	2,492	1,119	1,037	791	5,439
Balances at end of year	2,492	1,119	1,037	791	5,439
Net book values	₱1,886	₱1,564	₱47	₱5,805	₱9,302

11. Deferred Mine Exploration Costs

Movements in deferred mine exploration costs are as follows:

	2019	2018
Balances at beginning of year	₱611,057	₱621,671
Additions	4,018	848
Translation adjustment	1,095	-
Write-off (Note 27)	-	(11,462)
	616,170	611,057
Less allowance for impairment losses	166,989	72,059
Balances at end of year	₱449,181	₱538,998

Additions pertain to drilling, hauling, and other ongoing exploration and evaluation activities of the Group.

Translation adjustment in 2019 pertains to the translation from USD to Philippine Peso of the Group's deferred exploration costs on mining claims in Nevada, USA held by BUSA, a foreign subsidiary.

Movements in allowance for impairment loss on deferred mine exploration costs are as follows:

	2019	2018
Balances at beginning of year	₱72,059	P-
Provision (Note 27)	94,930	72,059
Balances at end of year	₱166,989	₱72,059

Provisions in 2019 and 2018 relate to deferred mine explorations costs for which further exploration is not budgeted nor planned in the near future.



12. Investment Properties

	2019	2018
Balances at beginning of year	₱2,217,566	₱1,611,746
Revaluation (Note 27)	287,213	605,820
Reclassifications:		
From property, plant and equipment (Note 10)	83,056	-
From asset classified as held for sale (Note 9)	4,130	
To property, plant and equipment (Note 10)	(37,082)	-
Disposals	(76,021)	-
Balances at end of year	₱2,478,862	₱2,217,566

At the beginning of 2019, investment properties include parcels of land located in Irisan, Baguio City with an area of 18,541 square meters, and a cost of ₱31.92 million. During the year, the properties were reclassified to property, plant and equipment due to change in use of from being held for long-term capital appreciation to being an owner-occupied property. The fair value as at reclassification date amounted to ₱37.08 million (see Note 10).

In the same year, parcels of land in San Marcelino, Zambales with a revalued amount of ₱83.06 million were reclassified from property, plant and equipment to investment properties due to the change in use from being owner-occupied properties to being held for long-term capital appreciation (see Note 10). Portions of these properties amounting to ₱76.02 million were subsequently sold for ₱144.61 million, resulting in a gain of ₱68.59 million recognized in other income (see Note 27). Correspondingly, revaluation increment amounting to ₱50.39 and deferred tax liability on the revaluation increment from the portion sold amounting to ₱21.60 million were transferred to retained earnings.

Investment properties also include parcels of land located in Itogon, Benguet.

On February 28, 2020 and May 29, 2020, the Group engaged an independent appraiser to assess the fair market value of the land under investment properties as at December 31, 2019. The appraisal was performed by Cuervo Appraisers, Inc. and Asian Appraisal Company, Inc. The fair value of the investment properties was estimated using the sales comparative approach, which considers the sales of similar or substitute properties and related market values and establishes value estimates by processes involving comparisons.

The Group recognized revaluation gain amounting to ₱287.21 million, ₱605.82 million and ₱5.17 million in 2019, 2018 and 2017, respectively, and were included as other income (see Note 27).

In 2018, certain parcels of land totaling ₱237.08 million are used as collateral for the loan of the Parent Company. In 2019, the Parent Company settled the loan in full, which released the land as collateral to secure the said loan (see Note 14).



13. Other Noncurrent Assets

	2019	2018
Nontrade	₱361,341	₱423,670
Input VAT	228,603	–
Mine Rehabilitation Fund (MRF)	36,197	29,192
Intangible asset	250	–
Prepaid rent	–	2,431
Others	7,515	2,377
	633,906	457,670
Less allowance for impairment losses on other noncurrent assets	151,892	150,054
	₱482,014	₱307,616

Nontrade noncurrent assets pertain to advances and prepayments of the Group to its contractors and suppliers for exploration and other related activities and projects that are expected to be settled beyond 12 months from the end of the reporting period.

MRF pertains to accounts opened with local banks in compliance with the requirements of DAO No. 2010-21, otherwise known as The Revised Implementing Rules and Regulations of the Philippine Mining Act of 1995. The MRF shall be used for physical and social rehabilitation of areas and communities affected by the mine operations, and for research in the social, technical and preventive aspects of the mine's rehabilitation. The funds earn interest at the respective bank deposit rates. Interest income earned from MRF amounted to ₱0.18 million, ₱0.21 million and ₱0.07 million in 2019, 2018 and 2017, respectively (see Note 27).

In November 2018, the amount of ₱13.00 million was seized from the Company's fund as a result of an Order of Garnishment issued to some of the Group's MRF account. The issuance was due to a case with a private corporation for the Group's long-outstanding obligation, which resulted in a loss of ₱9.43 million in 2018 (see Note 27).

Prepaid rent represents the noncurrent portion of advance rentals made by the Group for various lease obligations.

In 2019, the Group acquired the intangible asset at a cost of ₱0.11 million. This has been assessed as having an indefinite useful life as of December 31, 2019. As at December 31, 2019, the revalued amount of this intangible asset amounted to ₱0.25 million, after revaluation increment of ₱0.14 million, recognized in other comprehensive income. No impairment loss was recognized during the year for this intangible asset.

Others pertain to various assets of the Group, which are individually insignificant and are expected to be realized beyond 12 months after the reporting period.

Movements in allowance for impairment loss on other noncurrent assets are as follows:

	2019	2018
Balances at beginning of year	₱150,054	₱54,680
Provision (Note 27)	1,838	95,374
Balances at end of year	₱151,892	₱150,054



14. Loans Payable

	2019	2018
Unsecured loans	₱270,062	₱270,062
Accrued interest and penalties	237,831	237,831
Secured loans	–	22,777
	₱507,893	₱530,670

a. Unsecured loans

In 2015, BNMI obtained an interest-bearing loan from Trans Middle East Phils. Equities, Inc. amounting to ₱250.00 million. During the same year, BNMI paid ₱65.00 million of the outstanding principal balance, after which the parties agreed that the loan becomes due and demandable. Outstanding principal amount of the loan amounted to ₱185.00 million as at December 31, 2019 and 2018.

The Parent Company has various loans, which are being renegotiated and are undergoing restructuring. Nominal interest rates vary from floating rate of 91-day Philippine PhP T-bill rate for peso loans and 3-month London Interbank Offered Rate (LIBOR) foreign loans, plus a margin of 3.5% for secured loans. Remaining balance related to these loans amounted to ₱85.06 million as at December 31, 2019 and 2018.

In 2017, the Parent Company wrote-off a loan payable to a creditor and realized a gain amounting to ₱38.64 million since the Parent Company can no longer locate the said creditor (see Note 27).

b. Secured loans

The Parent Company has a revolving secured promissory note from a local bank to finance its working capital requirements. In 2019, the Parent Company settled this loan in full. As such, certain parcels of land amounting to ₱237.08 million ceased being collaterals to secure the loan.

This loan facility has an outstanding balance of nil and ₱22.78 million as at December 31, 2019 and 2018, respectively.

Total proceeds from these loans amounted to nil, ₱10.0 million and ₱70.00 million in 2019, 2018, and 2017, respectively. Total principal payments for these loans amounted to ₱22.80 million, ₱57.20 million and ₱58.30 million in 2019, 2018 and 2017, respectively.

Accrued interest and penalties represent cumulative interest and default charges as at December 31, 2019 and 2018. Total interest expense related to loans payable amounted to ₱1.21 million, ₱4.83 million and ₱4.10 million in 2019, 2018 and 2017, respectively.



15. Trade and Other Payables

	2019	2018
Trade	₱366,658	₱608,712
Nontrade	117,753	127,291
Output VAT	39,907	79,988
Accrued expenses:		
Professional fees and contracted services	12,672	14,168
Others	28,488	14,859
Excise taxes and royalties	8,892	8,401
Contract liabilities	896	1,451
Others	1,590	3,716
	₱576,856	₱858,586

Trade payables include import and local purchases of equipment, inventories and various parts and supplies used in the operations of the Group. These are non-interest bearing and are normally settled in 60 to 90 days' terms.

Nontrade payables represent other operating expenses that are payable to various suppliers and contractors and regulatory agencies.

Contract liabilities pertain to cash advances from BNMI's customers, which can be settled through future nickel ore shipments to those customers. Significant terms and conditions of the related off-take agreements are in Note 37.

	2019	2018
Current	₱896	₱1,451
Noncurrent (Note 18)	333,065	348,745
	₱333,961	₱350,196

Payables to officers and employees include unclaimed wages, accrued vacation and sick leave credits and accrued payroll, which are payable within 30 days.

Excise taxes and royalties pertain to taxes payable by the Group for its legal obligation arising from the production of mine products.

Others represent individually insignificant payables, operating and administrative expenses.

In 2019, the Group recognized a gain of ₱22.46 million representing the discount provided by one of its suppliers for the settlement of its trade and other liabilities amounting to ₱121.4 million (Note 27).

16. Lease Commitments

Group as a lessee

The Group has lease contracts for various office spaces, clinic spaces, machinery, tools and equipment, and land, which generally have lease terms, as follows:

Lease	Lease terms
Land	10 to 25 years
Office spaces	3 to 8 years
Clinic spaces	3 years
Machinery, tools and equipment	2 years



The Group also has certain leases of clinic space with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The following are the amounts recognized in consolidated statement of income:

	2019
Depreciation expense of right-of-use assets included in property, plant and equipment (Note 10)	P5,439
Expenses related to short-term leases included in selling and general expenses (Note 24)	6,193
Expenses related to short-term leases included in cost of services (Note 23)	5,471
Interest expense on lease liabilities	822
Income from subleasing of right of use assets	(269)
Total amount recognized in consolidated statement of income	P17,656

The rollforward analysis of lease liabilities follows:

	2019
Effect of adoption of PFRS 16 (Note 2)	P10,758
Interest expense	822
Payments of	
Principal portion	(2,699)
Interest portion	(822)
Total amount of lease liabilities	8,059
Less noncurrent portion	5,583
Current portion	P2,476

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Within five years	More than five years	Total
Extension options expected not to be exercised	P-	P1,500	P1,500

Shown below is the maturity analysis of the undiscounted lease payments:

	2019
1 year	P3,293
more than 1 years to 2 years	1,799
more than 2 years to 3 years	799
more than 3 years to 4 years	818
more than 5 years	4,562



Group as a lessor

Future minimum rentals receivable under non-cancellable operating leases as at December 31, 2019 are as follows:

	2019
1 year	₱1,780
more than 1 years to 2 years	1,746
more than 2 years to 3 years	160
more than 3 years to 4 years	140

17. Liability for Mine Rehabilitation

Movements in this account are as follows:

	2019	2018
Balances at beginning of year	₱90,329	₱100,871
Additions:		
Recognized in statement of income (Note 27)	18,373	–
Recognized in mine rehabilitation asset (Note 10)	2,498	–
Change in estimate:		
Recognized in statement of income (Note 27)	(9,672)	(8,226)
Recognized as adjustment to the mine rehabilitation asset (Note 10)	(3,625)	(7,256)
Actual rehabilitation costs	(12,788)	–
Accretion (Note 27)	6,467	4,940
	91,582	90,329
Less noncurrent portion	66,575	90,329
Current portion	₱25,007	₱–

This provision is based on the Group's estimates. Assumptions based on the current economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability.

The final rehabilitation costs are uncertain and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes and changes in inflation rates (2.69% in 2019 and 2.72% in 2018) and changes in discount rates (4.02% in 2019 and 7.01% 2018).

These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provision established that could affect future financial results.

The provision at the end of each reporting period represents management best estimate of the present value of the future rehabilitation cost required. This estimate is reviewed regularly to take into account any material changes in the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. The timing of rehabilitation is likely to depend on



when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future ore prices, which are inherently uncertain.

18. Other Noncurrent Liabilities

	2019	2018
Contract liabilities (Note 15)	₱333,065	₱348,745
Equity of claimowners in contract operations	49,136	49,136
Deposit for future stock subscriptions	32,000	32,000
Others	–	72
	₱414,201	₱429,953

Contract liabilities of BNMI may be settled through future nickel ore shipments to its customers. The current portion of the said advances is presented as part of trade and other payables.

Nickel Off-take Agreements

- a. On September 18, 2013 and April 11, 2014, BNMI entered into off-take agreements with a Korean trading company for a total amount of US\$8.0 million in exchange for future shipments. The advances under the said offtake agreement are non-interest bearing and will be settled through deductions from the selling price of every shipment. On December 31, 2016, the first off-take agreement amounting to US\$2.0 million became fully paid, which left only the April 11, 2014 off-take agreement amounting to US\$6.0 million as outstanding.

As at December 31, 2019 and 2018, the remaining balance of the advances amounted to US\$4.35 million and US\$1.92 million, respectively.

- b. On August 24, 2011, BNMI signed a tri-partite off-take agreement with the Parent Company and a Chinese trading company, for the sale of nickel ore. In accordance with the agreement, the Chinese trading company shall extend a loan of US\$6.0 million to the Parent Company. BNMI will deliver and sell 1.8 million tons of 1.8% grade nickel ore over a period of 36 months at 0.6 million tons per 12 months, to start six months after signing of the agreement. The Chinese trading company will deduct US\$3.33 per ton from the selling price of the nickel ore to be treated as repayment of the loan to the Parent Company.

As at December 31, 2019 and 2018, the remaining advances amounted to \$1.92 million.

Equity of claim owners in contract operations pertain to the outstanding liability of the Parent Company. Discussions on the settlement of said liability are still on-going as at December 31, 2019.

As at December 31, 2019 and 2018, deposit for future stock subscriptions received by BLI from Almega Management and Investment, Inc. amounted to ₱32.0 million. The related increase in authorized capital stock of BLI has been approved by BLI's BOD and majority of its stockholders on March 16, 2016. The Company filed the application for the increase in authorized capital stock with the Philippine SEC on November 23, 2018 and is waiting for approval as at June 4, 2020.

Others pertain to payables of the Group not expected to be paid within 12 months after the reporting period.



19. Equity

Capital Stock

	2019		2018	
	No. of shares	Amount	No. of shares	Amount
Authorized				
Convertible Preferred				
Class A - ₱3.43 par value	19,652,912	₱67,500	19,652,912	₱67,500
Common Class A - ₱1 par value in 2019 and 2018 and ₱3 par value in 2016	430,380,000	430,874	430,380,000	430,874
Common Class B - ₱1 par value in 2019 and 2018 and ₱3 par value in 2016	286,920,000	287,135	286,920,000	287,135
	736,952,912	785,509	736,952,912	785,509
Issued				
Convertible Preferred Class "A"	217,061	745	217,061	745
Common Class "A"	371,050,755	371,050	371,050,755	371,050
Common Class "B"	245,068,497	245,068	245,068,497	245,068
Total shares issued and subscribed	616,336,313	616,863	616,336,313	616,863
Treasury Shares				
Convertible Preferred Class "A"	–	–	–	–
Common Class "A"	310,794	7,158	310,794	7,158
Common Class "B"	37,275	858	37,275	858
Total treasury shares	348,069	8,016	348,069	8,016
Outstanding				
Convertible Preferred Class "A"	217,061	745	217,061	745
Common Class "A"	370,739,961	363,892	370,739,961	363,892
Common Class "B"	245,031,222	244,210	245,031,222	244,210
Total outstanding shares	615,988,244	₱608,847	615,988,244	₱608,847

The two classes of common shares of the Group are identical in all respects, except that ownership of Common Class A is restricted to Philippine nationals.

The convertible preferred shares are limited to Philippine nationals and convertible into Common Class A shares at a conversion premium of ₱6.02 per share. Each preferred share is convertible into 9.4875 Common Class A shares. The convertible preferred shares are also entitled to have one vote for each full share of Common Class A stock into which such share of convertible preferred stock is, at any stockholders' meeting, then convertible. It does not enjoy the same dividend right as the two classes of common stock but is entitled to a fixed cumulative dividend of 8% a year if there is surplus profit and when declared by the BOD.

On July 29, 2016, the Philippine SEC approved the amendment to the Article Seventh of the Amended Articles of Incorporation and Article 1, Section 1 of the Amended By-Laws of the Parent Company, which changed the par value of its Common Class A and Common Class B shares from ₱3.00 to ₱1.00 per share and increased the number of common shares by threefold. The reduction in par value essentially resulted in a stock split.

On March 21, 2018, the BOD approved the increase in the Group's authorized capital stock from ₱717.30 million (consisting of 430,380,000 Common Class A shares and 286,920,000 Common Class B shares, both having a par value of ₱1.00 each) to ₱762.30 million (consisting of 475,380,000 Common Class A shares and 286,920,000 Common Class B shares, both having a par value of ₱1.00 each). After the amendment, the total authorized capital stock of the Parent Company has increased from ₱785.50 million to ₱830.50 million.



The application for the increase was approved by the stockholders during the annual meeting held on November 8, 2018. As at June 4, 2020, the Parent Company has not yet filed the application for the increase in authorized capital stock with the Philippine SEC.

There had been no issuance of shares during 2019 and 2018.

Below is the Parent Company's track record of registration of securities under the Philippine SEC:

Date of Registration (SEC Approval)	Description	Number of shares	Par value per share	Total amount (in 000's)
June 18, 1956	Capital upon registration: Common shares	18,000,000	₱1.00	₱18,000
November 25, 1960	Increase in number and par value of common shares: Common shares	20,000,000	2.00	40,000
November 9, 1964	Increase in par value of common shares: Common shares	20,000,000	3.00	60,000
October 22, 1968	Increase in number of common shares and introduction of preferred shares: Common shares Preferred shares	50,000,000 6,000,000	3.00 5.00	150,000 30,000
March 12, 1974	Split of common share into two classes and change in number and par value and addition of conversion feature to the preferred shares: Common class A Common class B Convertible preferred shares	30,000,000 20,000,000 19,652,912	3.00 3.00 3.43	90,000 60,000 67,500
July 27, 1989	Increase in number of common shares Common class A Common class B Convertible preferred shares	120,000,000 80,000,000 19,652,912	3.00 3.00 3.43	360,000 240,000 67,500
September 28, 2015	Increase in number of common shares Common class A Common class B Convertible preferred shares	143,460,000 95,640,000 19,652,912	3.00 3.00 3.43	430,874 287,135 67,500
July 29, 2016	Increase in number of common shares and reduction in par value Common class A Common class B Convertible preferred shares	430,380,000 286,920,000 19,652,912	1.00 1.00 3.43	430,874 287,135 67,500
As at December 31, 2019:	Increase in number of common shares and reduction in par value Common class A Common class B Convertible preferred shares	430,380,000 286,920,000 19,652,912	₱1.00 1.00 3.43	₱430,874 287,135 67,500

As at December 31, 2019 and 2018, the Parent Company has 16,906 and 16,931 stockholders, respectively.

Other Components of Equity

	2019	2018
Revaluation increment - net of deferred tax	₱1,127,236	₱839,669
Cumulative translation adjustments of foreign subsidiaries - net of deferred tax	33,592	32,721
Cost of share-based payment (Note 20)	21,671	25,089
Remeasurement gain on retirement obligation - net of deferred tax (Note 30)	21,413	24,201
Unrealized gain on FVOCI and AFS financial assets (Note 8)	971	1,013
Unrealized gain on intangible asset (Note 13)	135	-
	₱1,205,018	₱922,693



As at December 31, 2019 and 2018, the Parent Company has 300,000 shares held in treasury amounting to ₱8.02 million at ₱23 per share.

Movement in cost of share-based payment follows:

	2019	2018
Balances at beginning of year	₱25,089	₱26,327
Stock options expired	(3,418)	(1,238)
Balances at end of year	₱21,671	₱25,089

Movement in capital surplus follows:

	2019	2018
Balances at beginning of year	₱376,964	₱375,726
Expiration of stock options	3,418	1,238
Balances at end of year	₱380,382	₱376,964

20. Stock Option Plan

Under the 1975 Nonqualified Stock Option Plan (Plan), as amended, 9.9 million shares of the unissued common stock of the Parent Company have been reserved for stock options to selected managers, directors and consultants of the Parent Company. The option price is payable on exercise date and should not be less than the fair market value of the shares quoted on the date of the grant. The Plan, valid up to May 31, 1998, allows a maximum of 632,500 shares to be available to any one optionee. On May 26, 1998, the BOD and the stockholders approved the extension of the Plan until May 31, 2003, which was extended further on December 18, 2002 with the BOD and the stockholders' approval until May 31, 2008. On December 18, 2007, the BOD and the stockholders approved a further extension of the Plan until May 31, 2013.

On March 23, 2012, the BOD and the stockholders approved the proposed amendments to the existing Amended Stock Option Plan and to extend the termination date of the existing Plan for five years or until May 31, 2018.

The amendments include an increase in the maximum award per employee from 200,000 shares over the life of the plan to 500,000 shares per grant and an increase in the shares reserved for issuance under the Plan from the total of 9,906,661 shares to 22,000,000 shares.

Options granted to Filipino optionees are exercisable in the form of 60% Common Class A and 40% Common Class B shares. Options for Common Class B shares may be exercised only if Common Class A shares had been previously or simultaneously exercised so as to maintain a minimum 60:40 ratio of Common Class A to Common Class B shares.

The options under the Plan are non-transferable and are exercisable to the extent of 30% after one year from the date of the grant, 60% after two years from the date of the grant, and 100% after three years from the date of grant. No option is exercisable after 10 years from the date of grant.



Unexercised share options per grant are as follows:

	Unexercised share options as at January 1, 2019	Expired in 2019	Unexercised share options as at December 31, 2019
Class A - May 2011 Grant	1,866,297	(198,000)	1,668,297
- September 2012 Grant	396,000	(90,000)	306,000
- May 2014 Grant	1,080,000	(216,000)	864,000
Class B - May 2011 Grant	1,358,745	(132,000)	1,226,745
- September 2012 Grant	264,000	(60,000)	204,000
- May 2014 Grant	720,000	(144,000)	576,000
Total	5,685,042	(840,000)	4,845,042

	Unexercised share options as at January 1, 2018	Expired in 2018	Unexercised share options as at December 31, 2018
Class A - May 2011 Grant	2,001,297	(135,000)	1,866,297
- September 2012 Grant	396,000	-	396,000
- May 2014 Grant	1,080,000	-	1,080,000
Class B - May 2011 Grant	1,448,745	(90,000)	1,358,745
- September 2012 Grant	264,000	-	264,000
- May 2014 Grant	720,000	-	720,000
Total	5,910,042	(225,000)	5,685,042

On August 31, 2016, the Parent Company's BOD approved the following amendments to the Plan due to the effect of the share split on July 29, 2016:

- change in the exercise price of outstanding options
- change in the maximum number of shares per grant from 500,000 to 1,500,000
- repricing of the unexercised share options brought about by the low turn-out in the availment of the grant due to high exercise price compared to market price. The repricing was based on the closing price on August 18, 2016 of Class A and Class B common shares amounting to ₱2.25 and ₱2.55, respectively, less 25% discount pursuant to the provisions of the amended stock option plan of the Parent Company.

The exercise prices of outstanding options consider the effect of the stock split and the change in exercise prices, are as follows:

	At grant date	After effect of stock split	As modified
Class A - May 2011 Grant	₱16.50	₱5.50	₱1.69
- September 2012 Grant	17.96	5.99	1.69
- May 2014 Grant	7.13	2.38	1.69
Class B - May 2011 Grant	17.50	5.83	1.91
- September 2012 Grant	17.63	5.88	1.91
- May 2014 Grant	7.13	2.38	1.91

Total number of shares available for future option grants is 33,124,698 shares and 33,604,698 shares as at December 31, 2019 and 2018, respectively.



The change in exercise price of outstanding options is treated as a modification of the Plan terms, which resulted in an additional expense, measured as at the date of modification, for the increase in the total fair value of the outstanding share options. The table below shows the increase in fair value due to the change in the exercise price of each grant:

	Fair value after change in exercise price	Fair value before change in exercise price	Increase in fair value
Class A - May 2011 Grant	₱2,718	₱2,462	₱256
- September 2012 Grant	792	763	29
- May 2014 Grant	781	775	6
Class B - May 2011 Grant	2,075	1,920	155
- September 2012 Grant	604	587	17
- May 2014 Grant	593	591	2

Stock option expense relating to the Plan recognized in 2019 and 2018 amounted to nil, and in 2017 amounted to ₱0.66 million (see Note 25).

A summary of the number of shares under the Plan is shown below:

	2019	2018
Outstanding at beginning of year	5,685,042	5,910,042
Expiration	(840,000)	(225,000)
Outstanding and exercisable at end of year	4,845,042	5,685,042

The Parent Company used the binomial options pricing model to determine the fair value of the stock options.

The following assumptions were used to determine the fair value of the stock options:

	Share price	Exercise price	Expected volatility	Option life	Expected dividends	Risk-free interest rate
May 3, 2011 Grant	16.5	16.5	91.20%	10 years	0.00%	6.46%
	17.5	17.5	155.57%	10 years	0.00%	6.46%
Sep 9, 2012 Grant	23.95	17.96	57.35%	10 years	0.00%	4.80%
	23.5	17.63	65.53%	10 years	0.00%	4.80%
May 26, 2014 Grant	9.5	7.13	77.28%	10 years	0.00%	3.90%
	9.5	7.13	84.29%	10 years	0.00%	3.90%

The expected volatility measured at the standard deviation of expected share price returns was based on the analysis of share prices for the past 365 days. The cost of share-based payment amounted to ₱21.67 million and ₱25.09 million as at December 31, 2019 and 2018, respectively (see Note 19).



21. Revenue

	2019	2018	2017
Revenue from contracts with customers:			
Sale of mine products	₱747,726	₱939,131	₱1,379,761
Sale of goods and services	40,569	46,972	68,358
Trucking services	4,969	7,647	7,634
Port and barge management services	1,602	10,875	4,106
Others	5,407	2,151	1,132
Total revenue from contracts with customers	800,273	1,006,776	1,460,991
Rental income	1,794	1,928	1,902
	₱802,067	₱1,008,704	₱1,462,893

Sale of mine products includes sales of nickel, gold, silver and lime, which are subject to 4% excise tax based on gross revenues in 2019 and 2018 and to 2% excise tax in 2017.

As a requirement under DAO No. 2010-21, 'The Mining Act Implementing Rules and Regulations', BNMI pays royalty to the MGB for every shipment of nickel ore equivalent to 5% of the peso equivalent of the nickel ore shipped since the SCNP is within a Mineral Reservation.

Excise taxes and royalty fees related to the sale of mine products amounted to ₱29.38 million, ₱45.16 million and ₱56.53 million in 2019, 2018 and 2017, respectively (see Note 33).

Set out below is the disaggregation of the Group's revenue from contracts with customers in 2019 and 2018:

Segments	2019				Total
	Mining	Health Services	Logistics	Others	
Type of product:					
Gold	₱575,363	₱-	₱-	₱-	₱575,363
Nickel	64,649	-	-	-	64,649
Lime	106,581	-	-	-	106,581
Silver	1,133	-	-	-	1,133
Health services	-	35,964	-	-	35,964
Port and barge management services	-	-	1,602	-	1,602
Trucking	-	-	4,969	-	4,969
Sale of goods	-	-	4,605	-	4,605
Real estate sales	-	-	-	5,407	5,407
Total revenue from contracts with customers	₱747,726	₱35,964	₱11,176	₱5,407	₱800,273
Location of customer:					
Within the Philippines	₱683,077	₱35,964	₱11,176	₱5,407	₱735,624
Outside the Philippines	64,649	-	-	-	64,649
Total revenue from contracts with customers	₱747,726	₱35,964	₱11,176	₱5,407	₱800,273
Timing of revenue recognition:					
Transferred at a point in time	₱747,726	₱-	₱4,605	₱5,407	₱757,738
Transferred over time	-	35,964	6,571	-	42,535
Total revenue from contracts with customers	₱747,726	₱35,964	₱11,176	₱5,407	₱800,273



Segments	2018				Total
	Mining	Health Services	Logistics	Others	
Type of product:					
Gold	₱614,775	₱-	₱-	₱-	₱614,775
Nickel	226,521	-	-	-	226,521
Lime	96,534	-	-	-	96,534
Health services	-	42,917	-	-	42,917
Port and barge management services	-	-	10,875	-	10,875
Trucking	-	-	7,647	-	7,647
Sale of goods	-	-	-	4,055	4,055
Real estate sales	-	-	-	2,151	2,151
Silver	1,301	-	-	-	1,301
Total revenue from contracts with customers	₱939,131	₱42,917	₱18,522	₱6,206	₱1,006,776
Location of customer:					
Within the Philippines	₱712,610	₱42,917	₱18,522	₱6,206	₱780,255
Outside the Philippines	226,521	-	-	-	226,521
Total revenue from contracts with customers	₱939,131	₱42,917	₱18,522	₱6,206	₱1,006,776
Timing of revenue recognition:					
Transferred at a point in time	₱939,131	₱6,178	₱10,875	₱6,206	₱962,390
Transferred over time	-	36,739	7,647	-	44,386
Total revenue from contracts with customers	₱939,131	₱42,917	₱18,522	₱6,206	₱1,006,776

22. Costs of Mine Products Sold

	2019	2018	2017
Outside services	₱208,382	₱262,493	₱320,389
Materials and supplies (Note 6)	110,890	114,908	124,327
Personnel expenses (Note 25)	58,393	57,989	58,140
Power, rent and utilities	43,144	49,009	41,892
Contractor fees	27,988	78,348	139,434
Repairs and maintenance	17,272	22,386	22,755
Depreciation and depletion (Note 26)	14,694	56,622	65,703
Smelting, refining and marketing	6,199	6,788	7,062
Travel and transportation	523	375	369
Taxes and licenses	50	41	26
Others	8,915	4,130	15,649
	496,450	653,089	795,746
Net change in benefited nickel ore (Note 6)	7,817	35,273	63,397
	₱504,267	₱688,362	₱859,143

Outside services pertain to the amounts paid to contractors and consultants involved in the mining operations of the Group.

Other expenses consist of various direct charges to cost of mine products, which are individually insignificant.



23. Cost of Services and Other Sales

	2019	2018	2017
Personnel expenses (Note 25)	₱14,495	₱22,093	₱29,234
Materials and supplies (Note 6)	10,543	16,959	17,615
Depreciation and depletion (Note 26)	9,372	7,905	11,422
Rent (Note 16)	5,471	8,863	8,906
Retainers and consultancy fees	3,697	4,852	1,645
Cost of real estate sold (Note 6)	2,245	980	334
Professional fees	1,208	1,020	22,237
Travel and transportation	548	787	1,400
Repairs and maintenance	113	236	709
Others	2,103	4,285	3,041
	₱49,795	₱67,980	₱96,543

Rent pertains to the expenses related to short-term leases (see Note 16).

Others consist of various direct charges, which are individually insignificant.

24. Selling and General Expenses

	2019	2018	2017
Personnel expenses (Note 25)	₱101,339	₱100,609	₱124,406
Outside services	61,183	62,440	76,917
Representation	29,340	14,413	10,671
Community development programs	22,912	34,673	38,597
Provision for impairment losses on receivables (Note 5)	20,085	66,623	1,368
Professional fees	18,475	3,390	769
Depreciation and depletion (Note 26)	14,436	18,603	46,950
Communication, light and power	12,650	13,067	10,605
Taxes and licenses	11,295	15,501	25,982
Materials and supplies (Note 6)	10,530	11,307	15,856
Repairs and maintenance	6,232	4,634	11,709
Rent (Note 16)	6,193	14,298	47,753
Transportation and travel	4,774	6,581	8,473
Freight and handling	2,385	15	313
Insurance	1,217	1,685	166
Wharfage fees	538	2,037	4,940
Contract labor	-	15,776	25,833
Others	16,759	21,966	29,358
	₱340,343	₱407,618	₱480,666

Rent pertains to the expenses related to short-term leases (see Note 16).

Others consist of various administrative expenses, which are individually insignificant.



25. Personnel Expenses

	2019	2018	2017
Salaries and wages	₱129,440	₱155,044	₱177,833
Benefits and allowances	32,214	14,513	19,240
Pension expense (Note 30)	12,573	11,134	14,047
Stock option expense (Note 20)	–	–	660
	₱174,227	₱180,691	₱211,780

Total personnel expenses were distributed as follows:

	2019	2018	2017
Selling and general expenses (Note 24)	₱101,339	₱100,609	₱124,406
Cost of mine products sold (Note 22)	58,393	57,989	58,140
Cost of services and other sales (Note 23)	14,495	22,093	29,234
	₱174,227	₱180,691	₱211,780

26. Depreciation and Depletion

Total depreciation and depletion are composed of the following (see Note 10):

	2019	2018	2017
Depreciation	₱27,018	₱67,657	₱104,149
Depletion	11,789	15,473	19,926
	₱38,807	₱83,130	₱124,075

Depreciation and depletion are broken down as follows:

	2019	2018	2017
Cost of mine products sold (Note 22)	₱14,694	₱56,622	₱65,703
Selling and general expenses (Note 24)	14,436	18,603	46,950
Cost of services and other sales (Note 23)	9,372	7,905	11,422
Gold button inventory (Note 6)	305	–	–
	₱38,807	₱83,130	₱124,075



27. Other Income - net

	2019	2018	2017
Gains (losses) on:			
Revaluation of investment properties (Note 12)	₱287,213	₱605,820	₱5,167
Sale of investment properties (Note 12)	68,592	–	–
Settlement of trade and other liabilities (Note 15)	22,459	52,985	–
Foreign currency exchange	11,491	(15,598)	(4,827)
Disposal of property, plant and equipment (Note 10)	–	1,507	45,573
Disposal of AFS financial assets (Note 8)	–	–	15
Write-off of loans (Note 14)		–	38,644
Provision for impairment on:			
Deferred mine exploration cost (Note 11)	(94,930)	(72,059)	–
Input VAT (Note 7)	(8,714)	(11,135)	(4)
Other noncurrent assets (Note 13)	(1,838)	(95,374)	–
Noncapitalizable additions to liability for mine rehabilitation (Note 17)	(18,373)	–	–
Recovery of allowance for impairment loss (Notes 5 and 6)	10,407	–	–
Change in estimate of liability for mine rehabilitation (Note 17)	9,672	8,226	5,771
Losses on:			
Disallowed input VAT (Note 7)	(6,704)	(11,147)	(4,485)
Retirement of property, plant and equipment (Note 10)	–	(60,404)	–
Inventory obsolescence (Note 6)	–	(20,216)	(97)
Legal settlement (Note 13)	–	(9,425)	–
Accretion on the liability for mine rehabilitation (Note 17)	(6,467)	(4,940)	(4,267)
Interest income (Notes 4 and 13)	1,727	261	264
Write-off of deferred mine exploration costs (Note 11)	–	(11,462)	–
Penalties	–	(9,179)	(1,010)
Demurrage	–	–	(13,891)
Others – net	(2,462)	(10,170)	14,342
	₱272,073	₱337,690	₱81,195

Starting 2018, demurrage has been recognized under revenue from contracts with customers (see Note 21).

Others consist of various income and expenses, which are not directly related to the operations of the Group.



28. ESOIP

The ESOIP, as approved by the stockholders in 1986, allows employees of the Parent Company to buy up to 6,000,000 shares of the Common Class A shares of the Parent Company at either of two prices. If the shares are acquired by the Parent Company from a seller or are treasury shares, these can be bought at acquisition cost. If the shares are sourced from the authorized but unissued shares of the Parent Company, these can be bought at the average closing price quoted in the PSE on the last day that such shares were traded prior to the start of the purchase period. Payment for the shares purchased shall be advanced by the Parent Company on behalf of the employees and repaid through salary deduction without interest. The shares acquired by employees under the ESOIP may be subjected to a holding period from the date of purchase.

In January 1990, the BOD approved the Employees Stock Purchase Plan, which allows the employees of the Parent Company (but excluding directors of the Parent Company) to buy, basically under similar terms and conditions as that of the ESOIP, 2,000,000 shares of the Common Class A shares of the Parent Company.

The balance of the employees' stock ownership pursuant to the said plan shown as part of the trade and other receivables in the consolidated statements of financial position amounted to ₱58.42 million as at December 31, 2019 and 2018 and was provided an allowance for the same amount (see Note 5).

29. Related Party Disclosures

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The Group's related party transactions which are, individually or in aggregate over a 12-month period, 10% and above of the latest audited consolidated total assets are reviewed and evaluated by the Related Party Transaction Committee and Management Committee. Afterwards, these are approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transaction. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the majority vote of the shareholders, or two-thirds (2/3) of the outstanding capital stock.

All intercompany transactions are eliminated at the consolidated level. Items eliminated are separately disclosed in a schedule in accordance with Philippine SEC requirements under the Revised SRC Rule 68.



Compensation of Key Management Personnel of the Group

The Group considered all senior officers as key management personnel. Below are the details of compensation of the Group's key management personnel.

	2019	2018	2017
Short-term benefits	₱28,003	₱33,127	₱61,444
Post-employment benefits	5,438	5,132	6,940
	₱33,441	₱38,259	₱68,384

Employee benefits include net pension expense and stock compensation expense.

30. Pension Benefits Plans

The Parent Company has a funded, noncontributory pension benefit plan, while AFC has an unfunded noncontributory pension benefit plan covering substantially all of their regular employees. The benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The defined pension benefit obligation is determined using the projected unit credit method.

The following tables summarize the components of net pension benefit in the consolidated statements of income and fund status, and the amounts recognized in the consolidated statements of financial position.

The component of net pension expense are as follows:

	2019	2018	2017
<i>Parent Company</i>			
Current service cost	₱6,288	₱8,014	₱9,517
Net interest cost	3,850	2,406	3,851
Past service cost	2,129	-	-
	12,267	10,420	13,368
<i>AFC</i>			
Current service cost	177	503	496
Net interest cost	129	211	183
	306	714	679
Net pension expense	₱12,573	₱11,134	₱14,047

Pension liability as at December 31, 2019 and 2018 are as follows:

	2019			2018		
	Parent Company	AFC	Total	Parent Company	AFC	Total
Present value of defined benefit obligation	₱60,980	₱2,151	₱63,131	₱52,906	₱1,819	₱54,725
Fair value of plan assets	(569)	-	(569)	(598)	-	(598)
Pension liability	₱60,411	₱2,151	₱62,562	₱52,308	₱1,819	₱54,127



Reconciliation of other comprehensive income - net of tax:

	2019			2018		
	Parent Company	AFC	Total (Note 19)	Parent Company	AFC	Total (Note 19)
Balances at beginning of year	(P23,723)	(P478)	(P24,201)	(P29,814)	P540	(P29,274)
Loss (gain) on remeasurement of pension liability	2,770	18	2,788	6,091	(1,018)	5,073
Balances at end of year	(P20,953)	(P460)	(P21,413)	(P23,723)	(P478)	(P24,201)

Changes in the present value of defined benefits obligation are as follow:

	2019			2018		
	Parent Company	AFC	Total	Parent Company	AFC	Total
Balances at beginning of year	P52,906	P1,819	P54,725	P47,673	P3,766	P51,439
Interest cost	3,894	129	4,023	2,689	211	2,900
Current service cost	6,288	177	6,465	8,014	503	8,517
Past service cost	2,129	-	2,129	-	-	-
Actuarial losses (gains)	3,884	26	3,910	8,416	(1,453)	6,963
Benefits paid	(8,121)	-	(8,121)	(13,886)	(1,208)	(15,094)
Balances at end of year	60,980	P2,151	P63,131	P52,906	P1,819	P54,725

Breakdown of actuarial gains (losses) on defined benefits obligation are as follows:

	2019			2018		
	Parent Company	AFC	Total	Parent Company	AFC	Total
Change in financial assumptions	P10,212	P310	P10,522	(P8,135)	(P1,272)	(P9,407)
Experience adjustments	(6,328)	(284)	(6,612)	16,551	(181)	16,370
	P3,884	P26	P3,910	P8,416	(P1,453)	P6,963

Fair value of plan assets of the Parent Company follows:

	2019	2018
Balances at beginning of year	P598	P5,016
Remeasurement	(73)	(284)
Asset return in net interest cost	44	283
Benefits paid	-	(4,417)
Balances at end of year	P569	P598

The plan assets of the Parent Company comprised mostly of cash in bank as at December 31, 2019 and 2018.

	2019	2018
Investment in shares	99.93%	1.92%
Cash in bank	0.07%	96.19%
Fixed income securities	-	1.89%
	100.00%	100.00%

The Parent Company's plan assets are being managed by a trustee bank. The retirement fund includes time deposits, shares of stocks, which are traded in the PSE, and unquoted shares of stocks. The Parent Company has no transactions with its retirement fund and the retirement fund has no investments in shares of stocks of the Parent Company.



The Parent Company expects to contribute ₱10.00 million to ₱15.00 million to the defined benefits retirement plan in 2020.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2019:

Plan Year	Expected benefit payments	
	Parent Company	AFC
Less than 1 year	₱15,289	₱135
More than 1 year to 5 years	36,756	1,817
More than 5 years to 10 years	13,609	437
More than 10 years to 15 years	20,420	2,168
More than 15 years to 20 years	57,147	–
More than 20 years	364,267	4,200

The overall expected rate of return on assets is determined based on the market prices prevailing on the date applicable to the period over which the obligation is to be settled.

The average duration of the defined benefit obligations of the Parent Company and AFC is 19 years and 13 years, respectively.

The principal assumptions used in determining the pension liability of the Group's plans are shown below.

	Parent Company		AFC	
	2019	2018	2019	2018
Discount rate	4.92%	7.36%	4.59%	7.12%
Salary increase rate	5.00%	5.00%	11.00%	11.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the pension liability as at the end of the reporting period, assuming if all other assumptions were held constant:

Parent Company	December 31, 2019	
	Increase (decrease)	Present value of the defined benefit obligation
Discount rates	5.92% (+1.00%)	₱56,257
	4.92% actual	60,980
	3.92% (-1.00%)	66,743
Salary increase rate	6.00% (+1.00%)	₱66,414
	5.00% actual	60,980
	4.00% (-1.00%)	56,439
	December 31, 2018	
	Increase (decrease)	Present value of the defined benefit obligation
Discount rates	8.36% (+1.00%)	₱49,161
	7.36% actual	52,906
	6.36% (-1.00%)	57,334
Salary increase rate	6.00% (+1.00%)	₱57,165
	5.00% actual	52,906
	4.00% (-1.00%)	49,263



AFC	December 31, 2019	
	Increase (decrease)	Present value of the defined benefit obligation
Discount rates	5.59% (+1.00%)	₱2,017
	4.59% (actual)	2,152
	3.59% (-1.00%)	2,306
Salary increase rate	12% (+1.00%)	₱2,287
	11% (actual)	2,152
	10% (-1.00%)	2,030
December 31, 2018		
	Increase (decrease)	Present value of the defined benefit obligation
Discount rates	8.12% (+1.00%)	₱1,715
	7.12% (actual)	1,819
	6.12% (-1.00%)	1,936
Salary increase rate	12% (+1.00%)	₱1,924
	11% (actual)	1,819
	10% (-1.00%)	1,723

31. Income Taxes

The provision for (benefit from) current and deferred tax in 2019, 2018 and 2017 include the following:

	2019	2018	2017
RCIT	₱1,385	₱4,623	₱64,282
MCIT	5,464	1,523	6,675
Provision for (benefit from) deferred taxes	25,743	7,255	(45,782)
	₱32,592	₱13,401	₱25,175

The components of the Group's deferred tax assets and liabilities are as follows:

	Deferred tax assets - net		Deferred tax liabilities - net	
	2019	2018	2019	2018
Deferred tax assets on:				
NOLCO	₱33,872	₱46,160	₱-	₱-
MCIT	6,685	16,785	-	-
Allowance for inventory loss, impairment loss and others	4,415	2,471	116,412	116,355
Depletion of asset retirement obligation	2,404	2,404	-	-
Accumulated accretion on liability for mine rehabilitation	2,400	1,959	-	-
Accrued pension liability	2,376	2,432	27,103	25,860
Straight-line amortization of accrued rent	-	293	-	-
Unrealized foreign exchange loss	231	4,570	-	-
	52,383	77,074	143,515	142,215

(forward)



	Deferred tax assets - net		Deferred tax liabilities - net	
	2019	2018	2019	2018
Deferred tax liabilities on:				
Unrealized foreign exchange gain	(₱2,538)	(₱1,531)	(₱1,121)	₱-
Remeasurement gain on retirement liability	(1,730)	(1,738)	(8,980)	(10,167)
Revaluation increment on land	(214)	(214)	(941,596)	(827,601)
Excess of lease payments over depreciation and interest expense	(169)	-	(55)	-
Cumulative translation adjustment of foreign subsidiaries	-	-	(14,397)	(14,027)
Revaluation increment on property, plant and equipment	-	-	(10,009)	(10,009)
Revaluation increment on artworks	-	-	(15,373)	(6,132)
	(4,651)	(3,483)	(991,531)	(867,936)
Net deferred tax assets (liabilities)	₱47,732	₱73,591	(₱848,016)	(₱725,721)

The Group has deductible temporary differences, unused NOLCO and MCIT, for which the deferred tax assets totaling ₱288.79 million and ₱284.26 million as at December 31, 2019 and 2018, respectively, were not recognized as management believes that it is not probable that sufficient future taxable profit will be available against which the benefit of the deferred tax assets can be utilized.

These are as follows:

	2019	2018	2017
Allowance for inventory loss, impairment loss and others	₱479,647	₱502,410	₱16,216
NOLCO	339,858	316,377	185,070
Accumulated accretion on liability for mine rehabilitation	54,170	53,259	51,298
Share-based payment	21,670	25,146	26,327
Accumulated depletion on asset retirement obligation	20,766	18,514	38,294
MCIT	11,364	5,252	690
Accrued expenses	8,002	8,002	8,662
Excess of depreciation and interest expense over lease payments	626	-	-
Unrealized foreign exchange losses	-	5,802	925
Straight-line amortization of accrued rent	-	499	384

As at December 31, 2019, the Group has NOLCO and MCIT that can be claimed against future taxable income and income tax due, respectively, as follows:

Movements of NOLCO follow:

	2019	2018	2017
Balances at beginning of year	₱470,244	₱338,937	₱252,651
Additions	130,093	208,911	150,758
Expirations	(137,114)	(77,604)	(58,693)
Application	(10,458)	-	(5,779)
Balances at end of year	₱452,765	₱470,244	₱338,937



Movements of MCIT follow:

	2019	2018	2017
Balances at beginning of year	₱22,037	₱17,475	₱11,057
Additions	5,464	4,623	6,675
Expirations	(9,452)	(61)	(45)
Application	–	–	(212)
Balances at end of year	₱18,049	₱22,037	₱17,475

The Group has NOLCO and MCIT that can be claimed as deduction from future taxable income and future tax due, respectively, as follows:

Year incurred	Year of expiration	NOLCO	MCIT
2017	2020	₱147,185	₱6,675
2018	2021	175,487	5,910
2019	2022	130,093	5,464
		₱452,765	₱18,049

The reconciliation of pretax income (loss) computed at the statutory income tax rate to provision for (benefit from) income tax shown in the consolidated statements of income is as follows:

	2019	2018	2017
Pretax income (loss) computed at statutory rate	₱44,499	(₱39,733)	₱13,994
Add (deduct) effects of:			
Nontaxable income	(99,344)	(199,891)	(24,676)
Expiration of NOLCO	41,134	23,281	17,608
Nondeductible expenses	31,813	33,546	25,284
Expiration of MCIT	9,452	–	–
Changes in unrecognized deferred tax assets	4,531	195,922	(7,587)
Forfeiture and expiry of stock options	1,025	354	822
Interest income subject to final tax	(518)	(78)	(58)
Application of MCIT	–	–	(212)
	₱32,592	₱13,401	₱25,175

32. Basic/Diluted EPS

Basic EPS is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of common shares on issue during the year, excluding any ordinary shares purchased by the Parent Company and held as treasury shares.

In computing for the 2019, 2018 and 2017 diluted EPS, the Parent Company did not consider the effect of stock options outstanding since these are anti-dilutive.

	2019	2018	2017
Net income	₱115,737	₱119,042	₱21,472
Current dividends on preference shares	(60)	(60)	(60)
Adjusted net income	₱115,677	₱118,982	₱21,412



Number of shares for computation of EPS as a result of stock split:

	2019	2018	2017
Basic EPS			
Weighted average common shares issued	616,119,252	616,119,252	615,647,052
Less: treasury shares	348,069	348,069	348,069
Weighted average common shares outstanding	615,771,183	615,771,183	615,298,983
Diluted EPS			
Weighted average common shares issued	616,119,252	616,119,252	615,647,052
Less: treasury shares	348,069	348,069	348,069
	615,771,183	615,771,183	615,298,983
Convertible preferred shares	2,059,366	2,059,366	2,059,366
Stock options	-	-	-
Weighted average common shares outstanding	617,830,549	617,830,549	617,358,349
Basic EPS	₱0.19	₱0.19	₱0.03
Diluted EPS	₱0.19	₱0.19	₱0.03

33. Segment Information

PFRS 8, *Operating Segments*, requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, who is the Senior Vice President for Finance and Comptroller - Marketing, Logistics and other Services and Compliance Officer for Corporate Governance of the Parent Company.

For management purposes, the Group is organized into business units based on its products and services and has four reportable segments, as follows:

- The mining segment is engaged in exploration, nickel and gold mining operations.
- The health services segment is engaged in the business of offering medical and clinical diagnostic examinations and health care services on pre-employment.
- The logistics segment is engaged in logistics services to the supply-chain requirements of various industries.
- The other segments are comprised of aggregated operating segments of the Group who are engaged in research, development, real estate and water projects.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income or loss and is measured consistently with income or loss before income tax as reported in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Intersegment revenues are eliminated upon consolidation and reflected in the 'eliminations' column. All other adjustments and eliminations are presented in the table below.

Segment assets include operating assets used by a segment and consist principally of operating cash, trade and other receivables, inventories and property, plant and equipment, net of allowances and provisions.



Segment liabilities include all operating liabilities and consist principally of trade and other payables, accrued expenses and bank loans. Segment assets and liabilities do not include deferred taxes.

Business Segments

Segment reporting is consistent in all periods presented as there are no changes in the structure of the Group's internal organization that will cause the composition of its reportable segment to change.

2019							
	Mining	Health services	Logistics	Others	Total	Eliminations	Consolidated
Revenue							
External customers	₱747,726	₱35,964	₱11,176	₱7,201	₱802,067	₱-	₱802,067
Interest income	177	10	37	1,503	1,727	-	1,727
Inter-segment	-	-	8,479	-	8,479	(8,479)	-
Other income	301,535	1,752	21,876	236,178	561,341	(159,454)	401,887
	1,049,438	37,726	41,568	244,882	1,373,614	(167,933)	1,205,681
Cost and Expenses							
Interest expense	2,084	202	-	3	2,289	(258)	2,031
Direct costs	489,243	27,962	13,787	2,417	533,409	(3,413)	529,996
Selling and general expenses	272,718	16,722	21,318	23,065	333,823	(7,916)	325,907
Accretion expense	6,467	-	-	-	6,467	-	6,467
Impairment losses	100,266	1,341	-	6,915	108,482	-	108,482
Depreciation, depletion and amortization (Note 26)	118,634	10,870	4,544	8,086	142,134	(103,632)	38,502
Excise taxes and royalty fees (Note 21)	29,375	-	-	-	29,375	-	29,375
Other expenses	123,434	1	70	15,951	139,456	(16,109)	123,347
Income (loss) before tax	(92,743)	(19,372)	1,849	188,445	78,179	(36,605)	41,574
Provision for income tax	32,139	16	(467)	904	32,592	-	32,592
Net income (loss)	(₱124,882)	(₱19,388)	₱2,316	₱187,541	₱45,587	(₱36,605)	₱8,982
Operating assets	₱9,478,109	₱26,811	₱465,472	₱1,285,064	₱11,255,456	(₱4,381,648)	₱6,873,808
Operating liabilities	(₱2,463,015)	(₱68,573)	(₱440,574)	(₱576,245)	(₱3,548,407)	₱1,186,533	(₱3,548,407)
Other disclosure:							
Capital expenditure	₱21,683	₱30	₱3,400	₱6,924	₱32,037	₱-	₱32,037

2018							
	Mining	Health services	Logistics	Others	Total	Eliminations	Consolidated
Revenue							
External customers	₱939,131	₱42,917	₱18,522	₱8,134	₱1,008,704	₱-	₱1,008,704
Interest income	199	6	1	55	261	-	261
Inter-segment	-	-	27,994	-	27,994	(27,994)	-
Other income	621,904	4	1,171	3,195	626,274	(7,500)	618,774
	1,561,234	42,927	47,688	11,384	1,663,233	35,494	1,627,739
Cost and Expenses							
Interest expense	4,822	-	-	6	4,828	-	4,828
Direct costs	642,541	37,631	18,891	3,554	702,617	(10,802)	691,815
Selling and general expenses	314,709	21,990	30,672	11,058	378,429	(39,179)	339,250
Accretion expense	4,940	-	-	-	4,940	-	4,940
Impairment losses	-	11,130	-	5	11,135	-	11,135
Depreciation, depletion and amortization (Note 26)	134,674	6,688	5,893	6,168	153,423	(70,293)	83,130
Excise taxes and royalty fees (Note 21)	45,163	-	-	-	45,163	-	45,163
Other expenses	284,563	265	8,890	21,317	315,035	-	315,034
Income (loss) before tax	129,822	(34,777)	(16,658)	(30,274)	47,663	84,780	132,443
Provision for income tax	12,819	66	122	394	13,401	-	13,401
Net income (loss)	₱117,003	(₱34,843)	(₱16,780)	(₱31,118)	₱34,262	₱84,780	₱119,042
Operating assets	₱9,825,627	₱38,357	₱609,429	₱919,991	₱11,393,404	(₱4,789,754)	₱6,603,650
Operating liabilities	(₱3,168,903)	(₱145,021)	(₱574,805)	(₱465,718)	(₱4,354,447)	₱2,340,990	(₱2,013,457)
Other disclosure:							
Capital expenditure	₱2,043	₱2,355	₱-	₱4,685	₱9,083	₱-	₱9,083



2017

	Mining	Health services	Logistics	Others	Total	Eliminations	Consolidated
Revenue							
External customers	₱1,379,761	₱64,215	₱15,883	₱3,034	₱1,462,893	₱-	₱1,462,893
Interest income	180	10	2	72	264	-	264
Inter-segment	-	-	72,445	-	72,445	(72,445)	-
Other income	263,631	-	351	5,199	269,181	(151,394)	117,787
	1,643,572	64,225	88,681	8,305	1,804,783	(223,839)	1,580,944
Cost and Expenses							
Interest expense	4,556	-	-	-	4,556	-	4,556
Direct costs	836,924	50,691	40,236	334	928,185	(49,626)	878,559
Selling and general expenses	578,987	19,038	19,003	7,116	624,144	(190,428)	433,716
Accretion expense	4,267	-	-	-	4,267	-	4,267
Impairment losses	4	-	-	-	4	-	4
Depreciation, depletion and amortization (Note 26)	163,312	15,132	6,468	5,830	190,742	(66,667)	124,075
Excise taxes and royalty fees (Note 21)	56,533	-	-	-	56,533	-	56,533
Other expenses	23,193	948	8,225	221	32,587	-	32,587
Income (loss) before tax	(24,204)	(21,584)	14,749	(5,196)	(36,235)	82,882	46,647
Provision for income tax	17,862	163	4,542	2,608	25,175	-	25,175
Net income (loss)	(₱42,066)	(₱21,747)	₱10,207	(₱7,804)	(₱61,410)	₱82,882	₱21,472
Operating assets	₱9,895,352	₱57,075	₱243,033	₱1,216,243	₱11,411,703	(₱4,915,737)	₱6,495,966
Operating liabilities	(₱3,354,724)	(₱135,841)	(₱491,008)	(₱200,647)	(₱4,182,220)	₱1,987,312	(₱2,194,908)
Other disclosure:							
Capital expenditure	₱53,000	₱8,245	₱281	₱259	₱61,785	₱-	₱61,785

Notes to operating segments:

- Inter-segment revenue, cost and expenses, assets and liabilities are eliminated upon consolidation and reflected in the 'eliminations' column.
- Capital expenditures consist of additions to property, plant and equipment and deferred mine exploration costs.
- Further information of the Group's revenue about products and services as well as geographical areas are presented in Note 21.
- Gross revenues from each of the customers from the mining segment that exceeded 10% of the Group's revenue for the years ended December 31, 2019, 2018 and 2017 are presented below:

	2019	2018	2017
Customer 1	₱575,363	₱614,775	₱688,896
Customer 2	-	171,436	178,833
	₱575,363	₱786,211	₱867,729

34. Financial Risk Management Objectives and Policies

The Group's principal financial instruments pertain to unsecured and secured bank loans. The main purpose of these financial instruments is to fund the Group's operations. The Group has other financial instruments such as cash and cash equivalents, trade receivables, receivable from lessees of bunkhouses, loans receivable under trade and other receivables, advances under other noncurrent assets trade and accrued expenses under trade and other payables and obligations under finance lease, which arise directly from its operations. Other financial assets include FVOCI assets.



The significant risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The BOD reviews and agrees policies for managing each of these risks and these are summarized below.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and availment of suppliers' credit. The long-term relationship of the Group to its suppliers gives it the advantage to negotiate the payment terms.

As part of its liquidity risk management, the Group has access to sufficient external funding (bank credit lines) and loans payable maturing within 12 months can be rolled over with existing lenders. It also continuously assesses conditions in the financial markets for opportunities to avail bank loans and capital market issues. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions.

As at December 31, 2019 and 2018, cash and cash equivalents may be withdrawn anytime while quoted FVOCI may be converted to cash by selling them during the normal trading hours in any business day.

The tables below summarize the aging analysis of the Group's financial assets and the maturity profile of the Group's financial liabilities as at December 31, 2019 and 2018.

	2019				Total
	On demand	0-90 days	More than 90 days	More than one year	
<i>Financial assets</i>					
Cash and cash equivalents					
Cash on hand and in banks	P69,298	P-	P-	P-	P69,298
Short-term deposits	7,874	-	-	-	7,874
Trade and other receivables					
Trade	53,645	9,139	-	-	62,784
Receivables from lessees of bunkhouses	1,344	-	-	-	1,344
Advances to contractors under "other current assets"	-	-	63,356	-	63,356
Nontrade under "other noncurrent assets"	-	-	-	202,917	202,917
FVOCI					
UITF	-	-	-	12,724	12,724
Quoted shares	-	-	-	444	444
	P132,161	P9,139	P63,356	P216,085	P420,741
<i>Financial liabilities</i>					
Loans payable	P507,893	P-	P-	P-	P507,893
Trade and other payables					
Trade	292,619	-	74,039	-	366,658
Nontrade*	30,443	-	-	-	30,443
Accrued expenses	6,958	-	34,202	-	41,160
Lease liability	1,083	-	1,393	7,978	11,721
Other noncurrent liabilities					
Equity of claimowner incontract operations	-	-	-	49,136	49,136
	P838,996	P-	P109,634	P57,114	P1,006,561
Net financial assets (liabilities)	(P706,835)	P9,139	(P46,278)	P158,971	(P585,820)

*Excluding statutory payables



	2018				Total
	On demand	0-90 days	More than 90 days	More than one year	
<i>Financial assets</i>					
Cash and cash equivalents					
Cash on hand and in banks	₱302,060	₱-	₱-	₱-	₱302,060
Short-term deposits	58	-	-	-	58
Trade and other receivables					
Trade	124,078	-	-	-	124,078
Receivables from lessees of bunkhouses	-	-	2,867	-	2,867
Nontrade under other noncurrent assets	-	-	-	272,934	272,934
FVOCI					
UITF	-	-	-	10,278	10,278
Quoted shares	-	-	-	520	520
	₱426,196	₱-	₱2,867	₱283,212	₱712,795
<i>Financial liabilities</i>					
Loans payable	₱322,893	₱-	₱207,777	₱-	₱530,670
Trade and other payables					
Trade	283,818	-	324,894	-	608,712
Accrued expenses	14,859	-	23,843	-	38,702
Other noncurrent liabilities					
Equity of claimowner in contract operations	-	-	-	49,136	49,136
	₱621,570	₱-	₱556,514	₱49,136	₱1,227,220
Net financial assets (liabilities)	(₱195,374)	₱-	(₱553,647)	₱234,596	(₱514,425)

Credit Risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations as these falls due. It is inherent to the business that potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

With respect to credit risk arising from other financial assets of the Group, which comprise of cash and cash equivalents, trade receivables, receivables from lessees of bunkhouses and loans receivable under trade and other receivables, advances under other noncurrent assets and FVOCI, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognized third parties, there is no requirement for collateral. The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position. The maximum exposure is shown at each instrument's carrying amount, before the effect of mitigation through the use of master netting and collateral agreements.

	2019	2018
Cash and cash equivalents		
Cash in banks	₱68,621	₱300,878
Short-term deposits	7,874	58
Trade and other receivables		
Trade	62,784	124,078
Receivables from lessees of bunkhouses	1,344	2,867
Advances to contractors under "other current assets"	63,356	-
Nontrade under "other noncurrent assets"	202,917	272,934
	₱406,896	₱700,815



The table below shows the credit quality by class of financial assets based on the Group's rating:

2019	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High-grade	Standard- grade			
Cash and cash equivalents					
Cash in banks	₱68,621	₱-	₱-	₱-	₱68,621
Short-term deposits	7,874	-	-	-	7,874
Trade and other receivables					
Trade		62,784	-	27,882	90,666
Receivables from lessees of bunkhouses	-	-	1,344	3,644	4,988
Loan receivable	-	-	-	49,763	49,763
Advances to contractors under "other current assets"	-	-	63,356	2,411	65,767
Nontrade under "other noncurrent assets"	-	-	202,917	151,892	354,809
Total credit risk exposure	₱76,495	₱62,784	₱267,617	₱235,592	₱642,488

2018	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High-grade	Standard- grade			
Cash and cash equivalents					
Cash in banks	₱300,878	₱-	₱-	₱-	₱300,878
Short-term deposits	58	-	-	-	58
Trade and other receivables					
Trade	111,809	993	11,276	13,227	137,305
Receivables from lessees of bunkhouses	-	-	2,867	-	2,867
Loan receivable	-	-	-	49,763	49,763
Nontrade under "other noncurrent assets"	-	-	272,934	150,054	422,988
Total credit risk exposure	₱412,745	₱993	₱287,077	₱213,044	₱913,859

The Group has assessed the credit quality of the following financial assets:

- Cash and cash equivalents are assessed as high-grade since these are deposited in reputable banks, which have a low probability of default.
- Trade receivables, which pertain mainly to receivables from sale of nickel ore, were assessed as standard-grade. These were assessed based on past collection experience and the debtors' ability to pay.
- UITF and quoted financial assets at FVOCI were assessed as high-grade since these are instruments from companies with good financial condition and are operating in an industry, which has potential growth.
- Other financial assets such as receivables from lessees of bunkhouses, loans receivables, advances to contractors under other current assets and nontrade under other noncurrent assets were assessed as standard-grade, based on past collection experience and debtors' ability to pay.

Impairment of Financial Assets

The Group has financial assets consisting of cash and cash equivalent, trade receivables, UITF and quoted financial asset at FVOCI, receivables from lessees of bunkhouses, loan receivable, advances to contractors under "other current assets" and nontrade under "other noncurrent assets". While cash and cash equivalent are also subject to the impairment requirements of PFRS 9, the identified impairment loss were immaterial.

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. On the other hand, the general approach was used in measuring ECL for receivables from lessees of bunkhouses, loan receivable, advances to contractors



under “other current assets” and nontrade under “other noncurrent assets”. The Group provided a provision for ECLs for all financial assets amounted to ₱235.59 million and ₱213.04 million in 2019 and 2018, respectively.

Market Risks

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to interest rate risk relates primarily to the Group’s long-term debt obligations with floating interest rates.

As at December 31, 2019 and 2018, the Group’s exposure to the risk for changes in market interest rate relates primarily to its secured bank loans. The Group regularly monitors its interest due to exposure from interest rates movements.

The Group’s secured and unsecured loans payable are both payable on demand while other loans payable are payable within 3 years. Nominal interest rates vary from floating rate of 91-day Philippine Php T-bill rate for peso loans and 3-month LIBOR foreign loans, plus a margin of 2.5% for unsecured loans and 3.5% for secured loans.

2019	Change in interest rates (in basis points)	Sensitivity of pretax Income
	+100	(₱-)
	-100	-
2018	Change in interest rates (in basis points)	Sensitivity of pretax Income
	+100	(₱228)
	-100	228

Foreign Currency Risk

Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial performance and cash flows. The Group has transactional currency exposures. Such exposure arises from the sale of gold and nickel ore and the purchase of certain goods and services denominated in US\$. All sales of gold and nickel ore are denominated in US\$. Dollar conversion of metal sales to Philippine peso is based on the prevailing exchange rate at the time of sale.

The Group’s policy is to maintain foreign currency exposure within acceptable limits. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for an institution engaged in the type of business in which the Group is involved. The Group did not seek to hedge the exposure on the change in foreign exchange rates between the US\$ and the Philippine peso. The Group believes that active currency hedging would not provide long-term benefits to stockholders.



The Group's foreign currency-denominated monetary assets and liabilities as at December 31, 2019 and 2018 follow:

	2019		2018	
	US\$	Peso equivalent	US\$	Peso equivalent
Financial Assets				
Cash in banks	\$8	₱405	\$99	₱5,205
Trade receivables under "trade and other receivables"	527	26,685	527	27,710
Total monetary assets	\$535	₱27,090	\$626	₱32,915

As at December 31, 2019 and 2018, the exchange rates of the Philippine peso to the US\$ based on the Bankers Association of the Philippines are ₱50.635 and ₱52.58, respectively.

The sensitivity to a reasonably possible change in the US\$ exchange rate, with all other variables held constant, of the Group's income before income tax as at December 31, 2019 and 2018 is as follows:

	Change in foreign exchange rate	Income before income tax effect
2019		
	Strengthens by 1.25%	₱338
	Weakens by 2.33%	(632)
2018		
	Change in foreign exchange rate	Income before income tax effect
	Strengthens by 1.39%	₱458
	Weakens by 1.27%	(418)

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its quoted shares under financial assets at FVOCI.

The Group's policy is to maintain its risk to an acceptable level. Movement of share prices is monitored regularly to determine impact on the consolidated statement of financial position.

The table shows the sensitivity to a reasonably possible change in equity prices of quoted equity instruments as at December 31, 2019 and 2018, except equity-linked investments.

	Average change in market indices (in percentage)	Sensitivity to equity
2019		
	14.49%	₱91
	-14.49%	(91)



2018	Average change in market indices (in percentage)	Sensitivity to equity
	21.24%	₱133
	-21.24%	(133)

The equity impact is arrived using the reasonably possible change of the relevant market indices and the specific adjusted beta of each stock the Group holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

Capital Management

The Group maintains a capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to optimize the use and earnings potential of the Group's resources, ensuring that the Group complies with externally imposed capital requirements, if any, and considering changes in economic conditions and the risk characteristics of the Group's activities.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may obtain additional advances from stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2019, 2018 and 2017. The Group monitors capital using the parent company financial statements. As at December 31, 2019 and 2018, the Group has met its capital management objectives.

The following table summarizes the total capital considered by the Group:

	2019	2018
Capital stock	₱616,863	₱616,863
Capital surplus	380,382	376,964
Retained earnings	2,217,403	2,029,559
Other components of equity	1,205,018	922,693
Treasury shares	(8,016)	(8,016)
	₱4,411,650	₱3,938,063

Further, the Group monitors capital using debt to equity ratio, which is total liabilities divided by total equity. Debt to equity ratios of the Group as at December 31, 2019 and 2018 are as follows:

	2019	2018
Total liabilities (a)	₱2,509,890	₱2,689,414
Total equity (b)	4,411,650	3,938,063
Debt-to-equity ratio (a/b)	0.57:1	0.68:1



35. Changes in Liabilities arising from Financing Activities

Movements on the reconciliation of liabilities arising from financing activities are as follows:

	January 1, 2019	Effect of adoption of PFRS 16	Cash flows	Foreign exchange movement	Additions	Reclassifi- cation	Others	December 31, 2019
	₱530,670	₱-	(₱22,777)	₱-	₱-	₱-	₱-	₱507,893
Loans payable								
Lease liability – net of current portion	-	10,758	(3,521)	-	-	(2,476)	822	5,583
Liability for mine rehabilitation	90,329	-	(12,788)	-	20,871	(25,007)	(6,830)	66,575
Other noncurrent liabilities	429,953	-	(3,554)	(12,198)	-	-	-	414,201
	₱1,050,952	₱10,758	(₱42,640)	(₱12,198)	₱20,871	(₱27,483)	(₱6,008)	₱994,252

	January 1, 2018	Cash flows	Foreign exchange movement	December 31, 2018
Loans payable	₱577,893	(₱47,223)	₱-	₱530,670
Other noncurrent liabilities	418,799	3,077	8,077	429,953
	₱996,692	(₱44,146)	₱8,077	₱960,623

Others include interest expense, accretion expense, and changes in estimate of liability for mine rehabilitation (see Notes 14, 16 and 17)

36. Fair Value Measurement

Fair Values

Fair value is defined as the amount at which a financial instrument can be exchanged in an orderly transaction between market participants at the measurement date.

Set out below is a comparison by category and class of carrying amounts and estimated fair values of the Group's significant financial assets and liabilities as at December 31, 2019 and 2018:

	Carrying amounts		Fair values	
	2019	2018	2019	2018
Financial Assets:				
FVOCI:				
UITF	₱12,724	₱10,278	₱12,724	₱10,278
Quoted	444	520	444	520
Financial Liabilities:				
Loans payable	₱507,893	₱530,670	₱507,893	₱530,670

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and Cash Equivalents, trade receivables and receivable from lessees of bunkhouses under Trade and Other Receivables, advances under Other Current Assets, nontrade under Other Noncurrent Assets, trade and accrued expenses under Trade and Other Payables, and equity of claimowner in contract operations under Other Noncurrent Liabilities

The fair values of these instruments approximate their carrying amounts as of reporting date due to the short-term nature.



Loan Receivable

The fair value of loans receivable approximates the carrying amounts as of reporting date due to the short-term nature. Loans receivable are due and demandable.

Financial assets measured at FVOCI

The fair value of investments that are actively traded in organized markets is determined by reference to quoted market bid prices at the close of business on reporting date.

Loans Payable

Where the repricing of the variable-rate interest bearing loan is frequent (i.e., three-month repricing), the carrying value approximates the fair value. The fair value of other loans payable is determined by discounting the principal using the 3-month LIBOR rate of 0.58% plus credit spread of 5.42%.

Lease Liabilities

The fair value of lease liabilities approximates their carrying values, which are also the present value of these liabilities.

Fair Value Hierarchy

Set out below is the fair value hierarchy of the Group's assets measured at fair value.

	2019		
	Fair value measurement using		
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Land at revalued amounts	P-	P-	P1,621,149
Artworks at revalued amounts	-	-	52,139
Investment properties	-	-	2,478,862
Financial assets at FVOCI	13,168	-	-
Intangible asset under "Other noncurrent assets"	250	-	-
	P13,418	P-	P4,152,150

	2018		
	Fair value measurement using		
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Land at revalued amounts	P-	P-	P1,215,134
Artworks at revalued amounts	-	-	21,337
Investment properties	-	-	2,217,566
Financial assets at FVOCI	10,798	-	-
	P10,798	P-	P3,454,037

As at December 31, 2019 and 2018, the fair value of land at revalued amounts, artworks at revalued amounts and investment property are calculated using the sales comparative approach, which resulted in measurement being classified as Level 3 in the fair value hierarchy.

As at December 31, 2019 and 2018, the Group's FVOCI and intangible asset under "other noncurrent assets" are classified under Level 1 of the fair value hierarchy since these are based on quoted market prices or binding dealer price quotations.



There are no other assets and liabilities measured at fair value using any of the valuation techniques as at December 31, 2019 and 2018. There were no transfers between levels in 2019 and 2018.

37. Leases, Agreements, and Contingencies

Lease Agreements (prior to adoption of PFRS 16)

Operating Leases

The Group leases its office spaces up to June 30, 2020 and parcels of land on which its mine site offices are located for varying periods. These leases are renewable upon mutual agreement with the lessors. Total rental expense on these leases amounted to nil, ₱5.70 million and ₱12.10 million in 2019, 2018 and 2017, respectively.

Future minimum lease payments for the said operating leases are as follows:

	2019	2018
Lease payments due in:		
Less than one year	₱3,293	₱7,185
Between one and five years	3,416	12,250
More than five years	4,562	3,014
Future minimum lease payments	₱11,271	₱22,449

Finance Lease

In 2012, the Parent Company entered into a lease agreement with a leasing and finance company for the purchase of an item of property and equipment and in 2017, the Parent Company fully settled its lease obligation.

In 2017, principal lease payments under the said finance lease amounted to ₱2.43 million while interest expense amounted to ₱0.46 million.

Interest expense recognized on the above finance lease obligations amounted to nil, nil and ₱0.46 million in 2019, 2018 and 2017, respectively.

Agreements and Contingencies

- a. The Parent Company and certain subsidiaries are contingently liable for liabilities arising from lawsuits or claims (mostly labor, civil, mines administrative and ports related cases) filed by third parties, which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.
- b. In 2011, the Parent Company signed a 20-year power supply agreement with Therma Luzon, Inc. (TLI), a wholly owned subsidiary of Aboitiz Power Corporation, to supply power to its current and future mining operations in Itogon, Benguet. The contract provides for a payment discount of 0.5% on its monthly billing if the Parent Company pays TLI on or before the 15th of the payment month.
- c. On August 8, 2011, the Parent Company signed a Marketing Agreement to be the exclusive marketing agent of BNMI for its nickel ore sales. Through this arrangement, BNMI signed on



August 24, 2011, a tri-partite off-take agreement with the Parent Company and a Chinese trading company for the sale of nickel ore. In accordance with the agreement, the Chinese trading company shall extend an advance of US\$6.0 million to the Parent Company. BNMI will deliver and sell 1.8 million tons of 1.8% grade laterite nickel ore to the Chinese trading company over a period of 36 months at 0.6 million tons per 12 months, to start six months after signing of the agreement. The Chinese trading company will deduct US\$3.33 per ton from the selling price of the nickel ore to be treated as repayment of the advance to the Parent Company. The advance bears an interest of 6% per annum to be computed on the unpaid balance based on the number of days that lapsed from signing of the agreement. The interest will also be deducted from the selling price of the nickel ore on each delivery date.

- d. On September 18, 2013, BNMI entered into an off-take agreement with a Korean trading company, for the sale of nickel ore. In accordance with the agreement, the Korean trading company extended advances of US\$2.0 million to BNMI in exchange for 10 future shipments. The advances are non-interest bearing and an amount of US\$0.2 million will be deducted from the selling price of every shipment. On April 11, 2014, BNMI entered into another off-take agreement with the same Korean trading company. In conformity with the contract, the Korean trading Company extended advances totaling to US\$6.0 million to BNMI in exchange for future shipments and is to be applied as follows; US\$5.3 million as first advance payment to BNMI and the remaining US\$0.7 million is to be paid to a technical service provider of Korean trading company pursuant to a separate contract between the Korean trading company and the technical service provider. The first advance payment shall be deducted at a rate of US\$0.3 million from each shipment until the full amount is fully offset or paid to Korean trading company. As at December 31, 2017, the first off-take agreement amounting to US\$2.0 million became fully paid, which left only the April 11, 2014 off-take agreement amounting to US\$6.0 million as outstanding. As at December 31, 2019, the remaining balance amounts to US\$4.4 million.

38. Subsequent Event

In early January 2020, an outbreak of a respiratory illness caused by the COVID-19 coronavirus was identified in Wuhan, Hubei Province, China. In a move to contain this outbreak in the Philippines, on March 13, 2020, the Office of the President issued a Memorandum directive to impose stringent social distancing measures and partial lockdown in the National Capital Region effective March 15, 2020. During this partial lockdown, land, domestic air, and domestic sea travel to and from Metro Manila were suspended until April 14, 2020, while international departures were permitted. Mass transportation within Metro Manila was also suspended and only limited utility services were continued to operate with social distancing guidelines.

On March 17, 2020, the Office of the President announced the placement of the entire island of Luzon on enhanced community quarantine (ECQ). On April 7, 2020, the ECQ was extended until April 30, 2020. On April 24, 2020, it was further extended until May 15, 2020. On May 12, 2020, the ECQ was still in force and was further modified, as Metro Manila was placed under modified enhanced community quarantine until May 31, 2020. Effective June 1, 2020, NCR was placed under general community quarantine.

The outbreak's impact on the mining and related logistics activities of the Group is minimal, compared to the manufacturing, food, entertainment, tourism, and other sectors where risks of transmission are high. Thus, this event has no significant impact on the Group in 2020, aside from additional costs for the rapid testing kits, protective devices, facemasks, alcohol and sanitizers, hand soap, and thermal scanner provided to and for the use of Group personnel.



The Group considered the measures taken by the government as a non-adjusting subsequent event, which did not impact its financial position and performance as at December 31, 2019 and December 31, 2018. The measures taken to manage the risks include subjecting the Group personnel who travelled to other region to rapid testing and quarantine, disinfection of equipment and working areas, provision of facemask, alcohol or sanitizers, hand soap, designation of a safety officer and requiring employees to always observe physical distancing and wear face mask, wash and sanitize hands frequently, undergo temperature checks, hold videoconferencing or online meetings and receive medical assistance (in compliance with protocols issued by the government).




INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Benguet Corporation
7th Floor Universal Re-Building
106 Paseo de Roxas, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Benguet Corporation and its subsidiaries as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in this Form 17-A and have issued our report thereon dated June 4, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Peter John R. Ventura

Partner

CPA Certificate No. 0113172

SEC Accreditation No. 1735-A (Group A),

January 15, 2019, valid until January 14, 2022

Tax Identification No. 301-106-741

BIR Accreditation No. 08-001998-140-2018,

December 17, 2018, valid until December 16, 2021

PTR No. 8125315, January 7, 2020, Makati City

June 4, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Benguet Corporation
7th Floor Universal Re-Building
106 Paseo de Roxas, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Benguet Corporation and its subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated June 4, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Peter John R. Ventura

Partner

CPA Certificate No. 0113172

SEC Accreditation No. 1735-A (Group A),

January 15, 2019, valid until January 14, 2022

Tax Identification No. 301-106-741

BIR Accreditation No. 08-001998-140-2018,

December 17, 2018, valid until December 16, 2021

PTR No. 8125315, January 7, 2020, Makati City

June 4, 2020



BENGUET CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Schedule</u>
Reconciliation of retained earnings available for dividend declaration	I
Financial ratios	II
A map showing the relationships of the Companies within the Group	III
Required schedules under Annex 68-E	
Financial assets	A
Amounts receivable from directors, officers, employees, related parties and principal stockholders	B
Amounts receivable from related parties which are eliminated during the consolidation of financial statements	C
Long-term debt	D
Indebtedness to related parties	E
Guarantees of securities of other issuers	F
Capital stock	G

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As at December 31, 2019

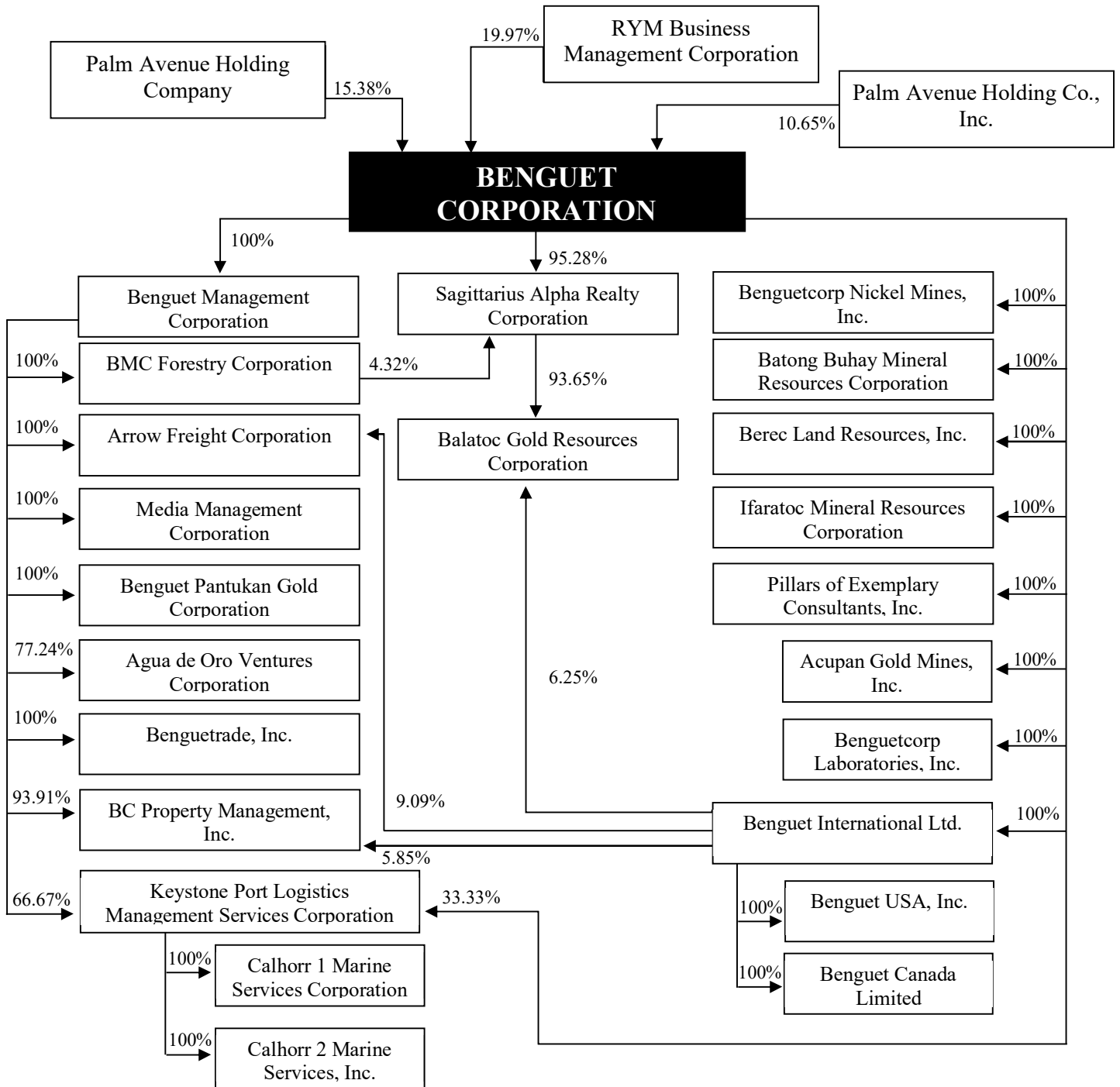
BENGUET CORPORATION
7th Floor Universal Re-Building, 106 Paseo de Roxas, Makati City

Unappropriated Retained Earnings, beginning	₱2,204,398
Effect of quasi-reorganization on revaluation increment	(1,010,848)
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	1,193,550
Add: Net income actually earned/ realized during the period	
Net income during the period closed to Retained Earnings	141,553
Less: Non-actual/unrealized income net of tax	-
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	(3,723)
Fair value adjustment (mark-to-market gains)	-
Fair value adjustment of Investment Property resulting to gain	(245,872)
Adjustment due to deviation from PFRS/GAAP - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRSs	8,702
Subtotal	(240,893)
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
	-
Net income (loss) actually incurred during the period	(99,340)
Add (Less):	
Dividend declarations during the period	-
Appropriations of Retained Earnings during the period	-
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury shares	(8,016)
	(8,016)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND	₱1,086,194

SCHEDULE II
BENGUET CORPORATION AND SUBSIDIARIES
FINANCIAL RATIOS
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2019

	2019	2018
<u>Profitability Ratios:</u>		
Return on assets	1.71%	1.80%
Return on equity	1.31%	3.12%
Gross profit margin	30.92%	25.02%
Operating profit margin	(15.17%)	19.87%
Net profit margin	14.43%	11.80%
<u>Liquidity and Solvency Ratios:</u>		
Current ratio	0.73:1	0.92:1
Quick ratio	0.33:1	0.37:1
Solvency ratio	2.76:1	2.46:1
<u>Financial Leverage Ratios:</u>		
Asset to equity ratio	1.57:1	1.68:1
Debt ratio	0.36:1	0.41:1
Debt to equity ratio	0.57:1	0.68:1
Interest coverage ratio	74.03:1	28.43:1

SCHEDULE III
BENGUET CORPORATION AND SUBSIDIARIES
A MAP SHOWING THE RELATIONSHIPS OF THE
COMPANIES WITHIN THE GROUP
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019



SCHEDULE A

**BENGUET CORPORATION AND SUBSIDIARIES
FINANCIAL ASSETS
DECEMBER 31, 2019
(Amounts in Thousands)**

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balances sheet (figures in thousands)	Income received and accrued
<div style="border: 1px solid black; padding: 5px; display: inline-block;">NOT APPLICABLE</div>			

SCHEDULE B

BENGUET CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS
(OTHER THAN RELATED PARTIES)
DECEMBER 31, 2019
(Amounts in Thousands)

Name and Designation of Debtor	Balance at beginning period	Additions	Amounts collected / settlements	Amounts written off	Current	Not current	Balance at end period
Max D. Arceno <i>VP Finance, Treasurer, Taxation/Materials</i>	₱1,052	₱-	₱450	₱-	₱602	₱-	₱602
Reynaldo P. Mendoza <i>SVP - Public Affairs, Asst. Corp. Sec. (Legal)</i>	1,267	1	-	-	1,268	-	1,268
Cynthia Lazaro <i>Sec. Mgr - Insurance (Treasury)</i>	548	-	-	-	548	-	548
Marcelo A. Bolano <i>SVP-Operation (CHQ)</i>	526	-	-	-	526	-	526
Romy L. Tangalin <i>Legal Assistant (Legal)</i>	492	40	-	-	532	-	532
Sheena Irish Barra <i>Finance Manager (Accounting)</i>	251	100	-	-	351	-	351
Camilo Bernaldo <i>Section Mgr - Gov't Liaison (Legal)</i>	162	-	68	-	94	-	94
Maricel Ulep <i>Group Asst. for SVP-Finance & SVP- Nickel Op'n (Logistics)</i>	119	-	-	-	119	-	119
Lanolyn Pangilinan <i>Sec. Mgr - Programmer (Accounting)</i>	66	-	-	-	66	-	66

Name and Designation of Debtor	Balance at beginning period	Additions	Amounts collected / settlements	Amounts written off	Current	Not current	Balance at end period
Miriam San Pedro <i>Sec. Mgr - Accounting (Accounting)</i>	₱24	₱-	₱24	₱-	₱-	₱-	₱-
Eden Barcelona <i>Asst. to the Chief of Staff (Corplan)</i>	112	-	1	-	111	-	111
Ana Margarita Hontiveros <i>VP-Healthcare (Office of the President)</i>	46	-	46	-	-	-	-
Mary Jean Dalit <i>Accountant (Accounting)</i>	35	-	-	-	35	-	35
Pamela Gendrano <i>AVP - Environmental Compliance (Compliance)</i>	13	126	60	-	79	-	79
Marlene Villanuevaloa <i>Purchasing Asst (Materials)</i>	41	-	34	-	7	-	7
Lourdes O. Calub <i>Finance Manager (Finance)</i>	20	-	-	-	20	-	20
Harold Jacinto <i>Technical Asst. (Trade)</i>	15	-	-	-	15	-	15
Dale A. Tongco <i>AVP - Audit</i>	(7)	16	-	-	9	-	9
Neilsen Olfindo <i>HR/Admin Manager</i>	48	30	17	-	61	-	61

SCHEDULE C

**BENGUET CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE
CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Amounts in Thousands)**

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts collected/ settlements	Amounts Written off	Current	Not Current	Balance at end period
Benguetcorp Nickel Mines, Inc.	(P635,208)	P51,543	P-	P-	(P583,665)	P-	(P583,665)
Balatoc Gold Resources Corporation	79,702	-	(1,309)	-	78,393	-	78,393
Benguetrade, Inc.	(47,158)	2,308	-	-	(44,850)	-	(44,850)
Benguetcorp Laboratories, Inc.	30,862	7,474	-	-	38,336	-	38,336
Berec Land Resources, Inc.	(36,482)	263	-	-	(36,219)	-	(36,219)
BC Property Management, Inc.	30,144	146	-	-	30,290	-	30,290
Ifaratoc Mineral Resources Corporation	29,775	63	-	-	29,838	-	29,838
Benguet-Pantukan Gold Corporation	29,555	44	-	-	29,599	-	29,599
BMC Forestry Corporation	(24,481)	-	(296)	-	(24,777)	-	(24,777)
Media Management Corporation	22,183	-	(10,000)	-	12,183	-	12,183
Arrow Freight Corporation	(520)	-	(3,711)	-	(4,231)	-	(4,231)
Benguet Management Corporation	(18,431)	115,431	-	-	97,000	-	97,000
Agua de Oro Ventures Corporation	11,649	350	-	-	11,999	-	11,999
Keystone Port Logistics Management Services Corporation	17,521	-	(644)	-	16,877	-	16,877
BenguetCorp International Limited	3,349	889	-	-	3,659	-	4,238
Sagittarius Alpha Realty Corporation	(5,822)	-	(24,261)	-	(30,083)	-	(30,083)
Batong Buhay Mineral Resources Corporation	2,407	44	-	-	2,451	-	2,451
Acupan Gold Mines, Inc.	(2,147)	43	-	-	(2,104)	-	(2,104)
Pillars of Exemplary Consultants, Inc.	662	41	-	-	703	-	703

SCHEDULE D

**BENGUET CORPORATION AND SUBSIDIARIES
LONG-TERM DEBT
DECEMBER 31, 2019
(Amounts in Thousands)**

<u>Title of issue and type of obligation</u>	<u>Amount authorized by indenture</u>	<u>Amount shown under the caption 'Current Portion of long-term borrowings' in related balance sheet</u>	<u>Amount shown under the caption 'Long-term borrowings - net of current portion' in related balance sheet</u>
Unsecured loans, including interest	₱507,893	₱507,893	₱-
	₱507,893	₱508,893	₱-

SCHEDULE E

**BENGUET CORPORATION AND SUBSIDIARIES
INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2019**

Name of related party	Balance at beginning of period	Balance at end of period	
<table border="1"><tr><td data-bbox="994 539 1310 576">NOT APPLICABLE</td></tr></table>			NOT APPLICABLE
NOT APPLICABLE			

SCHEDULE F

**BENGUET CORPORATION AND SUBSIDIARIES
GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2019**

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee
--	---	---	--	---------------------

NOT APPLICABLE

SCHEDULE G**BENGUET CORPORATION AND SUBSIDIARIES
CAPITAL STOCK
DECEMBER 31, 2019**

The Parent Company's authorized share capital is ₱785.5 million divided into 737.0 million shares consisting of 19.7 million Convertible Preferred Class A shares with par value of ₱3.43 each and 430.4 million Class A common shares and 286.9 million Class B common shares with par value of ₱1.00 each. As at December 31, 2019, shares issued and outstanding totaled 615,988,244 held by 16,906 shareholders.

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for option, warrants, conversions and other rights	No of shares held by:		
				Affiliates	Directors and Officers	Others
Convertible Preferred Stock						
Class A	19,652,912	217,061	–	–	–	217,061
Common Stock						
Class A	430,380,000	371,050,755	–	–	431,094	370,619,661
Class B	286,920,000	245,068,497	–	–	69,906	244,998,591



BenguetCorp

SUSTAINABILITY REPORT
2019

Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Contextual Information

Company Details	
Name of Organization	Benguet Corporation
Business Model, including Primary Activities, Brands, Products, and Services	Natural resources company engaged in mineral exploration, mine development, mineral resources extraction, gold processing and selling of processed gold and silver, production and selling of quicklime and hydrated lime, and restoration / rehabilitation of mined-out areas.
Location of Headquarters	7F Universal RE Building, 106 Paseo de Roxas, 1226 Makati City Philippines
Location of Operations	Itogon, Benguet Province for mining of gold and silver Irisan, Baguio City for operation / processing of lime products
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Benguet Gold Operations (BGO) Corporate Headquarters (CHQ) Irisan Lime Project (ILP)
Markets Served	Gold are sold to Bangko Sentral ng Pilipinas Lime products are sold to the mining companies in Benguet Province and to the Benguet famers for farm inputs.
Scale of the Organization	Total number of employees – 358 employees (Mine Site and Head Office combined) Total number of operations – One (1) – Mining and milling operations for gold One (1) – 3 Kilns alternately operating for lime production Net Sales (private sector) – Php 107.7M Total Capitalization – Php 7.8 billion a. Debt – Php 2.3 billion b. Equity – Php 5.5 billion Quantity of products – Gold - 9,204.50 ounces Lime – 8,919.8 Metric Tons
Reporting Period	CY 2019
Highest Ranking Person responsible for this report	Atty. Reynaldo P. Mendoza – OIC/SVP for Legal and Asst. Corporate Secretary Atty. Lina G. Fernandez – OIC/SVP for Finance and Controller/Compliance Officer

Note: All supporting documents must be made available as attachment to the report and must have assigned link to refer to.

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

LIST OF MATERIAL TOPICS:

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.¹

Having been in the natural resources development industry for over 100 years, Benguet Corp manages its operation with the following principles and commitment:

- a. Profitable and growth oriented;
- b. Responsible operation and care for the environment;
- c. Commitment to improve quality of life of our employees, communities and all stakeholders; and
- d. Compliance to existing laws and other obligations

The Board has a clearly defined and updated vision, mission and core values. Please refer to BC website under tab “About us”

<http://benguetcorp.com/about-us/>

Please refer also to the Board Charter p.8 which states that one of the general responsibilities of the Board is to determine the Company’s purpose, its vision and mission and strategies to carry out its objectives.

<http://benguetcorp.com/corporate-governance/board-committees/>

Our **Economic material factors** are based on the value our operations contribute to the local, and national governments, host, and neighboring mining communities, and the environment at large. Our operations have also created derived demand resulting in the establishment of micro, small, and medium enterprises in our mining area. Through our operations, the quality of life of our shareholders, employees and other stakeholders have improved, local economies grew vigorously, and the environment is protected.

The **Environmental material factors** have been considered essential in keeping our operations successful. As a mining company, we are committed partners of the government in the conscientious development of the country’s natural resources. This agreement comes with a huge responsibility not just to harness but most specifically to protect, nurture, restore and enhance the environment. Nature, and the resources within is the main enabler of our business, and as such, considerable care is our priority. Mitigating any possible adverse effects of our operations to the environment is part of our day to day function. The Company’s mining activity is guided by the provisions of the Philippine Laws, but not limited to the following:

¹ See [GRI 102-46](#) (2016) for more guidance.

1. Department Administrative Order No. 2010-21 (Implementing Rules and Regulations of R.A. 7942 – The Philippine Mining Act of 1995)
2. Department Administrative Order No. 2005-10 (IRR of R.A. 9275 – Philippine Clean Water Act);
3. Department Administrative Order No. 2000-98 (Mine Safety and Health Standard);
4. Department Administrative Order No. 2000-81 (IRR of R.A. 8749 – Philippine Clean Air Act);
5. R.A. 8371 – Indigenous Peoples Rights Act;
6. DENR Administrative Order NO. 2001-34 (IRR of R.A. No. 9003 – Ecological Solid Waste Management Act),
7. Department Administrative Order No. 28 (IRR of R.A. 6969 – Toxic Substances and Hazardous and Nuclear Wastes Control Act); and
8. DENR Administrative Order No. 2003-30 (Revised Procedural Manual of P.D. 1586 – Environmental Impact Statement System).

We constantly monitor the land, air, and water quality, the siltation levels in bodies of water, as well as the forest cover / density in the affected areas within our operations and its surrounding environs. We adhere to the strict parameters laid out by the government in ensuring that we protect the ecosystem, promote biodiversity, and enhance the environment.

Our **Social material factors** are directed towards the identification, prioritization, implementation, and monitoring of our Corporate Social Responsibility and the Company's Social Development and Management Program (SDMP) in Itogon, Benguet Province. Engagement with our stakeholders in our mining communities is equally essential to our operations. Open communication with the Indigenous Peoples (IPs) who directly or indirectly part of our labor force is significant for our success. We have integrated our social material factors around the key activities in our SDMP: infrastructure, health, safety, livelihood, education and training, human resources, and socio-cultural. Our social material factors also include building valuable relationships with the local government units (LGUs), regulatory agencies, and civil society organizations (CSOs). Contributing factors is our compliance to good governance on fraud prevention, whistleblowing, data privacy, and related party transactions.

As a responsible business entity, our **Vision, Mission, Goals, Safety and Environmental Policies** are centered on achieving productivity and advocating for safety and health of our employees, assisting the people within our host and neighboring communities and the continuous enhancement of our environment. We share the stewardship of our country's natural resources. As we operate within the indigenous communities, we support local cultures, respect human rights as we help drive economic development in the area.

As a responsible corporate partner of society, the Company has a social obligation not only to preserve, protect and enhance the physical and ecological environment but also to improve the quality of life of the people in the communities surrounding the operation.

Aside from the Company's commitment to be socially responsible and environmentally conscious, it also aims to achieve competitiveness and excellence as a natural resource development Company through enhanced productivity and through improvement of the quality of life of its employees, their families and the host communities. At the heart of Benguet Corporation's philosophy are the people whose interest it promotes,

be they employees or stockholders, wise stewardship of the natural resources and environment and maintaining a good community relationship. This is our fundamental way to operationalize our social license.

ECONOMIC

Economic Performance

Distribution of Direct Economic Value Generated

Disclosure	Amount	Units
Direct economic value generated (revenue)	683.1M	PhP
Direct economic value distributed:		
a. Operating costs	675.0M	PhP
b. Employee wages and benefits	130.4M	PhP
c. Payments to suppliers, other operating costs	401.8M	PhP
d. Dividends given to stockholders and interest payments to loan providers	0	PhP
e. Taxes given to government	75.6M	PhP
f. Investments to community (e.g. donations, SDMP)	5.5M	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>The mining and milling operations of Benguet Corporation provide employment opportunities to people across several regions in the country, majority of which are from the communities where we do our business. Our gold mining operation employs the underground mining method or tunneling while the lime operation purchases the raw limestone material from suppliers engaged in land development</p>	<p>Employees of the Company and mining contractors.</p> <p>People in the host and neighboring communities.</p> <p>Local and national government – revenue / tax collection.</p> <p>Service providers and suppliers.</p> <p>Business establishments in the community.</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>The Company ensures that all regulatory requirements are complied with, work programs are implemented according to approved plans,</p>

<p>surrounding Baguio City and Benguet Province as feed material to the kiln plant. The Company is operating in partnership with Mines and Geosciences Bureau (MGB) accredited mining contractors that employ miners from the indigenous peoples of the Cordillera Region. Over 2,000 people in the workforce were employed by the Company and service contractor combined. Irisan Lime Project have engaged the services of a Cooperative whose members are composed of the indigenous people and members of the community in Brgy. Irisan, Baguio City and former company employees to operate its kiln plant.</p> <p>We also provide business opportunities to our various suppliers and service providers that support the day-to-day operation of the company.</p> <p>Gold is our main product with silver as by-product. We process the gold bearing mineral ore in our refinery to produce gold which are purchased by the Bangko Sentral ng Pilipinas (BSP) as additional reserve for the country. The Company supply lime products to the mining companies and farmers in Benguet Province.</p> <p>Benefits derived from the operation by employees and our host and neighboring communities:</p> <ul style="list-style-type: none"> • Economic growth in the host and neighboring communities; • Increased family income of employees and community residents; • Improved medical services through the SDMP; • Educational opportunities – deserving students from the host and neighboring communities are enrolled under the scholarship program of the Company; • For the local government units - Increased tax revenue collection; • Increased budget for local government infrastructure projects and sustained delivery of basic services to the communities; • Budgetary allocations for the protection and enhancement of the 	<p>National government – additional gold reserve and contributes to national revenue</p> <p>MSMEs – our gold operations have been instrumental in creating derived demand for inputs to our suppliers and stakeholders (i.e. raw materials, housing, construction)</p>	<p>commitments to stakeholders are delivered, taxes are paid, employees’ statutory benefits are given i.e. payment of salaries and wages of employees are on schedule and health and safety of employees are taken care of.</p> <p>Measures are in place to prevent or mitigate, if not totally eliminate the negative impacts of the operation.</p> <p>The Irisan Lime Project (ILP) of Benguet Corporation has been granted a 5 years Mineral Processing Permit (MPP) by the Mines and Geosciences Bureau (MGB) valid until September 2022. Under its new Environmental Compliance Certificate (ECC), it has been allowed to increase volume of production from 9,500 tons per year to 19,420 tons per year. The upgraded ECC have increased the mine life of the operation of up to 5 years.</p>
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<p>environment and social development are assured;</p> <ul style="list-style-type: none"> Subsidized electricity and water are provided free to employees and other stakeholders in the communities. <p>Negative impacts of the mining operation include the ff:</p> <ul style="list-style-type: none"> <u>Depleting / dwindling mineral resources</u> - Minerals, like gold, is a non-renewable resource. Intrusion of <u>small-scale miners'</u> operation in BC claims that depletes resources and reduce company revenues, thus, the lower tax collection by the local government. <u>The underground mining method may have negative environmental effect unless properly remediated.</u> <u>Timber resources for underground mine support.</u> Scarcity of timber for mine support due to nationwide logging ban. 		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Fluctuating gold price in the world market. The decline in metal prices will also affect financial condition, future operations and Company's return on investment (ROI). The following factors continuously affects and drives the operations:</p> <ol style="list-style-type: none"> Appreciation of the Philippine Peso versus US dollar; Ore grades; and Mineable ore reserves. <p>The current political instability and the everchanging policies toward mining. The mining industry is greatly affected as investors tend to shy away from mining investments</p> <p>The illegal exploitation of mineral resources by the unregulated small-scale miners' operators surrounding the mining properties of the</p>	<p>Company – production target not attained.</p> <p>Employees of the Company and mining contractors.</p> <p>People in the host and neighboring communities.</p> <p>Local and national government – reduced revenue / tax collection.</p> <p>Service providers and suppliers.</p> <p>Business establishments in the community.</p>	<p>To monitor production performance, BC-BGO site managers regularly conduct operations meetings where weekly production activities vs. target are discussed and solutions are provided to issues and concerns that affect the production. At the corporate head office, the officers are given weekly updates on the operations accomplishment and bi-monthly meetings are conducted to discuss matters arising from previous operations report and introduce interventions when necessary. Weekly and monthly mine productions and mill</p>

<p>Company entail significant business risks and lead to environment degradation or mining accidents.</p> <p>Insufficient compliance or failure to follow environmental laws could affect the Company's mining activities. It may delay mining operations or could result in suspension of operation and/or imposition of substantial fines and penalties. While the Company believes it is in substantial compliance with all material environmental regulations, changes in mining policies and regulations, over which the Company has no control, may impede the Company's current and future business activities and negatively impact the profitability of operation.</p> <p>Peace and Order - Intrusion of illegal small-scale miners into the working area of mining contractors may invite troubles underground.</p> <p>Attendance - indigenious peoples working under mining contractors follows different work schedules from the company which sometimes cause disruption in the production.</p> <p>Uncontrolled entry of hazardous substance/explosives inside camp for illegal miner's use.</p>		<p>recovery are being regularly monitored. Compliance to regulatory obligations are likewise discussed during these meetings.</p> <p>Quarterly and annual reports submitted to the regulatory agencies and monitored on a regular basis. Production records, employment levels, amount of local and national taxes paid, as well as compliance progress are reported.</p> <p>To ensure proper compliance, the Company puts a great amount of effort and invests substantial amount of its resources into environmental protection and rehabilitation in its areas of operations. As proof of its commitment to responsible and sustainable mineral resource development, the Company implements best practices and has adopted an environmental policy statement which is consistent with ISO:14001-2015 Certification on Environmental Management System (EMS). The ISO certification makes the Company's operations fully compliant with the requirement of DENR DAO No. 2015-07.</p>
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What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>	Employees of the Company and mining contractors.	BC-BGO has developed operational planning and strategy to ensure that

<p>Upward movement in market prices provides opportunity to ramp up mine development which is key to improving production volume, and ore grade.</p> <p>Employees/IPs/Mining contractors – additional mine development means job security and improved livelihood.</p> <p>LGU/Community – better mine output means more taxes/livelihood opportunities for MSMEs, additional benefits to labor force which leads to a robust local economy.</p> <p>Government – more efficient revenue collection from the Company</p> <p>Employees- market forces demand agility from the whole organization in adapting to changes brought about by policy shift market demands, and outside forces.</p> <p>Hand in hand with the passing of a new fiscal regime for mining industry is the lifting of the DENR moratorium on permits for new mining applications. This will spur new investments in the industry, and BC has a lot of assets open to potential strategic investors.</p> <p>The Irisan Lime Project continues to develop a 5-hectares limestone property located in Bo. Sabangan, Alaminos, Pangasinan. The property has been granted on May 12, 2016 a Limestone Quarry Permit for 8.434 million tons.</p>	<p>People in the host and neighboring communities.</p> <p>Local and national government – revenue / tax collection.</p> <p>Service providers and suppliers.</p> <p>Business establishments in the community.</p> <p>Suppliers – continued business</p>	<p>operations meet production targets, financial objectives and shareholder expectations at all times.</p> <p>Corporate governance mechanism must be strictly observed.</p> <p>The mining operation is unique in the sense that the company is implementing two (2) types of mining method:</p> <p>(1) Partnership with the mining contractors, mostly composed of members of the indigenous people of Cordillera Administrative Region (CAR). The company gets 40% share and the contractor share is 60% of output.</p> <p>(2) BC- owned mining operation – where BC-BGO maintains its regular company miners’ employees to undertake mining operation in areas exclusive to it.</p>
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Climate-related risks and opportunities²

Governance	Strategy	Risk Management	Metrics and Targets
<p><i>Disclose the organization's governance around climate-related risks and opportunities</i></p> <p>The Management Committee composed of the Chairman of the Board, the Chief Executive Officer and the Compliance Officer oversees the Company's sustainability initiatives. They work together in ensuring that the Company achieve its sustainability commitments.</p> <p>The climate-related risks and opportunities are considered in developing the sustainability strategy and commitments.</p> <p><i>Please refer to Manual on Corporate Governance. http://benguetcorp.com/corporate-governance/board-committees/.</i></p>	<p><i>Disclose the actual and potential impacts³ of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material</i></p> <p>The Company is vulnerable to attacks by media and the anti-development organizations on environmental terms when natural disasters occur within the surrounding mining communities like landslides, flooding, and other calamities during heavy rains and typhoon due to climate change. These negative perceptions affect the company's business and the productivity of its projects.</p>	<p><i>Disclose how the organization identifies, assesses, and manages climate-related risks</i></p> <p>Response to climate change is focused on mitigation, adaptation, low-emissions technology and portfolio evaluation. The climate change strategy is informed and underpinned by active engagement with key stakeholders and the company regularly review its position on climate change in response to emerging scientific knowledge and changes in local and national government regulation. Seeking input and insight from external experts, such as the Department of Environment and Natural Resources and the University of the Philippines Los Baños, College of Forestry and Natural Resources.</p>	<p><i>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material</i></p> <p>Building climate resilience into its business activities through compliance with requirements for environment and climate change standard to assess and manage risks associated with the forecast and impacts of climate change. As well as the ongoing business resilience planning, the company is continuing to look at ways in contributing to community and ecosystem resilience. It also seeks to reduce GHG emissions through projects that generate carbon credits, including initiatives of reducing emissions from deforestation</p>

² Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

³ For this disclosure, impact refers to the impact of climate-related issues on the company.

			and forest degradation, through reforestation and watershed management and development projects that is built-in activity in the Environmental Protection and Enhancement Program (EPEP), to meet targets in minimizing the effect of climate change in mine operation.
Recommended Disclosures			
<p><i>a) Describe the board's oversight of climate-related risks and opportunities</i></p> <p>The Board has the overall function or control of all related activities on climate risks and opportunities and ensuring that budgets for the implementation of environmental programs are funded and implemented according to approved plans.</p>	<p><i>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term</i></p> <p>The Company has identified the following actual impacts of climate-related risk: Deforestation – the surrounding areas of the mining claims are built-up areas populated by IP's and migrant communities. The community residents practice slash-and-burn agricultural cultivation for fruits and vegetable production as well cutting of matured trees for mine timber support by the illegal small-scale miners. The loss of trees and other vegetation can cause climate change, desertification, soil erosion, fewer crops, flooding,</p>	<p><i>a) Describe the organization's processes for identifying and assessing climate-related risks</i></p> <p>Risk identification is supported by the following approach:</p> <ol style="list-style-type: none"> 1. The Site Management (SM) will assess and evaluate all possible/potential risks in every stages and phases of mining and milling operation that has the potential to produce negative impact to the operation on a short, medium- and long-term. 2. SM will formulate responses to mitigate the identified risks 	<p><i>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process</i></p> <p>A. On water quality – BC-BGO assess and manage the quality of water through its EMS Internal Auditors following provision of DAO 2005-10 (Implementing Rules and Regulations of RA 9275, otherwise known as The Philippine Clean Water Act) and the Water Quality Guidelines and effluent standard.</p>

	<p>landslide, increased greenhouse gasses in the atmosphere and a host of problems for indigenous people.</p> <p>Landslide – the unregulated / proliferation of small-scale mining operation in the area coupled with high precipitation during rainy/typhon season causes the instability of the ground instigating landslides.</p> <p>Forest fire / bush fire – this incident either accidental or intentional (slash-and-burn) contributes to climate change through excessive heat and smoke/fumes that pollutes the atmosphere.</p> <p>Scarcity of ground water – springs in the area dries-up during summer season due to the absence of forest cover that controls evapotranspiration. The presence of forest cover / vegetation on the ground can store rainwater and retain soil moisture to recharge the aquifer.</p>	<p>through SWOT analysis / risk assessment and submit report to the Board Risk Oversight Committee including recommendations and budget to address the risks for approval and appropriate implementation of the mitigation plans and program.</p> <p>3. The Board Risk Oversight Committee monitors the progress of implementation, prepare and submit regular update report to Management and to regulatory agencies, where appropriate.</p> <p>4. Submit report on accomplished activity to the Board Risk Oversight Committee for verification as to the effectiveness of the implemented mitigation measures.</p> <p><i>Please refer to Board Risk Oversight Committee Charter link</i></p>	<p>With the strict management and proper implementation of mitigation measures to abate effluent discharges into the river system, the operation does not exceed the allowable effluent limit prescribed under DAO 2005-10 and will continue to attain positive performance.</p> <p>B. On Air Quality –</p> <p>The operation of BC-BGO does not require fossil fuel such as coal for power generation as it sources its electricity from the generated hydropower plant of Thermal Luzon Inc., a subsidiary of Aboitiz Power Corporation in Benguet.</p> <p>Based on the 2019 air quality monitoring conducted by the Internal Audit Team and concurred by the external monitoring body, the air quality gathered from the established air monitoring stations of the mine indicates that measurements of identified air pollutants is within the DENR standard limit under R.A. 8749 and its IRR DAO #2000-81.</p>
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		<p>Also</p> <p>Please refer to:</p> <p>Appendix “B” - DRCS 09 (Summary of Risks and Opportunities)</p>	<p>The Company shall continue to comply with the prescribed air quality standard.</p>
<p><i>b) Describe management’s role in assessing and managing climate-related risks and opportunities</i></p> <p>The Site Management is responsible for monitoring the company’s compliance to environmental protection and enhancement program. Its function is to make sure that the current safeguards through stringent requirements in the areas of safety and health, social development and environmental protection are achieved.</p>	<p><i>b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy and financial planning.</i></p> <p>Mining operation is an extractive process which is always associated with environmental risk. Benguet Corporation’s operation in Itogon is the subject of rigorous evaluation and monitoring by the regulatory agency on its compliance to environmental laws and regulations to reduce or eliminate pollution.</p> <p>The Company stands in solidarity with the government to arrest the deteriorating climate pattern through wise utilization of natural resources and lowering CO2 emission that affects the ozone layer. The Company’s reforestation programs (Mining Forest Program and the National Greening Program of the government) are its positive contribution to the worsening climate change.</p>	<p><i>b) Describe the organization’s processes for managing climate-related risks</i></p> <p>The Company’s strategy to address the issue on environmental degradation is well described and illustrated in the approved Environmental Protection and Enhancement Program (EPEP) of BC-BGO. Short, medium- and long-term actions are integrated in the program with corresponding budget allocations to ensure the availability of funds to execute the program.</p>	<p><i>b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets</i></p> <p>The execution of the environmental program, including annual targets and budget are presented in the approved Environmental Protection and Enhancement Program (EPEP) and Annual EPEP.</p> <p>The Company’s 2019 annual reforestation program raised and maintained over 15,000 assorted seedlings and planted and maintained a total of 51.0 hectares. Additionally, the Company continuously maintained and protected the previously established 5-year old plantation area of 250.0 hectares strategically located inside the mining claims.</p>

			<p>To date, the Company maintained a total of 771 hectares and planted 1,285,478 seedlings with survival rate of 70% over 15-year period, or total surviving trees of 899,835.</p> <p>These targets are aligned with the Company's goal to conduct CO2 sequestration by planting trees within and outside of its mineral claims.</p> <p><i>Please refer to Appendix "C" – Photocopy of Certificate of Approval of 2019 Environmental Protection and Enhancement Program (AEPEP) and: Appendix "C-1" – 2019 AEPEP Programs/Projects (Extracted from the Approved AEPEP)</i></p>
	<p><i>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario</i></p> <ul style="list-style-type: none"> • BC's environmental enhancement program, particularly, on reforestation and protection is 	<p><i>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management</i></p> <p>The Board Risk Oversight Committee is tasked to make sure that the Company's environmental</p>	

	<p>geared towards reducing CO₂ in the atmosphere.</p> <ul style="list-style-type: none"> • The Company installed anti-pollution devices like scrubbers to arrest air pollutants from gold smelting processes. • Dust emission are reduced through a dust suppressor system using air and water to act as suppressors for spraying along roads inside industrial area. • Regular preventive maintenance program is being conducted on vehicles and equipment to ensure smoke emissions are controlled which contributes to overall enhancement of ambient air quality inside and outside of the mine site. • All environmental safeguards are put in place to mitigate and reduce emission of CO₂. 	<p>programs and compliances are integrated into the over-all mine development program and implemented in accordance with the approved program by the Department of Environment and Natural Resources through the Mines and Geosciences Bureau and Environmental Management Bureau.</p> <p>With this, it is clearly defined following the principle that risk management is the management responsibility. Clear roles are defined aligned to the sustainability strategy and commitments of Benguet Corporation.</p>	
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Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers (BGO & ILP)	PHP 127.0 Million	99.0%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>Benguet Corporation's procurement practices are always in accord with the Company's Procurement Policy.</p> <p>It always considers the selection of suppliers based on the Code of Business Conduct and Ethics, other legal requirements and relevant laws that supports and have focus on the sustainable procurement initiative of the Company.</p> <p>For 2019, the Company's total expenses for the purchase of materials and supplies from local suppliers amounted to P 127.0 Million vs. budget of P 128.0 Million or equivalent to 99%.</p> <p><i>Please refer to Appendix "D" – BC Purchasing Policy</i></p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>Suppliers/manufacturer's – the local suppliers are able to sustain, and grow their business together with the business progression of Benguet Corp</p> <p>LGUs – local economy is spurred by the mining industry through the derived livelihood generated from its operations</p> <p>Communities and employees</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>We believe that success of the operation can be achieved through respect and transparent dealings between the management and the various agencies and entities that provides/ supply the goods and services to the Company. We manage supplier relationships through our values and in compliance with applicable regulatory frameworks. To ensure sustainability in our supply chain, we take a risk-based approach in assessing suppliers. As much as we aim that our suppliers comply with our requirements, we prioritize selecting those with ISO Certified products and services and local suppliers before others.</p>
<p>What are the Risk/s Identified?</p>	<p>Which stakeholders are affected?</p>	<p>Management Approach</p>

<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Sub-standard quality of supplies and materials or products that may affect or slowdown the operation and reduce gold production.</p> <p>Some local suppliers do not have access to or limited funds to expand their operation thereby affecting the availability of local materials and supplies.</p> <p>Sourcing of imported materials are costly and may cause delay on the delivery of needed supplies that will affect the production.</p>	<p>Shareholders – lesser revenue due to lower production</p> <p>Communities – delay in the implementation of community projects</p> <p>Employees – productivity is affected</p> <p>Local Government Units – lesser tax collection</p> <p>Regulators – compliance is affected</p> <p>Operations – they must work around the limitations of local suppliers sometimes sacrificing the timeliness in the process - higher cost</p> <p>Suppliers – inability to provide more options, some still do not have economies of scale which is driving up their operational costs.</p>	<p>To ensure sustainability in supply chain, a risk-based approach is taken in assessing suppliers.</p> <p>Long-term planning on mining development and programs to advance the forecasting of needed materials for budgeting and to ensure availability of M&S when needed by the operation.</p> <p><i>Please refer to Appendix “D” – BC Purchasing Policy</i></p>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Partnering with local suppliers gives BC better credit lines, stronger lines of communication, more responsive lead times, and customization options (smaller minimum order requirement).</p> <p>Through its mining operation, the Company is opening doors and providing business to suppliers and service providers, (local and foreign suppliers, and community residents).</p>	<p>Suppliers – local suppliers can sustain, and grow their operations because of mining operations</p> <p>MSMEs – as mining operations expand, intermediate industries are given opportunity to address the needs in each part of value chain</p> <p>Employees – benefit from dealing with local suppliers who speak the same language</p>	<p>Continue to develop good relationship with suppliers and service providers.</p> <p>Continue to work with local suppliers with quality services and products offering lower cost.</p>

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	358	100%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	0	0%
Percentage of directors and management that have received anti-corruption training	0	0%
Percentage of employees that have received anti-corruption training	11	3%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>Directors, managers and employees have been oriented and are knowledgeable of Anti-fraud, Corruption and Whistle Blowing Policy of the Company. BC practices zero tolerance to corruption in the conduct of its business. Some potential source of corruption are as follows:</p> <ol style="list-style-type: none"> 1. Employees maybe involved in bribery and corruption on permit and license acquisition and during land acquisitions/negotiation. 2. As there are numerous purchasing transactions, employees may be offered bribes/ incentives on these engagements. 	<p>Suppliers – all suppliers must go through the same screening. This ensures the company gets what it pays for and supplier delivers what it promises</p> <p>Employees – have to be the vanguards of integrity especially when representing the company to external parties</p> <p>Community – those who support corruption by supporting peers engaged in unlawful conduct deprive honest businesses the chance of flourishing their trade and contributing back to the community</p>	<p>Board sets the tone and makes a stand against corrupt practices by adopting an Anti-fraud, Corruption and Whistleblowing Policy and in its Code of Employee and Business Conduct.</p> <p><i>Pls refer to the following links:</i></p> <p>Code of Employee Conduct and Discipline http://benguetcorp.com/wp-content/uploads/2018/05/ECD%20with%20ee%20acknowledgement.pdf</p> <p>Code of Business Conduct and Ethics http://benguetcorp.com/wp-content/uploads/2020/06/E.-Code-of-Conduct-of-Business-and-Ethics.pdf</p>

<p>3. Giving or asking special favor to/from ACMP or Service Contractors or other stakeholders in exchange for personal gain such as but not limited to relaxing company policies and procedures.</p>	<p>Management – should always advocate a culture of excellence and integrity. They set the values of the company and must promote the example in anti-corruption.</p> <p>Government regulatory agencies – officials must practice global policies on anti-corruption in the conduct of government and private business transactions.</p>	
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<ol style="list-style-type: none"> 1. Delay in permit/licenses or acquisitions 2. Engage in corrupt practices may result in: <ul style="list-style-type: none"> - Cancellation or suspension of permit/licenses/contract agreements or other kinds of penalty - Court case - Business losses 3. Exposure to higher or additional operational costs 	<p>Mining contractors – reduced amount of share in volume and value</p> <p>LGU – less tax collection</p> <p>Employees – suspension and withholding of salaries and benefits, dismissal from employment</p> <p>Host community –stoppage of the implementation of social development programs.</p>	<p>Prompt submission of documents and compliances with government requirements to avoid delay in the processing of permits and licenses.</p> <p>Maintain good relationship and close communication with concerned regulatory agencies.</p> <p>Company has clear and stringent Fraud and Corruption policies and procedures in curbing and penalizing employee involvement in offering, paying and receiving of bribes/unlawful benefits.</p> <p>The Company disseminated the anti-corruption policies and programs to employees throughout the organization via emails and by way of acknowledgement signed by employees.</p>

		<p><i>Pls refer to link Code of Employee Conduct and Discipline, link #41 & 47 Page 8</i></p> <p>http://benguetcorp.com/wp-content/uploads/2018/05/ECD%20with%20ee%20acknowledgement.pdf</p>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p>With the existence of written policies and communication to all concerned and vigorous implementation, possible involvement in corruption and bribery will be minimized if not eliminated.</p> <p>Harmonious relationship with the regulatory agencies, community and other stakeholders.</p> <p>Continuous mining operation is assured, and the integrity and reputation of the Company are maintained if there will be no corruption and bribery in the organization.</p>	<p>Host community – increase in public investment and support to the organization</p> <p>National government agencies and local government units – strengthens the position of regulatory system and guarantee a degree of fairness</p> <p>Suppliers / contractors / service providers – leads to a secure and long-term business relationship.</p> <p>Employees – job satisfaction and security and increase in employee morale</p>	<p>Closer relationship with all the stakeholders in the mining circle and government agencies.</p>

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	# of incidents
Number of incidents in which employees were dismissed or disciplined for corruption	0	# of incidents
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	# of incidents

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>Delayed issuance of regulatory permits/licenses – this is being experienced in dealings with some government agencies.</p> <p>Community residents – taking advantage of the necessity of the operation especially on land acquisition.</p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>Mining contractors – reduced amount of share in volume and value.</p> <p>LGU – lesser tax collection</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>All employees are aware of the Anti-Fraud, Corruption and Whistleblowing Policy and Employee Code of Conduct.</p> <p><i>Pls refer to the following links:</i></p> <p><i>Code of Employee Conduct and Discipline, link #41 & 47 Page 8</i></p> <p>http://benguetcorp.com/wp-content/uploads/2018/05/ECD%20with%20ee%20acknowledgement.pdf</p> <p><i>Anti-fraud, Corruption and Whistle-blowing Policy</i></p> <p>http://benguetcorp.com/wp-content/uploads/2020/06/anti-fraud-corruption-whistleblowing-policy.pdf</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Delayed mining and milling operation,</p> <p>Production target and revenue not attained.</p>	<p>Mining contractors – reduced amount of share in volume and value.</p> <p>LGU – lesser tax collection</p> <p>Employees – Suspension or termination of employment</p>	<p>Directors, managers and employees must have awareness of “Anti-fraud, Corruption and Whistleblowing Policy” of the company to avoid involvement in corruption and bribery.</p>

	Host community - community development projects might be suspended/stopped.	Stringent enforcement of disciplinary actions to erring employees, managers based on existing employee Code of Conduct.
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ENVIRONMENT

Resource Management

Energy Consumption-

Disclosure	Quantity			Units
	BGO	ILP	TOTAL	
Energy consumption (renewable sources)	0	0	0	GJ
Energy consumption (gasoline)	6.96	0	6.96	GJ
Energy consumption (Kerosene)	1,978.47	0	1,978.47	GJ
Energy consumption (diesel)	4,698.55	50,674.45	55,373	GJ
Energy consumption (electricity)	5,238,300.58	254,755.42	5,493,056	kWh

Reduction of energy consumption

Disclosure	Quantity			Units
	BGO	ILP	TOTAL	
Energy reduction (gasoline)	0.31	0	0.31	GJ
Energy reduction (Kerosene)	34.28	0	34.28	GJ
Energy reduction (diesel)	80.09	2,802.01	2,882.10	GJ
Energy reduction (electricity)	349,061	26,160	375,221	kWh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
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<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>The operation of BC-BGO involves extraction of gold-bearing mineral ore through underground mining and processing of the extracted ore to produce gold. The operation consumes electricity and diesel fuel to run the heavy equipment and electricity powered machines. Ventilation machines and water pumps are also powered by electricity while LHD locomotives to extract/deliver ore to the mill site uses diesel fuel. Mobile vehicles from the motorpool use either diesel or gasoline. Only limited liquified petroleum gas (LPG) is used in the operation.</p> <p>The company is dependent on the source of electricity being supplied by the local provider in Benguet Province, the Therma Luzon Inc. of Aboitiz Power Corporation. The hydropower plant of Therma Luzon, Inc is located in Ambuklao, Bokod, Benguet and Binga, Itogon, Benguet. The power supply of Irisan Lime kiln operation is sourced from Benguet Electric Cooperative (BENECO).</p> <p>Revenue generation – Therma Luzon Inc. generates portion of its revenue through the Supply Contract Agreement with Benguet Corporation.</p> <p>Additional revenue share of Benguet Province LGU from Therma Luzon Inc. due to supply contact of BC’s Benguet Gold Operation.</p> <p>Please refer to the following:</p> <p>Appendix “E” – Power Supply Contract Agreement – Article 6- Item 6.7, p.5; Article 7- Item 7.1.6, p.6.</p> <p>Appendix “F” – EMS Document # EMSG06 (EMS Guidelines on Power Conservation)</p>	<p>(e.g. employees, community, suppliers, government, vulnerable groups)</p> <p>Operations – power cost has been a significant cost driver for gold operations. Cost savings initiatives are being implemented across the value chain to become a least cost producer as well as achieve greener, cleaner operations.</p> <p>Employees – there is high awareness among employees about energy consumption and conservation</p> <p>BC Community – the proper use of electricity contributes to the local economy. Economies of scale derived from usage help keep energy rates competitive for the rest of the public.</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>Safeguards in the following measures in order to be sustainable:</p> <ul style="list-style-type: none"> • Conduct regular energy level monitoring/reports • Submission of regulatory reports on energy consumption to Mines and Geosciences Bureau and Environmental Management Bureau • Maintain BC Program on energy conservation • On the supply and utilization of fuel oil like gasoline, diesoline and kerosene, plan to secure annual supply contract with the supplier. • BC–BGO has been re-certified ISO 14001:2015 (by TUV-Rheinland) as proof of commitment to make operations aligned with international environmental and safety standards.
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What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Therma Luzon Inc. is always at the advantage during negotiation of power rate adjustment as there are no other competing sources of dedicated power supply in the Region.</p> <p>The fluctuating world market price of gold affects the overall operating cost and the profitability given the fixed rate of power cost (high power cost).</p>	<p>BC Operation and Therma Luzon Inc.</p>	<p>The operation follows a strict set of environmental standards that monitors how it affects life, and the nature around it. To be sustainable, the strict implementation of the following is necessary:</p> <ul style="list-style-type: none"> • Energy level monitoring /reports • Regulatory reports on energy consumption • Conduct regular Preventive Maintenance Schedule on equipment and vehicles • To review the contract agreement with Therma Luzon Inc. for possible renegotiation of the provision on actual power usage vs full payment of contracted capacity.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Benguet Corporation is exploring alternative source of energy and the proposal to build a Waste-to-Energy facility in Itogon, Benguet is an opportunity to reduce the power cost. This will be the first commercially available source of renewable energy in the future.</p> <p>This alternative energy source will lessen impact to the environment and additional revenue for the Company.</p>	<p>Community – the WtE facility will address the perennial issue of garbage in Benguet province.</p> <p>LGU - This project proposes a more sustainable solution in managing municipal waste as feed material to the proposed WtE project.</p>	<ul style="list-style-type: none"> • Continuously monitor its power consumption and check areas that can be subjected to power adjustments. • The company has moved to reduce power consumption in its industrial areas by shifting

	<p>The energy that will be generated will be the first in the province from a renewable source.</p>	<p>to energy-efficient motors and lighting fixtures for cost reduction program.</p> <ul style="list-style-type: none"> • Support the proposed waste-to-energy project by providing a suitable area. The patented mined-out area of Benguet Corporation in Antamok is being considered for the project that can be incorporated as a major component in the Final Mine Rehabilitation and Decommissioning Program (FMRDP) of the Antamok mined-out area.
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Water Consumption within the Organization

Disclosure	Quantity			Units
	BGO	ILP	TOTAL	
Water withdrawal:				
• Industrial Use	125,000	3,295	128,295	Cubic meters
• Domestic Use	7,000	846	7,846	Cubic meters
Water consumption:				
• Industrial Use	123,458.60	3,295	126,753.60	Cubic meters
• Domestic use	5,101.55	846	5,947.55	Cubic meters
Water recycled and reused:	0	0	0	Cubic meter
Note: No water being recycled.				

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>The Company sourced its industrial water from its old underground mine tunnel located at L-2000, Acupan, Virac, Itogon, Benguet with National Water Resources Board (NWRB) Permit No. 16154. The Company regularly pay to National Water Resources Board its water rights permit</p> <p>Water is an essential input to the mining operations of BC-BGO. The Company monitors the impact to the adjacent river systems and downstream users to ensure that these are maintained at minimum levels so communities can have equal access to water sources.</p> <p>The potable water is sourced from a natural spring owned and maintained by a private individual for his water delivery business. The Company engaged the service of the owner to supply and deliver potable water for employees' consumption for a fixed rate per drum.</p> <p>Domestic water for ILP operation is supplied by the Baguio Water District (BWD) while the industrial water is supplied by a private individual who sourced the water from the natural spring permitted by the government for his water delivery business.</p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <ul style="list-style-type: none"> • Company – has access to 24/7 water supply from its underground mine tunnels for domestic and industrial use. • BC-BGO employees, contractors/service providers – have access to safe water within the mine site • Host, and neighboring communities – have free access to water sources present in the area since the Company source and utilize its water internally. 	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>Access to water is a basic human right as it is a shared resource of high economic, environmental and social value. Considering that its operation is dependent from the free-flowing water from the Company's underground mine tunnel and in order for the continuous water recharging of the aquifer, it develop a strategy through an intensified watershed development and management by doing reforestation program on denuded and sparsely vegetated areas within and outside of the Company's mining claims. This activity is included in the Annual Environmental Protection and Enhancement Program.</p> <p><i>Please refer to Appendix "C" –</i></p>

		<p><i>Certificate of Approval of Annual Environmental Protection and Enhancement Program (AEPEP)</i></p> <p><i>And:</i></p> <p><i>Appendix "C-1" – 2019 AEPEP Programs/Projects</i></p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>The water quality for domestic use may be compromised if good housekeeping is not properly observed by the miners working underground.</p> <p>There is no regular water quality test being undertaken by the service provider for drinking water which might affect health and safety of the end user.</p> <p>With the increase in population and business establishment in the area, it is expected that water demand will double.</p> <p>It is anticipated that water from some of the springs will dry up during the dry season that will cause high domestic water competition in price and volume.</p>	<p>BC-BGO employees, contractors /service providers, community residents</p>	<p>The Company's Mining Forest Program is a shared responsibility with the community while the government monitors implementation of the program. The Company continue to engage with its host and neighboring communities for an uninterrupted partnership in the protection of the reforested area and increase water production and absorption of the aquifer.</p> <p>As a safeguard on water quality for drinking, we will require the service provider of drinking water to provide a certificate of laboratory test on water quality from the source on a quarterly basis.</p>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach

<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>The intensified watershed development in the area will provide additional livelihood opportunities to the IP's through contract reforestation, seedling propagation, plantation maintenance and forest protection activities.</p> <p>There is abundant volume of domestic water from the Company's underground source that has the potential for business development to supply the water needs of the surrounding communities.</p>	<p>BC-BGO employees, contractors/service providers, community residents</p>	<p>Engagement with the stakeholders by providing livelihood opportunities, like seedling propagation, tree planting contracts and maintenance of previously established reforestation areas, will improve the relationships between Company and the community and to empower community.</p> <p>The improved forest cover of the mining claim will recharge the water sources/ springs in the community.</p> <p>The Company may consider revisiting the bulk water supply from Acupan underground water source for potential business development to supply water requirement of Itogon and Baguio City.</p>
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Materials used by the organization

Disclosure	Quantity			Units
	BGO	ILP	TOTAL	
Materials used by weight or volume				
<ul style="list-style-type: none"> Renewable – lumber, paper, sawdust, etc. 	171,917.22	2,124.5	174,041.72	kg
<ul style="list-style-type: none"> non-renewable – lubricants, motor oils, bunker fuel oil, dynamite explosive, 				

sodium cyanide, sodium hypochlorite, sodium hydroxide, activated carbon, lime and sulfuric acid, caustic soda, hydrochloric acid, nitric acid, etc.	853,056.64	1,368,207.23	2,221,263.87	kg
Percentage of recycled input materials used to manufacture the organization's primary products and services Note: Sawdust and wood chips are being recycled for firing carbon ash process while used papers are recycled for printing internal reports and memos.	4	1	5.0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>The underground mining operation is utilizing mine timbers as support to the mine tunnels. With imposed nationwide logging ban, there is a possibility that local supplier will run out of locally sourced timber. Dynamite explosive is used in the underground to open new area for mine development. Noise and air pollution are generated during blasting.</p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>BC-BGO, mine and mill employees, community, suppliers</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>BC-BGO is committed to explore use of other alternative materials as substitute for mine timber for underground support without sacrificing safety of mine workers. This is part of the Company's sustainability commitment to minimize use of timber resources.</p> <p>Forest plantation will be part of the Company's sustainable commitment for environmental enhancement in its area of operation. It encourages</p>

<p>The milling operation consume sodium cyanide, sodium hypochlorite, sodium hydroxide, carbon, lime and sulfuric acid for the processing of gold.</p> <p>The Irisan operation utilizes bunker fuel oil for firing its kiln plant.</p>		<p>supplier of mine timber to participate in the reforestation program of the company and the government.</p> <p>BGO strictly adheres to the strict standards of the regulatory agencies on responsible mining.</p> <p>Provide complete Personal Protective Equipment (PPE) to employees and give proper orientation on handling and storage of hazardous chemicals.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <ul style="list-style-type: none"> • Environmental risks – continued use of non-renewable materials contribute to air and water pollution and health hazards if not properly handled and disposed • The safety and health of employees directly exposed to non-renewable materials is compromised. • High production costs - utilizing high quantities of non-renewable inputs drive the cost of production, pushing margins in an already highly commoditized market. • Blasting operation – accident due to fly rocks, loss of hearing (noise pollution) and air pollution for dust due to blasting is a potential risk if not managed properly. • Timber resource – depletion or shortage of wood resources (lumber, paper, sawdust) <p>Please refer to the following:</p> <p>Appendix “B” – (DRCS - 09) Summary of Risks and Opportunities</p>	<p>Underground employees/miners/blasters</p> <p>Employees at the motor pool area, mine and mill mechanical shops</p> <p>Communities adjacent to the operation</p>	<p>Management will focus on the following approach to minimize risk:</p> <ul style="list-style-type: none"> • ISO 14001:2015 audit reports • Implement hazardous materials storage, handling, waste/tailings management monitoring and reports. • Continue regular submission of reports to the MMT (Multipartite Monitoring Team) and MRFC (Mine Rehabilitation Fund Committee) on quality monitoring tests. • Monitor the strict implementation of Annual Environmental Protection and Enhancement Program. • Provide complete Personal Protective Equipment (PPE) to employees. • Safety lectures and pep talks before deployment in assigned working area.

<p>Appendix “G” – EMS Document # EMSG-03 (EMS Guidelines on Diesel, Oil and Grease Hauling, Transport and Storage)</p> <p>Appendix “H” – EMS Document # EMSG - 12 (EMS Guidelines on Contaminated Water)</p>		
<p>What are the Opportunity/ies Identified?</p>	<p>Which stakeholders are affected?</p>	<p>Management Approach</p>
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Sawdust and wood chips are being recycled for firing carbon ash process in the mill while recycled papers are used for printing internal reports and memos.</p> <p>In 2019, BGO was successful as it purposively reduced usage of its non-renewable materials as part of its sustainable efforts</p> <p>BGO’s logistics and support services, on the other hand utilize renewable materials such as wood and used packing materials (carton or a box container made of cardboard).</p> <p>Continuous improvement in mining technologies and how they can benefit from renewable sources of energy is now being encouraged.</p> <p>Better planning and forecasting of usage of non-renewable materials in relation to programmed procurement systems can lead to cost efficiencies in mine production.</p>	<ul style="list-style-type: none"> • Communities – stand to benefit from less air and water pollution • Employees – exposed to less quantities of non-renewable materials will be healthier and safer • Operations – cost efficiencies will deliver better profit margin without incremental damage to the environment 	<p>Provide complete Personal Protective Equipment (PPE) to employees.</p> <p>Safety lectures and work briefings before deployment to assigned working area</p> <p>Continue monitoring usage of non-renewable materials to attain reduction year over year without sacrificing production.</p> <p>Implement hazardous materials storage, handling, disposal waste/tailings management monitoring and reporting.</p> <p>Continue regular submission of reports to the regulatory body on the use of regulated chemicals.</p>

Ecosystems and Biodiversity (whether in upland/watershed or coastal/marine):

Disclosure	Quantity	Units
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Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	<i>(identify all sites)</i> Crosby Forest Park – 11.0	Has.
Habitats protected or restored	5 sites a. Camp 6 Acupan (Benguet Pine, Gmelina) – 25.0 b. Crosby Park (Benguet Pine) – 11.0 c. Calhorr Plantation (Benguet Pine) – 5.0 d. Virac Plantation (Benguet Pine, Gmelina, Coffee) – 5.0 e. Ucab Plantation (Benguet Pine, Coffee) – 5.0	Has. Has. Has. Has. Has.
IUCN ⁴ Red List species and national conservation list species with habitats in areas affected by operations. Note: No list of thriving IUCN species in the project impact area because the mining claim is populated of build-up communities and small-scale miners abound.	0	
What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach

⁴ International Union for Conservation of Nature

<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>The company established the Crosby Forest Park (man-made forest as support to watershed development of the Company) inside its mining property with a total area of about 11.0 hectares. This area is being maintained and protected against illegal activities like cutting of trees or SSM. Enrichment planting is conducted on areas with sparsely growing trees to provide more greenery in its surroundings. The tree density is estimated at 352.55 trees per hectare. Family of employees and visitors from other areas are visiting the Park, enjoy the scenery and do camping.</p> <p>In addition to the Forest Park, BC-BGO also implemented reforestation program within and around its mining claims in compliance with its environmental enhancement program.</p> <p>BGO continuously undertake biodiversity development and management through seedling production and reforestation activities. The planted trees absorb and sequester CO2 as they grow. To date, the Company maintained a total of 771 hectares and planted 1,285,478 seedlings with survival rate of 70% over 15-year period, or total surviving trees of 899,835.</p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>Employees and families – benefited from using Crosby Park</p> <p>Contractors and laborers of the reforestation project.</p> <p>Community residents – inhaling pollution-free air.</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>Care & Maintenance of the forest park – included in the Environmental Work Program of BC-BGO.</p> <p>The company hired a caretaker from the community to protect and maintain the established forest park.</p> <p>Conduct regular foot patrol by BC's Claims Management to avert illegal activities in the area.</p> <p>Intensify reforestation and forest protection program as included activity in the AEPEP.</p>
<p>What are the Risk/s Identified?</p>	<p>Which stakeholders are affected?</p>	<p>Management Approach</p>
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Illegal cutting of trees and squatting.</p> <p>Illegal cattle grazing.</p>	<p>Employees and nearby residents</p>	<p>Intensify forest protection activities in the area</p> <p>Conduct regular foot patrol by BC's</p>

Forest / bush fire		Claims Management to avert illegal activities in the area, particularly by squatters/SSM
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>The established park and reforested areas inside and outside of the Company's mining claim serves as watershed area of the Company, the communities, and surrounding areas.</p> <p>Employment generation.</p>	Employees, community	<p>Continue to maintain the park through enrichment planting and forest protection activities by involving the residents in the area.</p> <p>Continue to partner with the residents near the reforestation areas on the protection of the plantation and prevention of illegal activities like tree cutting and small-scale mining.</p>

Environmental Impact Management

Air Emissions

Disclosure	Quantity			Units
	BGO	ILP	TOTAL	
Direct (Scope 1) GHG Emissions	582.69	3,984.56	4,567.25	Tonnes CO ₂ e
Energy indirect (Scope 2) GHG Emissions	1,482.80	144.20	1,627	Tonnes CO ₂ e
Emissions of ozone-depleting substances (ODS)	0	0	0	Tonnes

Air pollutants

Disclosure	Quantity	Units
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	BC-BGO	ILP	TOTAL	
NO _x	26.00	93.8	119.8	mg/Nm ³
SO _x	14.00	332.5	346.5	(mg/Nm ³)
Persistent organic pollutants (POPs) e.g. PCB's; PFOs; Biphenols; Pthalates; Atrazine (herbicide)	144.00	0	144.00	Kg
Volatile organic compounds (VOCs): Propane; Butane	0	0	0	Kg
Hazardous air pollutants (HAPs) (Lead)	0.9575	0	0.9575	(mg/Nm ³)
Particulate matter (PM)	7.00	3.4	10.4	(mg/Nm ³)

Findings indicate that measurements of identified air pollutants are within DENR standard limit of pollutants on air quality. It shows that the operation is not contributing to air pollution in the area.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>Benguet Corporation recognizes the impact of mining operations to the environment particularly on-air quality if the operation is not managed properly. The identified major source of air pollution are as follows:</p> <ol style="list-style-type: none"> 1. Generation of dust during blasting for advancement of mine development. 2. Air pollution at the mill operation during gold smelting where chemicals are added to separate gold from other impurities. 3. ILP operation – Kiln plant operation and generation of dust along access road. 	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>Employees/workers, community</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <ul style="list-style-type: none"> • Follow protocols on proper management, storage, use and handling of chemicals and reagents. • Reduced through a dust suppressor system using air and water to act as suppressors. • Regular system maintenance of underground ventilation machines and blowers to ensure suppression

<p><i>Note:</i> The air quality performance of the operation is within the National Standard on air pollutants as shown in the Disclosure Table on Air Pollutants.</p>		<p>of dust during blasting activity. Provide respirators in the different underground working areas for ready use by employees when needed.</p>
<p>What are the Risk/s Identified?</p>	<p>Which stakeholders are affected?</p>	<p>Management Approach</p>
<p><i>Identify risk/s related to material topic of the organization</i> Health hazards due to excessive dust and acid fumes</p>	<p>Employees/workers, adjacent communities</p>	<p>Conduct regular monitoring to determine the quality of air within the working areas. Follow protocols on proper management, storage, use and handling of chemicals and reagents.</p>
<p>What are the Opportunity/ies Identified?</p>	<p>Which stakeholders are affected?</p>	<p>Management Approach</p>
<p><i>Identify the opportunity/ies related to material topic of the organization</i> Employees gained environmental awareness and the Company commits to sustain good air quality in its surrounding environs. Employees were trained on the proper operation, handling and maintenance of anti-pollution devices/equipment to avoid violation of the provision of R.A. 8749 (Philippine Clean Air Act and its IRR: DAO No. 2000-81). Employees were trained on proper handling and use of chemicals and reagents to avoid exposure/accidents at the workplace. The Company supports the program to reduce air pollution in the area by providing regular funds for the operation and maintenance of all pollution control facilities.</p>	<p>Employees/workers, community</p>	<p>Continue training employees and workers on environmental laws and Company policies. Follow protocols on proper management, storage, use and handling of chemicals and reagents.</p>

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity			Units
	BGO	ILP	TOTAL	
Total solid waste generated	70,070.954	4,624	74,695	Kg
Reusable	435.449	27	462.449	Kg
Recyclable	6,232.359	2,097	8,329.359	Kg
Composted	11,766.186	0	11,766.186	Kg
Incinerated	0	0	0	Kg
Residuals/Landfilled (Combined BGO & ILP)	51,636.96	2,500	54,136.96	Kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <ul style="list-style-type: none"> • Proper waste management is part of the Company's good housekeeping practices. • Scraps are collected and hauled to a designated depository areas or scrap yard every first and last hour of each shift. • The Company practices segregation at source and encourages the recycling of materials which are sorted and sold to DENR accredited solid wastes and 	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>Employees of Benguet Corporation and workers of solid waste/residual waste hauling contractor</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>Strict compliance of the provision of R.A. 9003 (Ecological Solid Waste Management Act and its IRR – DAO No. 2001-34</p> <p>To remind hauling contractor to provide enough PPE's to their workers and regularly check hauling permits and health of workers.</p>

<p>recycling contractor thus resulting in the reduction of solid wastes generated.</p> <ul style="list-style-type: none"> Generated solid waste/residual waste are disposed by a mining contractor in a sanitary landfill located outside of the Region, and hence, it has no impact to the mining operation. 		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Failure to collect and dispose solid wastes on time by commissioned hauler will result to accumulation of solid wastes and may generate foul odor which affect health of workers and the adjacent communities.</p> <p>Complaints by employees and residents for uncollected garbage that may violate provisions of R.A. 9003 will be subject to sanctions by regulatory agencies.</p> <p>Health and safety risk to workers of hauling contractor.</p>	<p>Workers of solid waste/residual waste hauling contractor</p>	<p>To remind hauling contractor to provide enough PPE's to the workers and regularly check hauling permits and health of workers.</p> <p>Reprimand hauler if provision of his contract is not being followed.</p>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>High sustained clean environment translates to economic growth to the Company.</p>	<p>Company</p> <p>Hauling contractor</p>	<p>Continue to maintain beneficial relationship with the hauling contractor to avoid violations of environmental laws and regulations.</p> <ul style="list-style-type: none"> The Company will look for a bigger area to relocate the existing Mine Recovery Facility (MRF) to accommodate the following MRF facilities:

		<ul style="list-style-type: none"> a. Segregation Building b. Solid Wastes Building for recyclable wastes, biodegradable and non-biodegradable and residual wastes c. Hazardous Wastes Building d. Composting Areas e. Receiving Area
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Hazardous Waste:

Disclosure	Quantity	Units
Total weight of hazardous waste generated	40,229.21	Metric tons (MT)
Type of waste generated –		
<ul style="list-style-type: none"> • mill tailings • other hazardous waste (lead compounds, busted fluorescent lamps, non-halogenated organic chem., used oils, containers of toxic chemicals, clinical waste) 	40,223.69	MT
	5,520	Kg
Total weight of hazardous waste transported -	5,520	Kg
Note: Mill tailings are contained at the tailing’s impoundment facility of the Company.		

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>Soil and water contamination.</p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>Employees of BC-BGO and mining contractors and hauler.</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>A DENR-EMB accredited service provider is engaged to dispose of the hazardous waste outside the Company</p>

<p>The tailings from the mill are impounded in the ECC approved tailing storage facility (TSF2).</p> <p>Other hazardous wastes (acids, alkali and organic waste from assay laboratory; organic solvent wastes such as used oil, grease, etc.; hospital wastes like hypodermic needles and other hospital wastes) are properly labelled and stored in a hazardous waste storage area before hauling for disposal by an Environmental Management Bureau (EMB) accredited hauler of hazardous waste.</p>		<p>facilities. This is part of sustainability compliance to ensure proper management and disposal of hazardous wastes at the site and comply with regulatory requirements.</p> <p>The Company have obtained/secured from DENR-EMB the Treatment Storage and Disposal Registration (TSDR) for Tailings Storage Facility #2 per RA 6969 regulation.</p> <p><i>Please refer to Appendix "I" – Copy of Treatment Storage and Disposal Registration</i></p>
<p>What are the Risk/s Identified?</p>	<p>Which stakeholders are affected?</p>	<p>Management Approach</p>
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Potential environmental risk like water contamination of the Ambalanga river may happen if the Company do not strongly follow proper waste management protocols at the industrial area.</p> <p>Siltation along the river system due to deposition of non-toxic tailings or sediments caused by accidental tailings leaks.</p> <p>Oil spillage and tailings leaks are potential environmental risk.</p>	<p>Employees of BC-BGO and mining contractors.</p>	<p>The Company is guided by its strong commitment to abide by its Environmental Policy and compliance to Environmental Management System and government environmental laws, rules and regulations.</p> <p>Continuous monitoring of the anti-pollution structures, regular repair and maintenance of penstocks and spillways and strengthen tailings dam embankment (engineering intervention).</p> <p>The Company posted security personnel at the TSF #2 area to secure the facility from intentional damage to the structure by outsiders.</p> <p><i>Please refer to Appendix "J" – EMSG-07-A (EMS Guidelines on Hazardous Waste Management – Used Oil, Oil and Grease Contaminated Items)</i></p>
<p>What are the Opportunity/ies Identified?</p>	<p>Which stakeholders are affected?</p>	<p>Management Approach</p>

<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>The Company demonstrate corporate responsibility by adhering to established protocol on waste management and environmental quality monitoring (R.A. 9003 and R.A. 9275) regulations.</p> <p>Please refer to Appendix “J” – EMSG-07-A (EMSGuidelines on Hazardous Waste Management – Used Oil, Oil and Grease Contaminated Items)</p>	<p>BC-BGO, employees, contractors, suppliers and community.</p>	<p>Management Awareness and compliance to the code of business conducts and ethics which provides among others of the provisions of environmental laws, rules and regulations to operation’s key to sustainability.</p> <p><i>Please refer to Code of Business Conducts and Ethics link</i> http://benguetcorp.com/wp-content/uploads/2020/06/E.-Code-of-Conduct-of-Business-and-Ethics.pdf</p>
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Effluents

Disclosure	Quantity	Units
<p>Total volume of water discharges Effluent discharge from the mill</p> <p>Note: *Total volume of treated water discharges in the form of wastewater from the tailings storage treatment facility includes effluent from the mill and run-off water that discharges into the filter drain where measurement is recorded. ** Total effluent discharge produced by mill operation.</p>	<p>273,458* 107,215**</p>	<p>Cubic meters Cubic meters</p>
<p>Percent of wastewater recycled</p> <p>Note: The Company do not recycle wastewater from its operation as wastewater from milling operation contains acid mine tailings.</p>	<p>0</p>	<p>%</p>

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>Water contamination - the effluent discharge from the Tailings Storage Facility (TSF) if not managed the water treatment will affect the water quality of the Ambalanga river.</p> <p>Poor maintenance of the TSF filter drain may cause wastewater discharge that may affect the water quality of the river downstream of Ambalanga.</p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>The Company; Employees; Community</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>Following are measures that were implemented to mitigate the impacts:</p> <ol style="list-style-type: none"> The company treated the wastewater through detoxification with sodium hypochlorite; Conducted water sampling at the established sampling stations downstream to monitor the quality of water; Built underground drainage system and canals to drain run-off water; Constructed oil water separator and regular clean-up of canals/drains and check-up of discharge valves, pipes and connections. <p>The company undertakes adherence to the provisions in R.A. 9275 (Philippine Clean Water Act) and conditionalities in the Environmental Compliance Certificate (ECC).</p> <p><i>Please refer to Appendix "K" – Photocopy of Environmental Compliance Certificate</i></p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach

<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Complaints from the farmers/residents downstream of the tailings storage facility (TSF);</p> <p>Deprive farmers/residents downstream of the TSF of livelihood</p> <p>Fish kill;</p> <p>Water production will result to suspension of operation,</p> <p>Suspension of permit/ECC, and/or</p> <p>Imposed monetary penalties</p>	<p>The Company;</p> <p>Employees;</p> <p>Community</p>	<p>Observe proper maintenance of the facilities and implement mitigating measures to prevent accidental wastewater discharge.</p> <p>Assessment of improvement downstream - keep database of all improvements for future reference.</p> <p>Strict compliance with the provisions of environmental laws & policies and the ECC.</p>
<p>What are the Opportunity/ies Identified?</p>	<p>Which stakeholders are affected?</p>	<p>Management Approach</p>
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Awareness of the importance of responsibility & accountability in Environmental Management</p>	<p>Mines Environmental Protection and Enhancement Officer;</p> <p>Pollution Control Officer.</p>	<p>Top management demonstrates leadership and commitment with respect to the Environmental Management System (EMS) of the Company by ensuring:</p> <ul style="list-style-type: none"> • that the environmental policy and objectives are compatible with the strategic direction of the Company; • the integration of the Environmental Management System into the organization's business processes through identification of risks/impacts and addressing corresponding risks and opportunities; • the availability of resources needed for the implementation for Environmental Management System; • that communication takes place among all interested

		<p>parties on the importance of effective Environmental Management and of conformity to Environmental Management System requirements through meetings and consultations;</p> <ul style="list-style-type: none"> • that the Environmental Management System achieves its intended output(s), specifically those required in the ECC, AEPEP, ASDMP and EPRMP; • promotion of continual improvement of environmental management through the system of internal audits and reporting/analyzing incidents and applying corrective actions to prevent recurrence; • that support in terms of resources is available to demonstrate relevant management roles and leadership in environmental management areas. • provide adequate trainings to the Mines Environmental Protection and Enhancement Officer (MEPEO), Community Relations Officer (CRO), Pollution Control Officer (PCO), Environmental Management Representative (EMR) and members of the EMS Audit Team.
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Environmental Compliance:

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
<p><i>Total amount of monetary fines for non-compliance with environmental laws and/or regulations.</i></p> <p>No fines or penalty for violations committed against any provisions of environmental laws, permits and licenses that have been assessed or determined with finality during the period under report (2019).</p>	0	Each

No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	Each
No. of cases resolved through dispute resolution mechanism	0	Each

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>The operation of Benguet Corporation, as partner of the government in environmental protection abides by all provisions of mining and environmental laws and regulations. All regulatory requirements are complied, submitted and approved by concerned government agencies. Environmental and social programs are being implemented, compliance is being monitored and certificate of compliances were issued by respective government agencies concerned.</p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>Benguet Corporation, employees, service contractors, suppliers, investors, community, local and national government, other stakeholders.</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>The Company will keep up its good record by continuously conforming with the conditions of all its permits and licenses and to pursue its obligation as a responsible mining company. Environmental safeguards are in place to mitigate or eliminate risks.</p> <p>BGO formulated its environmental policy striving for excellence in mineral resources development.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Failure of the Company to submit compliance reports on</p>	<p>Benguet Corporation, employees, service contractors, suppliers,</p>	<p>Continuous implementation of rehabilitation work program to eliminate risks during rainy season.</p>

<p>time and delays or non-implementation of the work program stated in the approved AEPEP, ASDMP, ASHP may lead to issuance of penalties.</p>	<p>investors, community, local and national government, other stakeholders</p>	<p>Preventive maintenance of tailings storage facilities and all pollution control structures to eliminate environmental risks.</p> <p>Monitoring of the effectiveness of the established environmental mitigating / management measures. The Company's Multipartite Monitoring Team in each operation will also assess and validate the company's compliance with the relevant environmental standards.</p> <p>Submit accomplishment reports in accordance with the guidelines on submission of compliance reports and other obligations to the government.</p> <p><i>Please refer to link - http://benguetcorp.com/wp-content/uploads/2020/06/O.-BC-Internal-Audit-Charter.pdf BenguetCorp's Internal Audit Charter – Defining the Scope of Work of the Internal Audit Office (IAO) – Item II, #7-9, p.1 and Detailing Responsibility of IAO – Item V, # 4-6 p. 2 of the Charter.</i></p> <p><i>And</i></p> <p><i>Appendix "L" – Summary of Status of Regulatory Compliance Performance for C.Y. 2019.</i></p>
<p>What are the Opportunity/ies Identified?</p>	<p>Which stakeholders are affected?</p>	<p>Management Approach</p>
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p>		<p>Re-assess and evaluate physical conditions of all pollution control structures and further intensify</p>

<p>Increased production due to continuous mining and milling operation.</p>	<p>Management, employees, mining contractors, stakeholders</p>	<p>regular monitoring of all facilities to ensure safe operation and comply with environmental policies and programs of the operation.</p> <p>Conduct regular Information, education and communication (IEC) to all stakeholders on the different aspects of mining operation and environmental policies.</p> <p>The Environmental Protection and Enhancement Program (EPEP) is proof of the Company's commitment to protect the environment and to observe Responsible Mining that would maintain productive use of land and water resources for future generations.</p> <p>As a socially and environmentally conscious Filipino Company striving for excellence in mineral resource development, BC is committed to continuous improvement of its operations to minimize adverse environmental impact by complying with all applicable policies , laws, rules and regulations while at the same time promoting environmental awareness among its workers at all levels.</p> <p><i>Please refer to Appendix "L" – Summary of Status of Regulatory Compliance Performance for C.Y. 2019</i></p>
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SOCIAL

Employee Management

Employee Hiring and Benefits

Employee Data

Disclosure	Quantity	Units
Total number of employees ⁵	358	Headcount
a. Number of female employees	59	Headcount
b. Number of male employees	299	Headcount
Attrition rate ⁶	10.5	Percent Rate
Ratio of lowest paid employee against minimum wage (P332 lowest rate / regional min. wage of P320)	1.04:1	Ratio

Employee Benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100%	100%
PhilHealth	Y	100%	100%
Pag-ibig	Y	100%	100%
Parental leaves			
Maternity	Y	1.69%	0
Paternity			1.25%
Solo Parent		0	0
Vacation leaves	Y	100%	100%
Sick leaves	Y	100%	100%
Medical benefits (aside from PhilHealth))	Y	11.25%	88.75%
Housing assistance (aside from Pag-ibig)	Y	11.25%	42.81%

⁵ Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

⁶ Attrition rate = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Retirement fund (aside from SSS)	Y	0.62%	2.5%
Tuition Fee Refund	Y	2.5%	4.18%
Company stock options	Y	0	0
(Others)			
Insurance (Group life; Accident)	Y	100%	100%
Birthday Leave	Y	100%	100%
Mine workers onsite:			
Free utilities:			
Housing (bunkhouse/cottages)	Y	45%	4.5%
Subsidized water	Y	9.4%	6.2%
Subsidized electricity	Y	45%	4.5%
Free meals	Y	13%	3.4%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>Benguet Corporation has always been an equal opportunity employer. Part of its advocacy and commitment, is to provide livelihood and employment to people regardless of race, gender, affiliations, and age. Over the years the Company has provided legitimate livelihood opportunities for vulnerable people in the mining communities like the IPs, and womenfolk.</p> <p>It hires based on skill, merit, and performance. BC also prioritizes establishing safe working conditions (safe workplaces, conducive working environment, professional, and personal growth and development).</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>Benguet Corporation is engaged in community- based mining in partnership with local residents through the Acupan Contract Mining Project (ACMP) since 2002. As of December 31, 2019, there are 16 ACMP contractors with approximate 2,000 skilled employees (Miners, Muckers, Safety Inspectors, etc.).</p> <p>The Company provides Safety and Health orientations, trainings and drills to ensure that all BC employees and workers of the Contractors are aware and competent when it comes to their personal safety at work. Personal protective equipment (PPEs), medical and health services, and employee welfare programs are also available in the</p>

<p>The Company prides itself with the provision of generous benefits to its employees as the Company believes that “a happy employee is a productive employee”. This is proven by the 116 years of corporate existence in the industry.</p>	<p>mining operation. Management through the Policy Review Committee continuously research, review and revise relevant policies and procedures to be attuned with the current business practices and needs.</p>
<p>Most core employees have been with BC for more than 20 years. In the mine site, the company provide housing, food, medicine, and transportation allowances employees. Core managers’ dependents receive educational assistance from pre-school to high school and covered by medical benefits.</p>	<p>The Company has established policies on hiring / recruitment and compensation and benefits including promotion that reflects the core values and strategy of having a performance-based culture.</p>
<p>What are the Risk/s Identified?</p>	<p>Management Approach</p>
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Retention of highly skilled labor in a competitive environment is challenging. Experienced technical talents like Mining Engineers, Geologists, Metallurgists and other highly skilled professionals /skilled workers are in demand due to their mining experience and expertise. Talents are being offered greater opportunities both locally and abroad in terms of compensation and professional development.</p>	<p>To address this, BC continuously aims to:</p> <ul style="list-style-type: none"> ● endeavor to maintain family-oriented benefits such as free housing in camp, medical and utilities. ● improved leadership which provide opportunities for professional and personal growth ● aims to strengthen robust succession planning for business continuity <p>Retirement of professional and skilled employees is inevitable; thus, BC has Succession Planning. It ensures smooth transition of leadership responsibility and necessary skills to understudies. Strategic employee retention policies have been in the pipeline to retain well trained skilled and technical employees and professionals for business continuity and profitability. To date, average number of employee tenure is 10 years. The company benefits are reviewed regularly to make it competitive, sustainable, and relevant to the times.</p>
<p>What are the Opportunity/ies Identified?</p>	<p>Management Approach</p>
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p>	

<p>For CY 2019, the company employed a total of 357 regular and project employees and engaged 16 mining contractors with approximate 2,000 miners and contractors' office staff/personnel. BC follow its hiring policy for regular employees. The company employees living in camp are provided with free housing, electricity and water. Regular and project employees are provided with mandatory statutory benefits (SSS, Philhealth, Pag-ibig, ECC, etc.).</p>	<p>Newly hired employees are given orientation on Company Policies, rules and regulations, safety orientation and trainings before their deployment to their assigned task/job. They are also informed of Code of Conduct with regard to violation of company rules and penalties for any infractions on their job and while staying in camp.</p> <p>Benefits, on top of the regulatory/statutory are benefits in place to attract and retain highly skilled and high performing employees.</p> <p>Management through the Policy Review Committee continuously research, review and revise relevant policies and procedures in manpower to be attuned with the current business needs.</p>
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Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees	1,259	hours
a. Female employees	861	hours
b. Male employees	398	hours
Average training hours provided to employees	3.59	hours
a. Female employees	14.60	hours/employee
b. Male employees	1.33	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and</i>

<p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>BC operates in a highly technical environment. Mining requires specific skills, talents, and attitude in operation. Since the requirements are specific, the company makes training a priority for employee productivity and safety. The Company endeavors to develop a high performing team through training and development. This also ensures that employees have the required skills and competences for the job they are holding.</p> <p>BC is highly regulated by the Mines and Geosciences Bureau (MGB) and Environmental Management Bureau (EMB) of the Department of Environment and Natural Resources (DENR) which ensures that it is compliant with the minimum standard requirements of the law. Conduct of employee orientation, awareness, coaching, professional development seminars, actual on-the-job skills training and other initiatives to train and develop employees and leaders are being undertaken on a regular or periodic basis.</p> <p>Benguet Corporation possesses an International Organization of Standards (ISO) certificate on its Environmental Management System (EMS), which requires that mandated trainings and certifications are complied with.</p>	<p><i>initiatives do you have to manage the material topic?</i></p> <p>Benguet Corporation is an ISO certified company, thus, Benguet ensures that training programs are aligned with the ISO requirements. Likewise, the Company gives priority to trainings mandated by the government regulatory body such as SEC/DENR/ MGB/EMB / DOLE / OSHA to ensure compliance. The Company also spends on trainings of employees whose work requires a professional license, to assist them earn units for their continuing professional development. Training needs assessment and employee performance evaluation to determine the gap between the required output versus actual performance is being conducted on a periodic basis.</p> <p>The above training hours only represents the formal classroom training. Bulk of the competence and skills training is through coaching and on the job exposure.</p>
<p>What are the Risk/s Identified?</p>	<p>Management Approach</p>
<p><i>Identify risk/s related to material topic of the organization</i></p> <ul style="list-style-type: none"> ● Skill mismatch with current requirement of the job where a new employee learning curve is slow especially for highly skilled jobs. ● High Cost of publicly offered training programs. ● Experienced/trained employees leave or pirated by other companies which offers 	<p>The following Company initiatives are being undertaken:</p> <ol style="list-style-type: none"> 1. Engage training consultants to conduct in-house training program to cover all target participants.

<p>better and attractive compensation package.</p> <ul style="list-style-type: none"> Wastage on budget and time. The daily hectic schedule of employees would limit them to attend trainings, hence, the maximum benefit of trainings is not achieved. 	<ol style="list-style-type: none"> Source out for training programs being conducted by Government Agencies (e.g. BIR on Tax matters, DENR-EMB on Pollution Control) rather than training providers. Online course is also another cost-effective option. Constant review of compensation package Strengthen employee retention strategies especially for hard to find positions. Periodic conduct of Training Needs Assessment to identify gaps between the requirement of the job versus employee's actual performance.
<p>What are the Opportunity/ies Identified?</p>	<p>Management Approach</p>
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <ol style="list-style-type: none"> Professional development and skills training boosts employee morale and job satisfaction and security. Competent employees have the knowledge to make the best economic use of materials and equipment. There will be less wastage, less accidents/incidents; reduced damaged to equipment. Enhanced performance as training amplifies skills and helps the employee gain new skills and improved leadership which will provide opportunities for professional and personal growth. Training increase retention and reduce attrition. Valuable employees are kept in the organization. 	<p>Re-visit training policies and strengthen the training needs and structure and improve training policies that will develop and provide career growth to employees.</p> <p>Build and maintain linkages and networking with other mining and related industries to be updated on labor market trends. There are constant changes in the industry, hence, it is important for employees to be updated with the latest trends.</p>

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	The employees of the Company are not member of any labor union; hence, they are not covered by Collective Bargaining Agreement.	%
Number of consultations conducted with employees concerning employee-related policies	The Company conducted orientation to newly hired employees on labor related policies as reviewed and issued by the Policies and Procedures Committee.	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>BC is not an organized or unionized company, as such there is no Collective Bargaining Agreement between the Management and Employees.</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>Endeavor to maintain status as a non-unionized organization by keeping an open communication with labor at all levels. Employee</p>

	grievances are addressed by immediate supervisors and elevated to higher Management body if not solved at their levels.
What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i> Employees affiliation to aggressive militant trade unions or organization may disrupt the harmonious relationship among employees and management and may lead to labor unrest.	Identify strategies to maintain employee engagement, cooperation, and satisfaction.
What are the Opportunity/ies Identified?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i> Management and employees to maintain harmonious relationship and industrial peace in the workplace.	Management ensures that good leadership is maintained, there is competitive compensation package and established employee engagement strategies.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	59	16.5%
% of male workers in the workforce	299	83.5%
Number of employees from indigenous communities and/or vulnerable sector*	Elderly - 15 Solo Parent - 4 Indigenous Peoples - 145 Approximate 90% of workforce of the mining contractors belong to ICC/IP.	4.29% 1.14% 41.43%

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

Workforce Distribution by Region

Region	No. of Employees
National Capital Region (NCR)	19
Region 1	116
Region 2	4
Region 3	47
Region 4A	6
Region 4B	1
Region 5	3
Region 7	8
Region 11	3
Cordillera Administrative Region (CAR)	151

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>Benguet Corporation recognizes the value that diversity in the workplace brings to its business and encourages the building of teams in which synergy, enthusiasm and creativity can be unlocked through diversity. The mining operation used to be male dominated but over the years, it has opened and offered equal opportunity employment to all regardless of race, color, religion, sex, age, tribal affiliations and other vulnerabilities. Profile of existing headcount shows that large percentage of female, IPs, senior citizens in its employ. There are about 40 (BGO) female employees holding Management</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>BC Hiring Policy has an employment policy for reference and guidance of all Department Heads.</p> <p>It is committed to implement policies on the rights and benefits of every employee such as but not limited to:</p> <ol style="list-style-type: none"> 1. Parental Leave for Solo Parent (RA 8972) and Victims of Violence Against Women and Their Children (RA 9262) that grants additional leave with pay as a

<p>positions. Lady engineers are in the headcount.</p> <p>Its skilled pool consists of experts and consultants past the age of 60 years old who are still actively employed and are now training the next generation of managers. The operations have had the benefit of the wisdom, and expertise from people with diverse backgrounds, and age. It has partnered with the different IPs in Benguet via a mining contracting agreement which give them a stable means of livelihood.</p>	<p>means of support/assistance to solo parent employees and women workers who are victims of violence.</p> <p>2. If there will be cases of HIV, Hepatitis and tuberculosis, the Company have policies in place that ensure employee diagnosed with such diseases will not be victim of discrimination.</p>
<p>What are the Risk/s Identified?</p>	<p>Management Approach</p>
<p><i>Identify risk/s related to material topic of the organization</i></p> <ul style="list-style-type: none"> • Elderly employees or persons with disabilities, though willing and mentally able, have their physical or health limitations. • Learning curve of replacements of retirees. • Most of the experts in the mining industry who also have institutional knowledge about BC are in their prime. Health-related issues are more prevalent in this sector and an emphasis on succession planning must be taken by the company. 	<p>For elderly employees, Managements ensures that a training plan for successors is in place and monitored.</p> <p>Persons with disabilities are assigned to non-hazardous and non-critical work as may be possible.</p>
<p>What are the Opportunity/ies Identified?</p>	<p>Management Approach</p>
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Having the community as our direct business partners in our ACMP operations extends the social responsibility of the Company, thus, support and harmonious relationship with the community residents is strengthened.</p> <p>Maintaining its skilled pool – geologists, engineers, metallurgists who have knowledge of the Company’s critical information, have kept the operations sustainable. The new generation of skilled employees are benefitting from the institutional knowledge being passed to them.</p>	<p>Senior managers are advised to train young generation of employees / subordinates to be their understudy.</p> <p>Employment policy gives priority to IP’s and local residents of the communities where the business operates where they possess the required qualification/skills.</p> <p>Community immersion, support and participation to IP activities</p> <p>Scholarship Program is provided to qualified and deserving indigent community members.</p> <p><i>Please refer to Appendix “M” – Employment Policy</i></p>

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	2,500,382	Man-hours
No. of work-related injuries	17	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills	1 Fire Drill 4 Earthquake Drills (CHQ) 4 Safety Drills (BGO)	3 hrs 8 hrs

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>Mining and milling operations impact on the safety and health of the work force. Miners working underground are exposed to strenuous activities such as mucking, rock drilling, lifting, etc. Performing these activities requires miners to be physically fit, alert, well-trained on safety and aware of various underground hazards in order to perform their jobs safely.</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>The Company is directly involved in the promotion of health and safety of company employees and mining contractors. Manhours lost due to accidents will have a negative impact on the production safety and record performance of the operation.</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>Policies on Medical Benefits – <i>Refer to Appendix “N” – Policy on Employees Basic Medical and Benefits and Appendix “N-1” – Policy on Employees Major Medical Plan</i></p> <p>Mandated 8-hrs Safety and Health Seminar for Workers pursuant to RA no. 11058.</p> <p>Certification of the First Aider & Safety Officer</p> <p>Participation in all Fire and Earthquake Drill being conducted by NDRRMC, BFP</p>

<p><u>Safety Program</u></p> <p>BC observe the standards on occupational safety and health issued by DOLE and the Mines Safety and Health Standard. The Company also adopts practices and implements policies and programs related to occupational safety and health.</p> <p>The Health and safety Committee helps provide a safe and healthy workplace and eliminate work-related injuries and illnesses. The total injury frequency rate for CHQ is zero and total of 17 work injury cases in BGO.</p> <p><u>Health and wellbeing</u></p> <p>Management supports the health and wellbeing of BC staffs through a variety of initiatives that will help maintain and improve their health while working with the Company.</p> <p>For the period 2019, the BC health strategy has been developed to enhance engagement and awareness on health and wellbeing. This strategy consisted of three core components:</p> <p>1) Information - This is an information and education campaign, where employees were given snippet/tips to educate and promote self-awareness about physical and psychological health wellbeing.</p> <p>2) Prevention Programs – BC initiates programs that aim to improve the health style of employees and continuously monitor their well-being status through the following programs:</p> <ul style="list-style-type: none"> • Company sponsored fitness programs that encourage employees to increase physical activities, especially those whose work is sedentary. • Conduct of Annual Physical Examinations of employees to monitor their fitness and manage the health risks including occupational health exposure. 	<p>Provision of emergency kit to CHQ employees.</p> <p>Compliance to DAO 2000-98 (Mine Safety and Health Standard)</p> <p>Reiteration of “No PPE-No Work policy” to preclude any untoward incident thru:</p> <ul style="list-style-type: none"> • To achieve a Zero (0) work related incident record; • Reporting of any unsafe working condition; • Apprehend workers not using/wearing proper PPE’s <p>issued are subjected to proper counseling and penalty; and</p> <ul style="list-style-type: none"> • Prioritize underground work designation in issuing the limited PPE supply <p>The Company shall continue to implement its safety obligation and responsibility as stipulated in its Health and Safety Program and endeavor to respond to any type of emergencies within the workplace, its host and neighboring communities.</p> <p>1.Occupational Health –</p> <ul style="list-style-type: none"> - Promotion and maintenance of the right degree of physical, mental and social well-being of the workers in all occupation; - Prevention of work-related illness; - Protection of workers on their employment from risks usually from factors adverse to health; - Placing and maintenance of the worker in occupational environment adopted to his/her physiological and psychological ability; - Adaptation of work to the worker and each worker to his/her job. <p>2.Mental Health –</p> <ul style="list-style-type: none"> - Provide recreational and social facility and programs;
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<ul style="list-style-type: none"> • Annual Flu vaccinations for employees. • Vacation Leave with Pay provided to employees for leisure and rest to help them avoid and manage stress related illnesses which is part of our Mental Health Framework. <p>3. Intervention - The Company provides medical benefits (i.e. hospitalization, diagnostic examination and medicines) to assist employees who are inflicted with illnesses until they recover and able to return to work.</p>	<ul style="list-style-type: none"> - Provide research and training to build up competence with sound mind and body <p>3. Occupational Exposure –</p> <ul style="list-style-type: none"> - Control of work environment hazard, physical and biological agents.
<p>What are the Risk/s Identified?</p>	<p>Management Approach</p>
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Most of our employees belong to the considered “High Risk” age bracket. The average age of employees ranges from 22 yrs. old being the youngest to 74 yrs. old as the oldest.</p> <p>Disasters and Emergency situations</p>	<p>Continuously implement Health and Wellbeing Program.</p> <p>Health Awareness Program with the focus on Diseases Prevention and Healthy Lifestyle</p> <p>Continuous training for the Emergency Response Team in handling situations during emergency and disasters.</p> <p>Company provides equipment needed in emergency and rescue operations</p>
<p>What are the Opportunity/ies Identified?</p>	<p>Management Approach</p>
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Less incidents of work-related injuries and illnesses will result to higher production.</p> <p>Reduced absenteeism among employees</p> <p>Potential recognition/ citation for Best Health and Safety Practices in the industry. For this reporting period, BC-BGO received several</p>	<p>Over-all, the management approach will be on the strict observance and compliance to Occupational Health and Safety Policy of the DENR Department Administrative Order (DAO) No. 2000-98 and the continuous support of the Company’s Safety and Health Program submitted and approved by the Mines and Geosciences Bureau.</p> <p><i>(Please refer to Appendix “O” – Photocopy of Certificate of Approval of 2019 Safety and Health Program.</i></p> <p><i>And:</i></p>

citations and commendations from Barangay LGU's of Itogon and the City of Baguio in recognition of the Company's contribution to safety	(Appendix "O-1" - Summary of Safety and Health Program /Projects/Activities)
Competitive with other mining companies in terms of H&S programs.	

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	Zero	# of employees

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Policy on Labor Laws and Human Rights

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	Policy contains provisions of RA 10364 – An Act to Institute Policies to Eliminate Trafficking in Persons specially Women and Children, Establishing the Necessary Institutional Mechanism for the Protection and Support of Trafficked Persons, Providing Penalty for Its Violation and for other Purposes...
Child labor	Y	Draft Policy for approval contains provisions of RA 7610
Human Rights	Y	Policy on Sexual Harassment – (Appendix "P" – Policy on Sexual Harassment) Employees Code of Conduct – (see link http://benquetcorp.com/wp-content/uploads/2018/05/ECD%20with%20ee%20acknowledgement.pdf)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
As a Company, Benguet Corporation does not tolerate forced or child labor and human right violations. It ensures that the Philippine law on such is strictly implemented across the organization.	As evidenced in the manpower profile, no employee in the roster is below 18 years of age.

	No incident of human right violation has been filed by any employee as of to date.
What are the Risk/s Identified?	Management Approach
Contractors and suppliers may engage in forced labor or employment of minors or below 18 years of age.	Provision in the contracts that Contractors and suppliers must comply with the Company policies and procedures applicable to them.
What are the Opportunity/ies Identified?	Management Approach
With the formulated policies on forced and child labor and human rights violation, Management and employees are properly guided.	Employees are oriented on the Code of Discipline before start of employment and regular update is done as necessary.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Yes	Certified ISO 14001-2015
Forced labor	No	-
Child labor	No	-
Human rights	No	-
Bribery and corruption	No	-

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>

<p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>The impact may occur to the following factors to increase productivity:</p> <ol style="list-style-type: none"> 1. quality of the materials and supplies; 2. cost element; 3. availability of the product and services; and 4. environmental quality – to increase productivity. <p>Considering the availability, quality and competitiveness of price, as much as possible, the company will source the material requirements of the operation in the order of from the host communities, the city/province/region, the rest of the country and finally, foreign suppliers.</p> <p>Various stakeholders/agencies involved in the supply chain are manufacturers of chemicals (cyanide, sulfuric acid), equipments, lubricants, fuel/oil, electricity or power, banks, transportation, trucking, Bureau of Customs (if imported materials – but very seldom) and permitting agencies involved (Philippine National Police - explosives, Environmental Management Bureau - toxic chemicals like cyanide, etc., Mines and Geosciences Bureau – ore transport permit), among others.</p>	<p>We believe that success of the operation can be achieved through respect and transparent dealings between the management of Benguet Corporation and the various agencies and entities that provides/ supply the goods and services. We manage supplier relationships through our values and in compliance with applicable regulatory frameworks.</p>
<p>What are the Risk/s Identified?</p>	<p>Management Approach</p>
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Suspension, closure or stoppage of operation due to violation of laws and policies.</p> <p>High operating cost</p> <p>Delay in production</p> <p>Some local suppliers do not have access to funds to expand their operation. They have limited stocks of required items/products to offer. Some local suppliers source their stocks from abroad that delays the delivery and affects the operation of the Company.</p>	<p>The selection of local suppliers is in accordance with the processes embodied in the Company’s Purchasing Manual. Only those that comply with the Purchasing Manual are engaged or accepted to supply the requirement of the operation.</p> <p><i>(Please refer to Appendix “D” – BC Purchasing Manual)</i></p>

What are the Opportunity/ies Identified?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Opportunity for local suppliers to engage business with BC.</p> <p>BC-BGO gives opportunity to local business / suppliers in supplying the mining and milling operation's requirement. This partnership enables the company and the local supplier of products and services to develop harmonious working relationship and improve the economic condition of the local business community. Partnering with local suppliers also provides the company with better credit lines and credit terms, more responsive lead times and customization options.</p> <p>Tax revenue collection by the LGU also contributes to the sustained growth of the local business communities that may enable improve the delivery of basic services to their constituents like health care assistance to senior citizens and indigent members of the community.</p>	<p>The Company always adheres to BC Purchasing Manual.</p>

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Acupan mining and Irisan lime kiln operations		IPs, women, migrant	Y	Right to livelihood; Right to education;	Continue to respect and honor the rights of the IP's to alleviate poverty and improve the quality of life in the mining area.

<p>Installation/construction/repairs of Pollution control infrastructures.</p> <p>Mine rehabilitation & remediation projects</p>	<p>Itogon, Benguet & Baguio City</p>	<p>groups, elderly, youth</p>		<p>Right to shelter;</p> <p>Water resource and Infrastructure development;</p>	<p>Share the wealth to our vulnerable members of the community to live a better life. The mining operation offers other mining related projects that generate employment opportunities for the local communities.</p> <p>Assists the national government in addressing development constraints with infrastructure and other projects through various means including the pro-active promotion of responsible mining with the DENR, Department of Interior and Local Government support Projects, Department of Agriculture Projects. Additionally, there are a number of bi-lateral and multi-lateral projects operating in the infrastructure, water resource, rural development and governance areas. However, there are still shortfall and required assistance to improve LGU capacity.</p> <p>The Itogon Municipality and Barangays Virac and Poblacion LGUs rely heavily on Internal Revenue Allotment as their main source of income. Slow economic development reinforces the low-income generations of the LGUs. One possible outcome of these fiscal limitations on the LGUs will be increased pressure to review financial revenues, revenue sources, collection rates and the</p>
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					<p>operational efficiency of LGUs. With the approval and proper implementation of the Social Development and Management Program (SDMP) of BC-BGO's operation, these constraints will be addressed and reinforce LGU's development projects in the host and neighboring areas.</p> <p>The lime kiln operation of ILP have a separate SDMP and AEPEP that addresses the development programs of Barangay Irisan LGU.</p> <p><i>Refer to Appendix "Q" – Photocopy of Certificate of Approval of Annual Social Development and Management Program (ASDMP).</i></p> <p><i>And:</i></p> <p><i>Appendix "Q-1" – 2019 ASDMP Programs/Projects/Activities.</i></p>
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**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available:

Certificates	Quantity	Units
FPIC –	The Company's mineral claim where it conducts mining operation is Patented / Titled property of Benguet	The FPIC process is not required as the Company's
CP secured –		

<p>The mining claim is mostly titled/patented, and the company has been mostly operating in the area for over 100 years. The land patent and the mining operation exists long before the enactment of the Indigenous Peoples Rights Act, (R.A. 8371).</p>	<p>Corporation. In recognition of the rights of the IP's to be informed, management undertake consultations with them in cases of implementing new projects related to mining activities in its area of operation.</p>	<p>mining operation was already existing in the area prior to the enactment of R.A. 8371, aside from the mining claim being patented or titled.</p>
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What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>The potential risk can be attributed for non-compliance to provisions of environmental laws and standards as per R.A. 9275 (Clean Water Act), R.A. 8749 (Clean Air Act), R.A. 9003 (Ecological Solid Waste Management Act) and Indigenous Peoples Rights Act (R.A. 8371). Violations on the provisions of the abovementioned laws will result to penalties and risk to health and safety of nearby communities, majority of whom are indigenous peoples.</p>	<p>The company strictly complied with the established Environmental Management System (EMS). With the recertification of ISO 14001-2015, all programs projects and activities were implemented and monitored. In addition, compliance to the EPRMP's environmental measures has been observed and implemented to avoid violations of its ECC's conditions.</p> <p>Though Benguet Corporation is the owner of the mining claim, it recognizes the rights of the IP's in sustainable development. Commensurate with the aim of improving their standard of living by providing livelihoods in a culturally appropriate manner as provided for in:</p> <p><u>IFC Performance Standard #7: Indigenous Peoples</u></p> <p>The standard sets out to:</p> <ul style="list-style-type: none"> • Ensure that the Company respects the culture and rights of local peoples; • Minimize impacts on local communities and their way of life; and • Establish mechanisms for local community engagement and good faith negotiation on issues of grievance. <p><u>IFC Performance Standard #8: Cultural Heritage</u></p> <ul style="list-style-type: none"> - Aims to protect culture heritage and ensure that its use (where appropriate) is equitably shared.

What are the Opportunity/ies Identified?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Compliance to regulations will result to greater confidence of stakeholders and investors on the ability of the company to fulfill its commitment as a responsible miner.</p>	<p>Though Benguet Corporation is the owner of the mining claim, it recognizes the rights of the IP's in their role in sustainable development. Their participation commensurate with the aim of improving their standard of living and livelihoods in a culturally appropriate manner as provided for in R.A. 8371 – Indigenous Peoples Rights Act.</p>

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	100%	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>The Bangko Sentral ng Pilipinas (BSP) purchases all gold production the world market dictates the price of gold.</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>Continue advancing mine development to improve production.</p>
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>When the gold price is low, it impacts the operation in terms of revenue and operational costs.</p>	<p>Increased production and less operational cost will augment the low sales proceeds.</p>
What are the Opportunity/ies Identified?	Management Approach

<i>Identify the opportunity/ies related to material topic of the organization</i>	Continue selling product to local market.
Selling BC's gold production to the BSP will contribute to the Philippine economy as opposed to selling the product to foreign buyers.	Maintain improvement and provide better service to BSP.

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	No health and safety issue received during the period covered by the report (CY 2019).	#
No. of complaints addressed	No complaints to address since there are no health and safety issue received during the period covered by the report (CY 2019).	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i> No fixed schedule of transporting the commodity. Security alert must be imposed.

Safety of employee during transport and delivery of gold to the Central Bank in Baguio City	
What are the Risk/s Identified?	Management Approach
<i>Identify risk/s related to material topic of the organization</i> There is potential possibility of hold-up and kidnap for ransom during delivery of gold to the Central Bank in Baguio City.	No fixed schedule of transporting the commodity. Security alert must be imposed. Impose rotation of security escort during transport and delivery of product to Baguio City.
What are the Opportunity/ies Identified?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i> Accessibility of market – location of Central Bank is in Baguio City which is about 15 kms. away from the mine site.	Improve intelligence network and regular coordination with Itogon PNP.

Marketing and labelling

Disclosure	Quantity	Units
<i>No. of substantiated complaints on marketing and labelling*</i> No complaints received in 2019 from our only customer which is the BSP on quality of our products.	Zero	#
No. of complaints addressed No complaints received/addressed in 2019 from our only customer which is the BSP.	Zero	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>There was no determined impact because there are no complaints received/addressed in 2019 from our only customer which is the BSP.</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>For the year under report, the Company have not received any complaints from our customer, BSP, regarding marketing and labelling of our gold product. If ever complaints will arise in the future, the Company will handle/resolve the issues in accordance with Company's policies and procedures.</p>
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>There were no determined risks because we deliver our product in accordance with the established guidelines of BSP.</p>	<p>For the year under report, the Company have not received any complaints from our customer, BSP, regarding marketing and labelling of our gold product. If ever complaints will arise in the future, the Company will handle/resolve the issues in accordance with Company's policies and procedures.</p>
What are the Opportunity/ies Identified?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Increased gold sales will increase BSP's gold reserve.</p>	<p>Benguet Corporation will continue to maintain or improve further on gold production.</p>

Customer privacy

Disclosure	Quantity	Units
<i>No. of substantiated complaints on customer privacy*</i>	There are no complaints related to customer privacy for the period of C.Y. 2019.	#
<i>No. of complaints addressed</i>	Zero	#
<i>No. of customers, users and account holders whose information is used for secondary purposes</i>	Limited only to authorized Company engagement.	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>The gold products are only being sold to the Bangko Sentral ng Pilipinas. Benguet Corporation cater to a government institution as customer. Thus, the company strive for confidentiality and accountability in all its public disclosures.</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>Benguet Corp has the Data Privacy policy in place which assures the confidentiality of customers information. Moreover, the Company adapts control measures to prevent the occurrence of data breach incidents.</p> <p>Appointment of Data Privacy Officer (DPO) for Baguio Operation.</p> <p>Proactively manage risk to ensure the company protects data privacy at the start and throughout the lifecycle of any transaction.</p>

What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Loss of customer trust due to breach of privacy.</p> <p>Unauthorized use of data gathered that resulted in financial injury to both the company and the customer.</p>	<p>Security of the data collected from the Bangko Sentral ng Pilipinas is undertaken by controlling who could access such information after it's been gathered.</p> <p>Direct and upfront communication with the customers about the information gathered and plans for using it.</p>
What are the Opportunity/ies Identified?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Build strong relationship with the customer.</p>	<p>Give customer an online form or email address for communicating their privacy problems or concerns. Management undertakes to respond to these messages. Such two-way communication can help build trust and loyalty -- and help avoid potential privacy breach.</p>

Data Security

Disclosure	Quantity	Units
<p>No. of data breaches, including leaks, thefts and losses of data</p> <p>There were no reported data privacy incidents, notifiable data breaches relating to cyber security, data governance or failure in the internal controls for the reporting period.</p>	<p>Zero</p>	<p># of data breaches</p>

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>Though there are no incidents of data breaches, BC ensures the security of personal data, and protects employee's privacy by creating, collecting, managing, storing, retrieving and disposing of data in accordance with the BC Policy and Code of Conduct.</p> <p>The Company has implemented and continuously improved its internal control to minimize the risk of data breaches.</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>Benguet Corp has the Data Privacy policy in place. The penalty for the violation of privacy rights resulting in data breaches, were also incorporated in the Employees' Code of Conduct. DPA Seminar was also conducted to create awareness among BC employees. Moreover, the Company adapts control measures to prevent the occurrence of data breach incidents.</p>
<p>What are the Risk/s Identified?</p>	<p>Management Approach</p>
<p>The accelerating threat of cyber-attack and technical challenges.</p> <p>Unstructured data and bulk of information processed over the period of the company's existence is difficult to manage for data protection officer and compliance teams.</p> <p>Due to the geographical location of the central office and mine sites, the monitoring and managing the security of data would entail potential risks.</p>	<p>Training for IT personnel to effectively handle the cyber-attack threat and malware.</p> <p>Organizations must strive to achieve continuous compliance; risks continuously monitored and stakeholders continuously informed.</p> <p>Appointment of Data Privacy Officer (DPO) for Baguio Operation</p> <p><i>Please refer to link on Data Privacy Policy http://benguetcorp.com/wp-content/uploads/2018/05/P7-Data-Privacy-Policy.pdf</i></p>
<p>What are the Opportunity/ies Identified?</p>	<p>Management Approach</p>
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Integration of File Service Data into Other Systems</p>	<p>Secure ISO Certification on Quality Management Systems</p>

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
<p>Gold and silver production -</p>	<p>Contribute to the Bangko Sentral ng Pilipinas gold reserve for economic development of the country.</p> <p>Contribute to poverty alleviation and providing employment to the Indigenous peoples in the mining area.</p>	<p>We are into mining of gold. Water pollution is the major concern in the mining operation. Gold processing requires a containment facility to impound the mill tailings. The raising of the dam crest of the tailing's storage facility is one of the major infrastructures that needs to be addressed to prevent negative impact to the environment (water pollution). Without the increased capacity of the impoundment facility for the mill tailings, the processing of gold will stop and will affect the income of the Company and the employees that are depending on the operation of BC.</p> <p>Potential water contamination and water pollution.</p> <p>Influx of IP's from other Regions</p>	<p>The management would exert effort to negotiate with the hostile residents in the area to give consent on the raising of the TSF dam crest to contain mill tailings in order to continue the mining and milling operation.</p> <p>On the potential water pollution, regular monitoring of the drain tunnels and other appurtenant structures of the tailing's storage facility must be implemented. In the event of leakage, the milling operation must stop and immediate repair of the source of leaks must be repaired.</p> <p>On the influx of IP's from other Regions, there should be a built-in control to monitor the entry of people inside the mining operation.</p>

LIST OF APPENDICES:

Appendix "A" -	EMS Certification - ISO: 14001-2015
Appendix "B" -	Summary of Risks and Opportunities (DRCS-09)
Appendix "C" -	Photocopy of Certificate of Approval of 2019 Environmental Protection and Enhancement Program (AEPEP)
Appendix "C-1" -	2019 Annual Environmental Protection and Enhancement Program
Appendix "D" -	BC Purchasing Policy
Appendix "E" -	Power Supply Contract Agreement
Appendix "F" -	EMS Guidelines on Power Conservation (EMSG-06)
Appendix "G" -	EMS Guidelines on Diesel, Oil and Grease Hauling, Transport and Storage (EMSG-03)
Appendix "H" -	EMS Guidelines on Contaminated Water (EMSG-12)
Appendix "I" -	Photocopy of Treatment, Storage and Disposal Registration (TSDR)
Appendix "J" -	EMS Guidelines on Hazardous Waste Management – Used Oil, Oil and Grease, Contaminated Items (EMSG-07A)
Appendix "K" -	Photocopy of Environmental Compliance Certificate (ECC)
Appendix "L" -	Summary of Status - Regulatory Compliance
Appendix "M" -	Employment Policy
Appendix "N" -	Employee Basic Medical Benefits Policy
Appendix "N-1" -	Employee Major Medical Plan Policy
Appendix "O" -	Photocopy of Certificate of Approval of 2019 Safety and Health Program (ASHP)
Appendix "O-1" -	Program / Project / Activities of 2019 Safety and Health Program
Appendix "P" -	Policy on Sexual Harassment
Appendix "Q" -	Photocopy of Certificate of Approval of 2019 Social Development and Management Program (ASDMP)
Appendix "Q-1" -	Program / Project / Activities of 2019 ASDMP

REFERENCES:

1. GRI-101 Foundation 2016
2. GRI-102 General Disclosure 2016
3. GRI-103 Management Approach 2016
4. BC-ACMP Environmental Performance Report and Management Plan (EPRMP)
5. Benguet Corporation 2019 I-ACGR
6. Benguet Corporation - Board Committees,
7. Benguet Corporation – Code of Business Ethics
8. Benguet Corporation - Internal Audit Charters
9. Benguet Corporation - Manual on Corporate Governance
10. Equator Principles
11. IFC Standard on Social and Environmental Sustainability
12. Sustainable Development of the Philippine Minerals Industry Code of Conduct for the Environment
13. R.A. 7942 -Philippine Mining Act of 1995
 - a. DAO 2010-21 – Revised Implementing Rules and Regulations of R.A. 7942
 - b. DAO 2000-98 – Mine Safety and Health Standards
14. R.A. 8371 – Indigenous Peoples Rights Act
15. Environmental Laws:
 - a. R.A. 8749 – Philippine Clean Air Act
 - i. DAO 2000-81 (IRR of R.A. 8749)
 - b. R.A. 9275 – Philippine Clean Water Act
 - i. DAO 2005-10 (IRR of R.A. 9275)
 - ii. DAO 2016-08 (Water Quality Guidelines and General Effluent Standards of 2016)
 - c. R.A. 6969 - An Act to Control Toxic Substances And Hazardous And Nuclear Wastes, Providing Penalties For Violations Thereof, And For Other Purposes.
 - i. DAO 1992-29 (IRR of RA 6969)
 - d. R.A. 9003 – Ecological Solid Waste Management Act
 - e. PD 1586 – Philippine EIA System
 - i. DAO 2003-30 (Procedural Manual of PD 1586)

Certificate

Standard **ISO 14001:2015**

Certificate Registr. No. **01 104 1633341**

Certificate Holder:



BenguetCorp

Benguet Corporation – Benguet Gold Operations
Balatoc, Barangay Virac, Itogon, Benguet Province


Scope: **Gold Mining**

Proof has been furnished by means of an audit that the requirements of ISO 14001:2015 are met.

Validity: The certificate is valid from 2019-03-16 until 2022-03-15.
First certification 2016

2019-03-18

TÜV Rheinland Cert GmbH
Am Grauen Stein · 51105 Köln

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Department	Emergency/Risk	Control/Emergency Measures
Assay Laboratory	1. Excessive dust and acid fumes can degrade air quality 2. Chemical spill could contaminate river and soil 3. Occurrence of fire 4. Toxic waste could contaminate soil and water 5. Solid waste can pollute land and water 6. Contaminated water could be released into the river	1. DRCS-30 (Protocol for Possible Emergency Situations) <ul style="list-style-type: none"> • Spill kit and MSDS available (for chemical spill) • Emergency procedure for chemical spill • Emergency procedure for fire • Fire extinguisher available • In case of acid/dust scrubber malfunction stop operation 2. EMSG-01 (Chemicals and Reagents – Handling and Storage) 3. EMSG-02 (Contaminated Containers) 4. EMSG-04 (Dust Control) <ul style="list-style-type: none"> • Dust scrubber installed and regularly maintained • Regular monitoring of ambient air quality 5. EMSG-11 (Acids and Chemical Fumes) <ul style="list-style-type: none"> • Acid scrubber installed and regularly maintained • Regular monitoring of ambient air quality 6. EMSG-05 (Gas Cylinders and Tanks) 7. EMSG-07-E (Hazardous Waste Reagent Sacks) 8. EMSG-07-F (Hazardous Waste Lab Wastes) <ul style="list-style-type: none"> • Chemical precipitates are dissolved and disposed in the drain 9. EMSG-07-G (Hazardous Waste Acid Carbuoys) 10. EMSG-07-L (Hazardous Waste Other Chemical Containers) 11. EMSG-07-M (Hazardous Waste MIBK Waste) 12. EMSG-07-N (Hazardous Waste Ink Cartridges) 13. EMSG-08 (Recyclable Waste Materials) <ul style="list-style-type: none"> • All coarse rejects and excess samples are returned to the mill • Recover silver by precipitating with HCl solution • Recover the parting and wash solution in fire assay 14. EMSG-09 (Solid Waste Management) 15. EMSG-12 (Contaminated Water) <ul style="list-style-type: none"> • Water drain in the assay lab is



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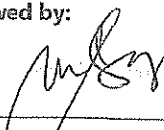
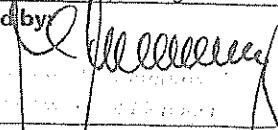
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	<p>RISKS</p> <p>A. Erroneous assay data and values may lead to inaccurate plans and decisions some of which may have environmental impact (i.e. production of more waste rock materials leading to unnecessary landfill materials and river sedimentation)</p> <p>B. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<p>connected to the Tails Treatment Facility</p> <ul style="list-style-type: none"> Regular monitoring of water quality and effluent <p>OPPORTUNITY</p> <p>The company can improve its ability to produce and use of reagents by the PSM operations and also determine whether the company policies and procedures are not specified.</p> <p>The company can improve its monitoring operations particularly on their scope covering report</p>
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Camp Administration	<ol style="list-style-type: none"> Solid waste may pollute soil and water Toxic waste may contaminate soil and water Occurrence of fire Occurrence of grass fire <p>RISKS</p> <p>A Camp administration department could fail to implement the company's environmental policies and rules to housing camp and staff houses (especially when considerable amount of waste comes from residential camps around the mine site)</p> <p>B. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<ol style="list-style-type: none"> EMSG-09 (Solid Waste Management) EMSG-07-N (Hazardous Waste Ink Cartridges) DRCS-30 (Protocol for Possible Emergency Situations) <ul style="list-style-type: none"> Emergency procedure for fire Fire extinguisher available Establishment of fire lines Clearing of dried shrubs especially during dry season IEC on Fire Prevention not only during fire prevention month <p>OPPORTUNITY</p> <p>The company can influence its environmental about environmental principles and standards by:</p> <ul style="list-style-type: none"> Implement a fire prevention and control plan Establish a fire prevention plan Establish a fire prevention plan Establish a fire prevention plan
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Claims Protection	<ol style="list-style-type: none"> Failure to comply with environmental policy Failure to comply with environmental policy Occurrence of fire 	<ol style="list-style-type: none"> EMSG-09 (Solid Waste Management) EMSG-07-N (Hazardous Waste Ink Cartridges) DRCS-30 (Protocol for Possible Emergency Situations)
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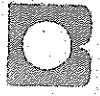

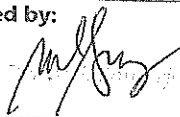
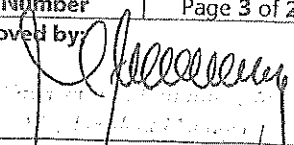
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	<p style="text-align: center;">RISKS</p> <p>A. Government acquired real estate and operation and activities within the company's claims</p>	<p style="text-align: center;">OPPORTUNITY</p> <p>The company can utilize the community in addition to its efforts to implement environmental policies.</p>
Community Relations	<ol style="list-style-type: none"> Toxic waste may contaminate soil and water Solid waste may pollute soil and water Occurrence of fire <p style="text-align: center;">RISKS</p> <p>A. If the relationship between the community and the company is severed, the company will have a hard time implementing environmental policies that would also benefit the community (also the information regarding environmental risks and threats will not be reported to the company)</p> <p>B. The company is poised to face opposition on the hosts and affected communities as well as LGU's if they fail to comply with or implement what is stipulated in the Company's SDMP programs</p> <p>C. Failure to comply with the SDMP Programs may compromise the company operations.</p> <p>D. Non-compliance or failing to comply with Company's SDMP programs can lead to penalties and worst, cancellation of permits and ECC.</p> <p>E. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<ol style="list-style-type: none"> EMSG-07-N (Hazardous Waste Ink Cartridges) EMSG-09 (Solid Waste Management) DRCS-30 (Protocol for Possible Emergency Situations) <ul style="list-style-type: none"> Emergency procedure for fire Fire extinguisher available <p style="text-align: center;">OPPORTUNITY</p> <ol style="list-style-type: none"> The company can utilize the community in addition to its efforts to implement environmental policies. Environmental awareness could be raised through community projects and programs Well implemented Company SDMP programs could result to a better relationship with the host and affected community including LGU's.
Construction and Civil Works	<ol style="list-style-type: none"> Oil/chemical spill or leak can cause soil and water contamination Occurrence of fire Excessive fumes, dust and smoke will degrade air quality 	<ol style="list-style-type: none"> DRCS-30 (Protocol for Possible Emergency Situations) <ul style="list-style-type: none"> Emergency procedure for oil spill Spill kit and MSDS available (for oil spill) Emergency procedure for fire Fire extinguisher available Regular maintenance of service vehicles (EMSG-04 Dust Control) <ul style="list-style-type: none"> Using fire truck to spray water on the

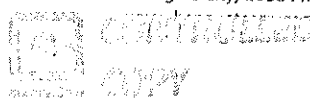


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
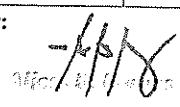
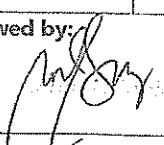
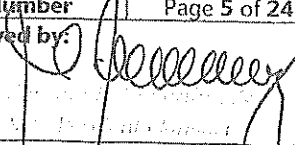
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	<p>4. Toxic waste may contaminate soil and water</p> <p>5. Solid waste may pollute soil and water</p> <p>6. Contaminated water may be discharged into the river</p> <p style="text-align: center;">RISKS</p> <p>A. If infrastructures are of sub-standard quality (or not planned efficiently/effectively), catastrophic environmental hazards could occur; tails dam breach, fire, warehouse/storage spills etc.)</p> <p>B. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<p style="text-align: center;">road</p> <ul style="list-style-type: none"> • Regular monitoring of ambient air quality <p>4. EMSG-07-L (Hazardous Waste Other Chemical Containers)</p> <p>5. EMSG-07-N (Hazardous Waste Ink Cartridges)</p> <p>6. EMSG-09 (Solid Waste Management)</p> <p>7. EMSG-12 (Contaminated Water)</p> <p>8. EMSG-05 (Gas Cylinders and Tanks)</p> <p style="text-align: center;">OPPORTUNITY</p> <p>1. Infrastructures such as roads provide access that can also be used for environmental programs such as tree planting and better waste management schemes, as well as general community access or use</p>
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Document and Record Control	<p>1. Toxic waste may contaminate soil and water</p> <p>2. Solid waste may pollute soil and water</p> <p>3. Occurrence of fire</p> <p style="text-align: center;">RISKS</p> <p>A. If documents are not updated; there is a high risk of:</p> <ol style="list-style-type: none"> 1) failing to comply to legal requirements, 2) inability to properly assess effectivity and efficiency of an environmental program, 3) unnoticed environment issues to escalate into a catastrophic accident if left unaddressed, 4) confusion if old documents given to managers are not replaced with newer versions <p>B. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements</p>	<p>1. EMSG-07-N (Hazardous Waste Ink Cartridges)</p> <p>2. EMSG-09 (Solid Waste Management)</p> <p>3. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for fire • Fire extinguisher available <p>4. DRCS-36 (Document Update Procedure)</p> <p style="text-align: center;">OPPORTUNITY</p> <p>1. Updated EMS documents, if properly implemented will reduce the risk on failing to comply on new Environmental Programs and government regulations, address environment issues that will escalate into a catastrophic accidents, comply with legal requirements as well as avoid confusions if new guidelines or programs are being implemented.</p>
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Electrical	<p>1. Occurrence of fire</p> <p>2. PCB transformer oil spill</p>	<p>1. DRCS-30 (Protocol for Possible Emergency Situations)</p>
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	<p>3. Toxic waste could contaminate solid and water</p> <p>4. Solid waste could pollute soil and water</p> <p style="text-align: center;">RISKS</p> <p>A. Improper utilization, management and monitoring of electrical energy often leads to excessive and wasteful use of energy (that leads to production of unnecessary pollutants and has high risk of environment-related incidents)</p> <p>B. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements</p>	<ul style="list-style-type: none"> • Spill kit and MSDS available (for chemical or oil spill) • Emergency procedure for chemical (or oil) spill • Emergency procedure for fire • Fire extinguisher available • Power will be temporarily cut in case of natural disasters, fire and major accidents <ol style="list-style-type: none"> 2. EMSG-01 (Chemicals and Reagents – Handling and Storage) 3. EMSG-02 (Contaminated Containers) 4. EMSG-03 (Diesel – Handling, Transport and Storage) 5. EMSG-07-A (Hazardous Waste Used Oil, Oil-Contaminated Items) 6. EMSG-07-H (Hazardous Waste Batteries) 7. EMSG-07-I (Hazardous Waste Lights) 8. PCB Management Plan (EMSG-07-J Hazardous Waste PCB) 9. EMSG-07-L (Hazardous Waste Other Chemical Containers) 10. EMSG-07-N (Hazardous Waste Ink Cartridges) 11. EMSG-09 (Solid Waste Management) <p style="text-align: center;">OPPORTUNITY</p> <ol style="list-style-type: none"> 1. Energy efficiency leads to better equipment efficiency making less pollution and would also lead to additional reduction on company's operations cost 2. Scraps, worn out tools, parts and equipment generated from repair and maintenance could be sold as scraps by the company to generate additional income
<p>Finance</p>	<ol style="list-style-type: none"> 1. Toxic waste may contaminate soil and water 2. Solid waste may pollute soil and water 3. Occurrence of fire <p style="text-align: center;">RISKS</p> <p>A. Mismanagement of accounting and financial matters would lead to inefficient/ineffective (if</p>	<ol style="list-style-type: none"> 1. EMSG-07-N (Hazardous Waste Ink Cartridges) 2. EMSG-09 (Solid Waste Management) 3. DRCS-30 (Protocol for Possible Emergency Situations) <ul style="list-style-type: none"> • Emergency procedure for fire • Fire extinguisher available <p style="text-align: center;">OPPORTUNITY</p> <ol style="list-style-type: none"> 1. Well manage accounting system, accurate financial reports will lead to a better Company or

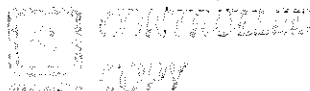


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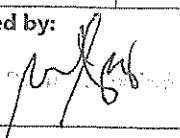
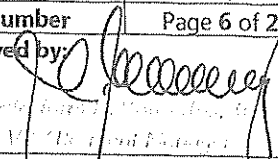
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	<p>not totally failed) environmental programs and solutions</p> <p>B. Inaccurate or misleading financial reports could affect the Company or Management decisions and may lead to improper use of the Company's financial resources.</p> <p>C. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<p>Management decisions and will reduce, if not eliminate the improper use of the Company's financial resources.</p>
<p>Geology and Exploration</p>	<ol style="list-style-type: none"> 1. Drill mud solution tank spill 2. Drill machine leaks during operation/repair 3. Occurrence of fire 4. Solid waste may pollute soil and water 5. Toxic waste contaminating water/soil <p style="text-align: center;">RISKS</p> <p>A. If interpretation of geologic data is incorrect, there is a risk of mining unprofitable areas (which leads to unnecessary underground blasting, land clearing, tree-cutting and land-form modification)</p> <p>B. Failure to implement the company's Grade Control Protocols as well as geological activities (mapping and sampling) to BC and ACMP could result to deliveries of low grade ore or waste materials to mill.</p> <p>C. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements</p>	<ol style="list-style-type: none"> 1. Maintenance of drill rig/water pump 2. Dug-out catchment pit under solution tank 3. DRCS-30 (Protocol for Possible Emergency Situations) <ul style="list-style-type: none"> • Emergency procedure for oil spill • Spill kit available (for oil spill) • Emergency procedure for fire • Fire extinguisher available 4. EMSG-09 (Solid Waste Management) 5. EMSG-02 (Contaminated Containers) 6. EMSG-12 (Contaminated Water) 7. EMSG-07-B (Hazardous Waste Aerosol Cans) 8. EMSG-07-L (Hazardous Waste Other Chemical Containers) 9. EMSG-07-N (Ink Cartridges) 10. EMSG-05 (Gas Cylinders) <p style="text-align: center;">OPPORTUNITY</p> <ol style="list-style-type: none"> 1. Gathered data from geologic drilling can also be utilized by other sectors (agriculture, biological research, environment studies) 2. Geological services could also be extended to other private or government entities, i.e. such as assistance on or conduction geo-hazard mapping 3. Used drill casings and drill rods could be used for Company's environmental or construction projects. 4. Generated scraps on drilling activities could be sold by the company to generate additional income
<p>Human Resources</p>	<ol style="list-style-type: none"> 1. Toxic waste may contaminate soil and water 2. Solid waste may pollute soil and water 	<ol style="list-style-type: none"> 1. EMSG-07-N (Hazardous Waste Ink Cartridges) 2. EMSG-09 (Solid Waste Management)



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
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	<p>3. Occurrence of fire</p> <p style="text-align: center;">RISKS</p> <p>A. Hiring under qualified or untrained employees will increase the likelihood of environmental and safety accidents</p> <p>B. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<p>3. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for fire • Fire extinguisher available <p style="text-align: center;">OPPORTUNITY</p> <p>1. Hiring the right employees, and providing all necessary training for employees can result to more efficient and effective environmental programs and policies</p>
<i>Internal Audit</i>	<p>1. Toxic waste may contaminate soil and water</p> <p>2. Solid waste may pollute soil and water</p> <p>3. Occurrence of fire</p> <p style="text-align: center;">RISKS</p> <p>A. If documents are not updated, there is a high risk of:</p> <ul style="list-style-type: none"> - Failing to comply to legal requirements, - Inability to properly assess efficiency and efficiency of an environmental program, - Unnoticed environmental issues to escalate into a catastrophic accident if left unaddressed, - A confusion if old documents, even if managers are not replaced with newer version <p>B. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<p>3. EMSG-07-N (Hazardous Waste Ink Cartridges)</p> <p>2. EMSG-09 (Solid Waste Management)</p> <p>3. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for fire • Fire extinguisher available <p>4. DRCS-30 if document updated (revisions)</p> <p style="text-align: center;">OPPORTUNITY</p> <p>1. Updated EHS documents, if properly implemented will reduce the risk on failing to comply to legal requirements and government's regulation, which is environmental issues that will escalate into a catastrophic accident, comply with legal requirements as well as a solid system if it would have a program and it being implemented</p>
Legal	<p>1. Toxic waste may contaminate soil and water</p> <p>2. Solid waste may pollute soil and water</p> <p>3. Occurrence of fire</p> <p style="text-align: center;">RISKS</p> <p>A. Some legal issues could hinder or even</p>	<p>1. EMSG-07-N (Hazardous Waste Ink Cartridges)</p> <p>2. EMSG-09 (Solid Waste Management)</p> <p>3. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for fire • Fire extinguisher available <p style="text-align: center;">OPPORTUNITY</p> <p>1. Free legal advises to employees or non-</p>

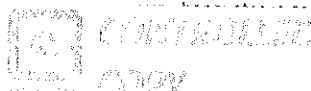


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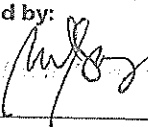
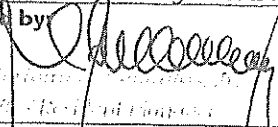
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	<p>prevent the implementation of the company's environmental programs</p> <p>B. Legal issues arising from or in relation to non-compliance to environmental laws or other statute/regulations may compromise the Company's operations.</p> <p>C. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<p>employees</p> <p>2. Raise environmental awareness of suppliers and contractors by incorporating environmental policies on their contracts</p>
Medical / Clinic	<p>1. Toxic waste may contaminate soil and water</p> <p>2. Solid waste may pollute soil and water</p> <p>3. Occurrence of fire</p> <p style="text-align: center;">RISKS</p> <p>A. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<p>1. EMSG-07-K (Hazardous Waste Medical Waste)</p> <p>2. EMSG-07-L (Hazardous Waste Other Chemical Containers)</p> <p>3. EMSG-07-N (Hazardous Waste Ink Cartridges)</p> <p>4. EMSG-09 (Solid Waste Management)</p> <p>5. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for fire • Fire extinguisher available <p>6. EMSG-05 (Gas Cylinders and Tanks)</p> <p style="text-align: center;">OPPORTUNITY</p> <p>1. Medical services could be also extended not only to company employees, dependents and community but to other areas surrounding the company's operations</p>
MEPEO	<p>1. Mill tailings could leak from pipe breach</p> <p>2. Tailings stored in the TSF could spill in case of dam failure of overflow</p> <p>3. Chemicals used in the nursery could contaminate water bodies</p> <p>4. Toxic waste (while being transported to the rebar, or when it is stored in the rebar) could contaminate soil and water</p> <p>5. Solid waste could pollute water and soil</p>	<p>1. EMSG-07-C (Hazardous Waste Mill Tailings)</p> <ul style="list-style-type: none"> • Installation of stopper boards • Establishing caretakership contract for maintenance, regular monitoring and inspection of tailings dam facility. • Installation of piezometer to monitor dam strength <p>2. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency protocol for tailings dam breach <p>3. EMSG-01 (Chemicals and Reagents – Handling and Storage)</p> <p>4. EMSG-07 (Hazardous Waste Management)</p> <p>5. EMSG-09 (Solid Waste Management)</p> <p>6. Garbage collection day is different for</p>

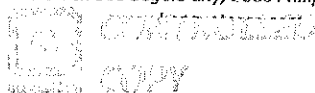


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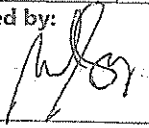
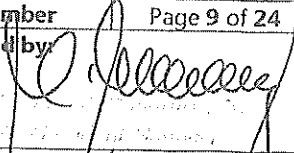
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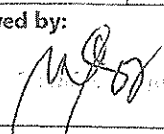
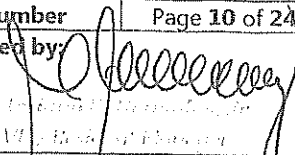
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	<p>6. Occurrence of fire 7. Occurrence of grass fire</p> <p style="text-align: center;">RISKS</p> <p>A. Collected waste by the local collector might not be segregated properly after collection or during disposal</p> <p>B. Lack of awareness of environmental policies, guidelines and programs</p> <p>C. Non-compliance or failing to comply or implement the Company's Environmental Programs as well as Government Environmental Regulations can lead to penalties and worst, cancellation of permits and ECC.</p> <p>D. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<p>different types of garbage to ensure segregation is maintained in disposal</p> <p>7. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for fire • Fire extinguisher available • Establishment of fire lines • Clearing of dried shrubs especially during dry season • IEC on Fire Prevention not only during fire prevention month <p style="text-align: center;">OPPORTUNITY</p> <p>1. Raise awareness of community in environment-friendly activities by educational discussions, exhibits and by implementing environmental policies (like segregating waste)</p> <p>2. Company's environmental program can also be adapted not only to the hosts and affected communities but also other areas and LGU's not directly affected by the Company's mining operations</p> <p>3. Assistance to the LGU's, government or private entities on their Greening Program, such as seedling donations.</p> <p>4. Company's Environmental Program could serve as role model to other government and private entities.</p>
<p>Metallurgy Laboratory</p>	<p>1. Tails or pulp spill may pollute water bodies</p> <p>2. Chemical spill could contaminate river and soil</p> <p>3. Uncontrolled release of harmful hydrocyanic gas</p> <p>4. Occurrence of fire</p> <p>5. Transport vehicle may leak oil/fuel that will contaminate soil and water</p>	<p>1. EMSG-07-C Hazardous Waste Mill Tailings)</p> <ul style="list-style-type: none"> • Sluicing of spill to canal leading to tails treatment facility • Close monitoring of tanks to avoid overflow <p>2. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • In case of major pulp or discharge spill, turn off all operating machines • Emergency procedure for pulp spill • Emergency procedure for chemical spill • Spill kit and MSDS available (for oil and chemical spill) • Emergency procedure for fire • Fire extinguisher available <p>3. EMSG-01 (Chemicals and Reagents – Handling and Storage)</p> <p>4. EMSG-02 (Contaminated Containers)</p> <p>5. Regular maintenance of surface vehicles</p> <p>6. Spill kit available on vehicle (EMSG-03 Diesel</p>

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	<p>6. Excessive dust and smoke from vehicle can degrade air quality 7. Excessive dust can degrade air quality 8. Toxic waste could contaminate soil and water</p> <p>9. Solid waste can pollute land and water</p> <p>10. Contaminated water could be released into the river or contaminate soil or water table.</p> <p style="text-align: center;">RISKS</p> <p>A. Erroneous laboratory results may lead to excessive use of milling reagents, extended time of milling processes and production of excessive waste/byproduct as a result B. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<p>- Handling, Transport and Storage)</p> <p>7. Regular monitoring of ambient air quality (EMSG-04 Dust Control) 8. EMSG-07-C (Hazardous Waste Mill Tailings) 9. EMSG-07-D (Hazardous Waste Cyanide Containers) 10. EMSG-07-E (Hazardous Waste Reagent Sacks) 11. EMSG-07-F (Hazardous Waste Lab Wastes) 12. EMSG-07-H (Hazardous Waste Batteries) 13. EMSG-07-I (Hazardous Waste Lights) 14. EMSG-07-L (Hazardous Waste Other Chemical Containers) 15. EMSG-07-N (Hazardous Waste Ink Cartridges) 16. EMSG-09 (Solid Waste Management) 17. EMSG-11 (Acids and Chemical Fumes)</p> <ul style="list-style-type: none"> • To prevent release of HCN gas, ensure pH to stay at 10.75 to 11 • Regular monitoring of ambient air quality <p>18. EMSG-12 (Contaminated Water)</p> <ul style="list-style-type: none"> • Water drain in the met lab is connected to the Tails Treatment Facility • Regular monitoring of water quality and effluent <p style="text-align: center;">OPPORTUNITY</p> <p>A. All laboratory personnel are well qualified (and trained) and follow strict protocols to ensure accuracy of results B. Numerous QAQC protocols are incorporated in the procedures to regularly validate assay results C. Equipment and tools used in the assay are calibrated regularly D. Ensure that all activities are compliant to existing environmental laws or other statute/regulations F. Department to ensure strict implementation of Company's Environmental Management System.</p>
<p>Mill Mechanical</p>	<p>1. Used oil, and oil-contaminated items could contaminate soil and water (spill or leak) 2. Contaminated water (usually mixed with oil and grease) could leak into the river 3. Occurrence of fire 4. Equipment might leak oil/diesel during</p>	<p>1. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for oil spill • Spill kit and MSDS available (for oil spill) • Emergency procedure for fire



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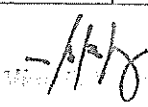
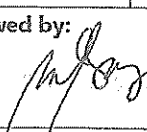
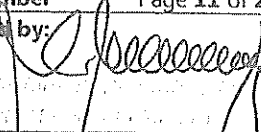
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	breakdown or repair 5. Excessive dust and smoke emission can degrade air quality 6. Toxic waste could contaminate water and soil 7. Solid waste could pollute soil and river <p style="text-align: center;">RISKS</p> A. Not regularly (properly) maintained equipment will directly lead to producing more pollutants and significantly decreases the equipment's useful lifecycle. B. Not regularly (properly) maintained equipment will directly lower mechanical availability and efficiency, thus, will affect the Company's production and use of resources (i.e. low/decrease in milling output both for ACMP and BC ores due to frequent equipment breakdown) C. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.	<ul style="list-style-type: none"> • Fire extinguisher available 2. Oil-settling facility to recycle used oil (EMSG-03 Diesel – Handling, Transport and Storage) 3. Regular maintenance of surface loaders and forklift 4. (EMSG-04 Dust Control) <ul style="list-style-type: none"> • Using fire truck to spray water on the road • Regular monitoring of ambient air quality 5. EMSG-07-A (Hazardous Waste Used Oil, Oil-Contaminated Items) 6. EMSG-07-L (Hazardous Waste Other Chemical Containers) 7. EMSG-07-N (Hazardous Waste Ink Cartridges) 8. EMSG-09 (Solid Waste Management) 9. EMSG-05 (Gas Cylinders and Tanks)
		<p style="text-align: center;">OPPORTUNITY</p> 1. Used oil is recycled. 2. Scraps, worn out tools, parts and equipment generated from repair and maintenance could be sold as scraps by the company to generate additional income
Mill Operations	1. Oil leak may contaminate soil and water 2. Contaminated water could be released into the river 3. Spill of excess grease could contaminate soil and water 4. Pulp and ball mill discharge could spill (or leak in case pipes are breached) contaminating soil and water 5. Pulp and tails could overflow (or leak at discharge valves and breached pipes) contaminating soil and water	1. Regular maintenance of surface loaders 2. Regular maintenance of conveyor belts/system 3. DRCS-30 Protocol for Possible Emergency Situations <ul style="list-style-type: none"> • Spill kit available (for oil spill) • MSDS available for chemical spill • For minor pulp/tail spill, sluice spill area with hose towards canals that lead to tails treatment facility • In case of major pulp or discharge spill,



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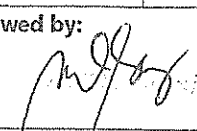
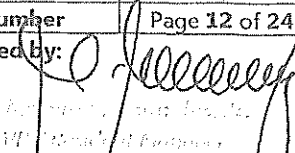
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	<p>6. Chemical, waste solution spill could contaminate river and soil</p> <p>7. Sodium Hypochlorite spill could contaminate air, river and soil</p> <p>8. Chemical (cyanide solution, silver nitrate, potassium iodide solution, caustic soda) spill could contaminate river and soil</p> <p>9. Excessive dust can degrade air quality</p> <p>10. Reduction of air quality through uncontrolled release of fumes and dust</p> <p>11. Uncontrolled release of harmful and corrosive fumes</p>	<p>turn off all operating machines</p> <ul style="list-style-type: none"> • Tails/Pulp Spill emergency protocol • Chemical spill emergency protocol <p>4. (EMSG-07-C Hazardous Waste Mill Tailings)</p> <ul style="list-style-type: none"> • Mill tailings are directed to the Tails Treatment Facility • Plug outlet to any possible outlet to river system • Regular effluent monitoring • Close monitoring of tanks to avoid overflow • Regular check and maintenance of canals, pipe connections and discharge valves) <p>5. EMSG-12 Contaminated Water</p> <ul style="list-style-type: none"> • Regular clean up and maintenance of drainage pipes • Contaminated water goes to tails treatment facility • Regular monitoring of effluent/water quality • Close monitoring of tanks, discharge valve to avoid overflow (and spill). • Regular maintenance of pipes, valves etc. <p>6. Withdraw Sodium Hypochlorite only in time of use (EMSG-11 Acids and Chemical Fumes)</p> <p>7. DRCS-30 Protocol for Possible Emergency Situations</p> <ul style="list-style-type: none"> • For minor pulp/tail spill, sluice spill area with hose towards canals that lead to tails treatment facility • In case of major pulp or discharge spill, turn off all operating machines • Spill kit and MSDS available (for chemical spill) <p>8. EMSG-01 (Chemicals and Reagents – Handling and Storage)</p> <p>9. EMSG-04 Dust Control</p> <ul style="list-style-type: none"> • Wet crushing • Regular monitoring of ambient air quality <p>10. EMSG-04 (Dust Control)</p> <ul style="list-style-type: none"> • After ashing, handle the ashing vessel carefully to prevent dispersal of ashes • Regular monitoring of ambient air quality
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

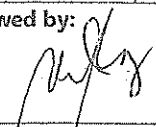
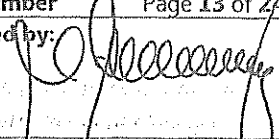
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		<p>11. EMSG-11 (Acids and Chemical Fumes)</p> <ul style="list-style-type: none"> • Wear respirators • To install fume hood in the ashing area • Regular monitoring of ambient air quality • Install 2 units of acid scrubber (for the purpose of making the acid fume discharge basic – addition of caustic soda) • A fume hood with chimney is installed to control firing fumes, heat and smoke • Reduce nitric acid usage and at intervals <p>12. Inspection of kerosene supply lines and proper handling of oxy-acetylene tanks (EMSG-05 Gas Cylinders and Tanks)</p> <p>12. Solid waste can pollute land and water</p> <p>13. Toxic waste can contaminate soil and water</p> <p>13. EMSG-09 (Solid Waste Management)</p> <p>14. EMSG-08 (Recyclable Waste Materials)</p> <p>15. EMSG-03 (Diesel/Oil- Handling, Transport and Storage)</p> <p>16. EMSG-02 (Contaminated Containers)</p> <p>17. EMSG-03 (Diesel/Oil- Handling, Transport and Storage)</p> <p>18. EMSG-07-A (Hazardous Waste Used Oil, Oil-Contaminated Items)</p> <p>19. EMSG-07-C (Hazardous Waste Mill Tailings)</p> <p>20. EMSG-07-D (Hazardous Waste Cyanide Containers)</p> <p>21. EMSG-07-E (Hazardous Waste Reagent Sacks)</p> <p>22. EMSG-07-F (Hazardous Waste Lab Wastes)</p> <p>22. EMSG-07-L (Hazardous Waste Other Chemical Containers)</p> <p>23. Contaminated sand, slags, broken clay pots used in fluxing and refinery are reprocessed in the gravity concentrator to further extract gold (EMSG-08 Recyclable Waste Materials)</p> <p>14. Uncontrolled release of harmful hydrocyanic gas</p> <p>24. EMSG-11 (Acids and Chemical Fumes)</p> <ul style="list-style-type: none"> • To prevent release of HCN gas, ensure pH to stay at 10.75 to 11 • Regular monitoring of ambient air quality <p>15. Contaminated water could be released into the river</p> <p>25. EMSG-12 Contaminated Water</p> <ul style="list-style-type: none"> • Regular clean up and maintenance of
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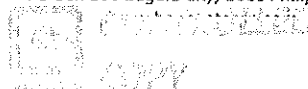


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

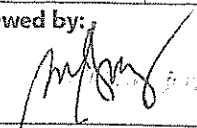
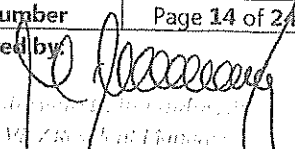
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	<p>16. Occurrence of fire 17. Occurrence of flood</p> <p style="text-align: center;">RISKS</p> <p>A. Failure to deliver the desired size of crushed ore, grinding time of the ore will be affected (i.e., longer time in grinding / longer operating time for ball mills, thus increase in use electricity and use of steel balls)</p> <p>B. Failure to grind the ore to desired size or mesh could affect leaching process, gold recovery, as well as use of reagents (i.e., coarse grinding may lead to lower gold recovery, longer leaching time, thus increase use of electricity and other resources, and increase of use of chemical reagents just to at least maximized the recovery)</p> <p>C. Uncontrolled release of harmful hydrocyanic gas</p> <p>D. Chemical (cyanide solution, silver nitrate, potassium iodide solution, caustic soda) spill could contaminate river and soil</p> <p>E. Theft of loaded or ashed carbon during ashing</p> <p>F. Theft of gold, gold laden materials or concentrates during refining and smelting</p> <p>G. Non-compliance or failing to comply/implement the department's part on the Company's Environmental Programs or Policies may compromise the Company' operation, can lead to penalties and worst, cancellation of permits and ECC.</p> <p>H. Theft of gold, gold laden materials during gravity concentration and panning</p> <p>I. Untreated tails are very unstable, even if stored in a controlled environment (tailings dam facility) that may lead to future environmental issues.</p> <p>J. The department's failure to comply or</p>	<p>drainage pipes</p> <ul style="list-style-type: none"> Contaminated water goes to tails treatment facility Close monitoring of tanks, discharge sump boxes to avoid overflow (and spill) Regular monitoring of effluent/water quality <p>26. DRCS-30 Protocol for Possible Emergency Situations</p> <ul style="list-style-type: none"> Emergency procedure for fire Fire extinguisher available Procedure for flood <p style="text-align: center;">OPPORTUNITY</p> <p>1. Re-using of sacks for environmental programs</p> <p>2. Redistribution/returning of used sacks to ACMP miners/operators to be used on their mining operations (i.e. sacking of mined ore and waste)</p> <p>3. Lesser grinding time if desired size of crushed ore is delivered by the crushing circuit, will result to additional savings on the use of company resources such as electricity and grinding balls and lesser downtime and repair due to lesser exposure of machineries to wear and tear</p> <p>4. Recycling of used oil, used steel balls and drum</p> <p>5. Better gold recovery, lesser leaching time, savings on electricity and other resources and minimal use of chemical reagents could be realized if the grinding circuit will deliver the desired size or mesh or the grind ore to be fed on leaching tanks.</p> <p>6. Use of chemicals and other company resources would be controlled, and wastage will be avoided if the activities in the leaching process is well monitored and controlled</p>
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

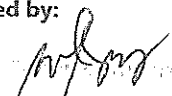
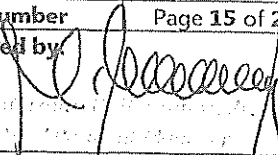
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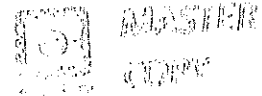
	implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.	
Mine Mechanical	<p>1. Used oil, and oil-contaminated items could contaminate soil and water (spill or leak)</p> <p>2. Oil spill during compressor re-fuelling</p> <p>3. Vehicles/equipment might leak oil/diesel during breakdown or repair</p> <p>4. Occurrence of fire</p> <p>5. Excessive smoke emission can degrade air quality</p> <p>6. Toxic waste could contaminate water and soil</p> <p>7. Solid waste could pollute soil and river</p> <p>8. Contaminated water (usually mixed with oil and grease) could leak into the river</p> <p style="text-align: center;">RISKS</p> <p>A. If repair and maintenance are not done properly, more catastrophic spill and fire may occur</p> <p>B. Not regularly (properly) maintained equipment will directly lower mechanical availability and efficiency, thus, will affect the Company's production and use of resources (i.e. low/decrease in ore deliveries both for ACMP and BC ores due to frequent equipment breakdown)</p> <p>C. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<p>1. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for oil spill • Spill kit and MSDS available (for oil spill) • Emergency procedure for fire • Fire extinguisher available <p>2. EMSG-03 (Diesel – Handling, Transport and Storage)</p> <p>3. EMSG-05 (Gas Cylinders and Tanks)</p> <p>4. Regular maintenance of mine cars, locomotives, compressors and drills.</p> <p>5. Mine ventilation efficiently dissipates smoke generated underground (EMSG-04 Dust Control)</p> <p>6. EMSG-07-A (Hazardous Waste Used Oil, Oil-Contaminated Items)</p> <p>7. EMSG-07-H (Hazardous Waste Batteries)</p> <p>8. EMSG-07-L (Hazardous Waste Other Chemical Containers)</p> <p>9. EMSG-09 (Solid Waste Management)</p> <p>10. Oil-water separator installed in the mine mechanical workshop (EMSG-12 Contaminated Water)</p> <p style="text-align: center;">OPPORTUNITY</p> <p>1. Used oil from oil-water separator may be sold to generate extra income</p> <p>2. Well maintained equipment will result to better mechanical availability and better productivity (e.g. if locomotives, mine cars and flat cars are well maintained, downtime will be minimized and will result to increase and efficient hauling of BC and ACMP ore for milling and processing.</p> <p>3. Scraps, worn out tools, parts and equipment generated from repair and maintenance could be sold as scraps by the company to generate additional income</p>
Mine Operations	Used water (with rock fragments) may be discharged in the river. Drill oil might spill and contaminate water in	EMSG-12 (Contaminated Water) <ul style="list-style-type: none"> • Mine Drainage (install series of all traps plus sediment settling facility)


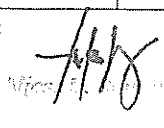
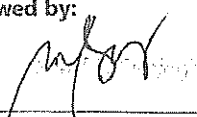
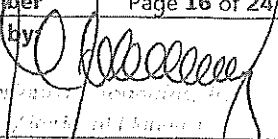


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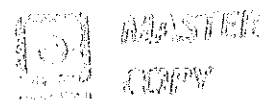
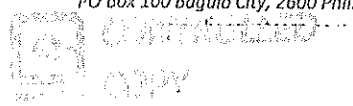
<p>the river. Dust and explosive fumes may be expelled outside of the mine. Solid waste may pollute soil and water. <i>Occurrence of unwanted blasting incident.</i> Leaks from the use of heavy equipment may contaminate water tables and soil. Occurrence of fire <i>Unwanted incident due to improper use of running LHD equipment.</i> Dust and smoke from loader may be expelled outside of the mine Solid waste may pollute soil and water Toxic waste contaminating water/soil Diesel spill during transport or refueling Leaks from the use of heavy equipment may contaminate water and soil. Occurrence of fire Oil leaks from heavy equipment such as diesel locomotive, loader, tractor, etc. during operation. This may contaminate water and soil.</p> <p style="text-align: center;">RISKS</p> <p><i>Underground openings might collapse if it is done too close to the surface</i> The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other</p>	<p>before discharge)</p> <ul style="list-style-type: none"> • Monitor water discharge from underground drainage by getting quarterly samples <p>EMSG-04 (Dust Control)</p> <ul style="list-style-type: none"> • Mine Ventilation • Wet Drilling <p>EMSG-09 (Solid Waste Management) Banning of PET bottles in underground. Routine maintenance of loader Spill kit on loader (EMSG-03 (Diesel – Handling, Transport and Storage) DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for oil spill • Emergency procedure for fire • Fire extinguisher available <p>Mine Ventilation (EMSG-04 (Dust Control) EMSG-07-H (Hazardous Waste Batteries) EMSG-03 (Diesel-Handling, Transport & Storage)</p> <ul style="list-style-type: none"> • Refueling to be done on designated refueling stations by authorized (trained) • personnel only • Spill kit on loader and on UG refueling stations • Use mine cars when transporting diesel <p>DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for oil spill • Emergency procedure for fire • Fire extinguisher available <p>Routine maintenance of loader and locomotives <i>SOPs of Handling of Explosives</i> <i>SOPs of the Disposal of Unused and Broken of Dynamite and the Use, Culling of Safe by Use.</i></p> <p style="text-align: center;">OPPORTUNITY</p> <p><i>Drill steel can be recycled by fabricating it to punch bars or chisel bars.</i> <i>UG haul handling will result to dust and debris, and patches for the company</i> Efficient ore transports /deliveries will result to a better gold production.</p>
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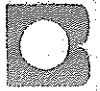

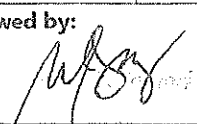
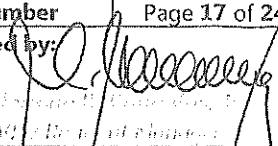


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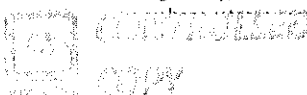
	<p>environmental requirements.</p> <p>Mining of ore and waste materials at the top of open-pit mines or storage that will result in siltation and eventually unnecessary cost to company due to milling or treatment of materials.</p> <p>Improper timber support (or lack thereof) will result to ground collapse altering landforms if done close to the surface.</p> <p>Improper timber support (or lack thereof) will expose UG workers to danger.</p> <p>Not following proper refueling protocols and guidelines may lead to fire, spillages of fuel, thus will result to contamination and wastage of company resources.</p> <p>Dumping of waste materials at the surface may contribute to the siltation of river system.</p> <p>Erroneous delivery of waste materials to the mill will result to wastage of company resources (chemicals/reagents, fuel, electricity, water, labor, etc.) due to milling or treating of waste materials.</p> <p>Company gold production will be affected if hauling system is inefficient.</p> <p>Possible occurrence of premature explosion due to improper handling of explosives.</p> <p>Use of empty carton boxes of dynamite with explosive label and the uncut/detached burning of safety fuse in the surface that might cause bomb scare in public.</p> <p>Premature explosion may result to death and damage of company properties.</p> <p>Leaked explosives may be smuggled from underground to be used for illegal activities.</p>	<p>Mining of ore and waste materials at the top of open-pit mines</p> <p>Waste materials can cause siltation in rivers, streams and can be used as fuel for the generation of electricity.</p> <p>Improper handling of explosives may result to premature explosion, damage to company property and the land, resulting to incidents with the community.</p>
<p>Motorpool</p>	<ol style="list-style-type: none"> Used oil, and oil-contaminated items could contaminate soil and water (spill or leak) Oil spill during equipment/vehicle re-fueling Vehicles/equipment might leak oil/diesel during breakdown or repair Occurrence of fire Excessive dust and smoke emission can degrade air quality 	<ol style="list-style-type: none"> DRCS-30 (Protocol for Possible Emergency Situations) <ul style="list-style-type: none"> Emergency procedure for oil spill Spill kit and MSDS available (for oil spill) Emergency procedure for fire Fire extinguisher available EMSG-03 (Diesel – Handling, Transport and Storage) EMSG-05 (Gas Cylinders and Tanks) Regular maintenance of surface loaders, forklift and all light vehicles (EMSG-04 Dust Control) <ul style="list-style-type: none"> Using fire truck to spray water on the road




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	<p>6. Toxic waste could contaminate water and soil</p> <p>7. Solid waste could pollute soil and river</p> <p>8. Contaminated water (usually mixed with oil and grease) could leak into the river</p> <p style="text-align: center;">RISKS</p> <p>A. If repair and maintenance are not done properly, more catastrophic spill and fire may occur</p> <p>B. Not regularly (properly) maintained equipment will directly lower mechanical availability and efficiency, thus, more downtime for the company vehicles and equipment.</p> <p>C. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<ul style="list-style-type: none"> Regular monitoring of ambient air quality <p>6. EMSG-07-A (Hazardous Waste Used Oil, Oil-Contaminated Items)</p> <p>7. EMSG-07-H (Hazardous Waste Batteries)</p> <p>8. EMSG-07-L (Hazardous Waste Other Chemical Containers)</p> <p>9. EMSG-09 (Solid Waste Management)</p> <p>10. Oil-water separator installed in the motorpool garage and workshop (EMSG-12 Contaminated Water)</p> <p style="text-align: center;">OPPORTUNITY</p> <p>A. Regular preventive maintenance is done on all company vehicles and heavy equipment</p> <p>B. Operators/drivers to conduct pre-start check on their vehicle/machine before use</p> <p>C. Department to ensure strict implementation of Company's Environmental Management System</p>
MTME/Claims	<p>1. Solid waste may pollute soil and water</p> <p>2. Toxic waste may contaminate soil and water</p> <p>3. Occurrence of fire</p> <p style="text-align: center;">RISKS</p> <p>A. Delayed processing and evaluation of MGB relative to the duly filed applications for Electrical/Mechanical Equipment Installation Permits</p> <p>B. Delayed issuance of the Renewed Electro-Mechanical Permits for the year 2017 covering the existing BC-ACMP equipment</p> <p>C. Government approved titling applications, tax declarations and other encumbrances within the company's tenements</p> <p>D. Memorandum of Agreements (MOA), Contracts and other Undertakings executed to the company by SSM Association and community</p>	<p>1. EMSG-09 (Solid Waste Management)</p> <p>2. EMSG-07-N (Hazardous Waste Ink Cartridges)</p> <p>3. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> Emergency procedure for fire Fire extinguisher available <p style="text-align: center;">OPPORTUNITY</p> <p>1. Regular and updated compliance to environmental laws or other statute/regulations (Valid License/Permit to operate business operation)</p> <p>2. Preserved company's property and assets</p> <p>3. Protected claims against environmental degradation due to SSM.</p>

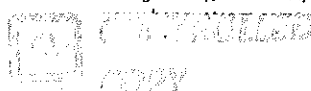


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
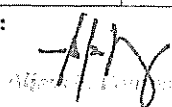
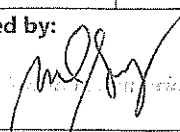
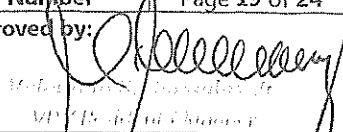
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	<p>E. Government regulated small scale mining operation and activities within the company's claims</p> <p>F. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	
MTS	<p>1.Toxic waste may contaminate soil and water</p> <p>2. Solid waste may pollute soil and water</p> <p>3. Occurrence of fire</p> <p style="text-align: center;">RISKS</p> <p>A. Inaccurate mapping and survey or underground work areas can cause serious environmental damage especially if the area is near surface. Not checking the ventilation system properly is not only a health hazard but may contribute to more air contaminants being released out of the mine</p> <p>B. Production could be affected as well as safety if there are no mining programs and plans or the plans and programs are not properly executed.</p> <p>C. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<p>1. EMSG-07-B (Hazardous Waste Aerosol Cans)</p> <p>2. EMSG-07-N (Hazardous Waste Ink Cartridges)</p> <p>3. EMSG-09 (Solid Waste Management)</p> <p>4. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for fire • Fire extinguisher available <p style="text-align: center;">OPPORTUNITY</p> <p>1. Better, safer production and maximum ore extraction both for BC and ACMP operations if mining programs and plans are properly executed.</p>
Operations Planning and Control	<p>1. Toxic waste may contaminate soil and water</p> <p>2. Solid waste may pollute soil and water</p> <p>3. Occurrence of fire</p> <p style="text-align: center;">RISKS</p> <p>A. If infrastructures are of sub-standard quality (or not monitored efficiently/effectively), catastrophic environmental hazards could occur, tails dam breach, fire,</p>	<p>1. EMSG-07-N (Hazardous Waste Ink Cartridges)</p> <p>2. EMSG-09 (Solid Waste Management)</p> <p>3.DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for fire • Fire extinguisher available <p style="text-align: center;">OPPORTUNITY</p> <p>1. Infrastructures such as roads provide access that can also be used for environmental programs such as tree planting and better waste management schemes, as well as</p>



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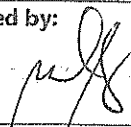
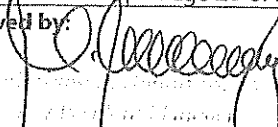
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	<p>warehouse/storage spills etc.)</p> <p>B. Projects if not monitored and accounted, could affect the Company or Management decisions and may lead to improper use of the Company's financial resources.</p> <p>C. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<p>general community access or use.</p> <p>2. Accurate reports will lead to a better Company or Management decisions and will reduce, if not eliminate the improper use of the Company's financial resources.</p>
Procurement	<p>1. Oil spill or leak can cause soil and water contamination</p> <p>2. Excessive dust and smoke will degrade air quality</p> <p>3. Toxic waste may contaminate soil and water</p> <p>4. Solid waste may pollute soil and water</p> <p>5. Occurrence of fire</p> <p style="text-align: center;">RISKS</p> <p>A. Included in procurement department's responsibility is to make sure the materials, equipment and tools being purchased are in compliance to all environmental policies (provide/obtain all necessary permits, compare products in terms of environment-friendly ratings, and make sure all environment-related information about the product is communicated well from the supplier to the end user). Failure to do so will result to environmental accidents.</p> <p>B. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<p>1. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for oil spill • Spill kit and MSDS available (for oil spill) <p>2. Regular maintenance of service vehicles</p> <p>3. (EMSG-04 Dust Control)</p> <ul style="list-style-type: none"> • Using fire truck to spray water on the road • Regular monitoring of ambient air quality <p>4. EMSG-07-N (Hazardous Waste Ink Cartridges)</p> <p>5. EMSG-09 (Solid Waste Management)</p> <p>6. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for fire • Fire extinguisher available <p style="text-align: center;">OPPORTUNITY</p> <p>1. Purchase products that is the most environment-friendly available in the market</p>
Safety	<p>1. Oil and chemical spill or leak can cause soil and water contamination</p>	<p>1. DRCS-30 (Protocol for Possible Emergency Situations)</p>



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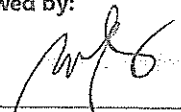
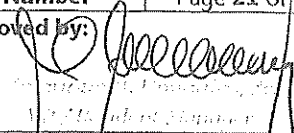
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	<p>2. Excessive dust and smoke will degrade air quality</p> <p>3. Toxic waste may contaminate soil and water</p> <p>4. Solid waste may pollute soil and water</p> <p>5. Occurrence of fire</p> <p style="text-align: center;">RISKS</p> <p>A. Unsafe acts could lead to environmental disasters and accidents</p> <p>B. Non-compliance or failure to implement safety policies and regulations could lead to accidents (injuries and worst, fatal accidents)</p> <p>C. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<ul style="list-style-type: none"> • Emergency procedure for diesel/chemical spill <p>2. (EMSG-04 Dust Control)</p> <ul style="list-style-type: none"> • Using fire truck to spray water on the road • Regular monitoring of ambient air quality <p>3. Regular maintenance of service vehicles, ambulance and fire truck</p> <p>4. EMSG-07-K (Hazardous Waste Medical Waste)</p> <p>5. EMSG-07-L (Hazardous Waste Other Chemical Containers)</p> <p>6. EMSG-07-N (Hazardous Waste Ink Cartridges)</p> <p>7. EMSG-09 (Solid Waste Management)</p> <p>8. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for fire • Fire extinguisher available <p style="text-align: center;">OPPORTUNITY</p> <p>1. Safety policies and inspections are in line with environmental policies, therefore monitoring safety through inspections adds extra set of eyes to look out for environmental concerns</p> <p>2. Adherence to safety policies and regulations will reduce the risk on accidents.</p> <p>3. Company's ERT also acts as volunteers or being called up by some organizations or LGU's in time that they need assistance on rescue operations within their area of responsibility.</p>
Security	<p>1. Oil spill or leak can cause soil and water contamination</p> <p>2. Occurrence of fire</p> <p>3. Excessive dust and smoke will degrade air quality</p> <p>4. Toxic waste may contaminate soil and water</p>	<p>1. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for oil spill • Spill kit and MSDS available (for oil spill) • Emergency procedure for fire • Fire extinguisher available <p>2. Regular maintenance of service vehicles</p> <p>3. (EMSG-04 Dust Control)</p> <ul style="list-style-type: none"> • Using fire truck to spray water on the road • Regular monitoring of ambient air quality <p>4. EMSG-07-N (Hazardous Waste Ink Cartridges)</p>

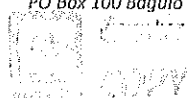


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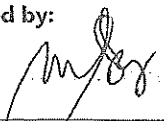
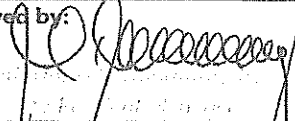
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	<p>5. Solid waste may pollute soil and water</p> <p style="text-align: center;">RISKS</p> <p>A. If the company premises are not secured properly, there will be an increase in illegal activities (logging, tunneling) that will lead to uncontrollable and hazardous environmental violations</p> <p>B. If the company premises are not secured properly or security protocols are improperly executed, the Company will be vulnerable to theft, robbery, vandalism and worst sabotage.</p> <p>C. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<p>5. EMSG-07-H (Hazardous Waste Batteries)</p> <p>6. EMSG-09 (Solid Waste Management)</p> <p style="text-align: center;">OPPORTUNITY</p> <p>1. Aside from monitoring criminal acts on tenements, security also monitors illegal logging and littering activities on all company premises as well as monitoring the entry of illegal explosives and chemicals used by the illegal small scale miners.</p>
Special Projects	<p>1. Tailings stored in the TSF could spill in case of dam failure or breached on the TSF related structure</p> <p>2. Mill tailings could leak from breached pipe breach</p> <p>3. Oil/chemical spill or leak during construction can cause soil and water contamination</p> <p>4. Occurrence of fire</p> <p>5. Excessive fumes, dust and smoke will degrade air quality</p>	<p>1. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency protocol for tailings tails pipe breach • Emergency protocol for tailings dam breach • Emergency protocol for tailings dam overflow/overtopping <p>2. EMSG-07-C (Hazardous Waste Mill Tailings)</p> <ul style="list-style-type: none"> • Installation of stopper boards • Establishing caretakership contract for maintenance, regular monitoring and inspection of tailings dam facility. • Installation of piezometer to monitor dam strength <p>3. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for oil spill • Spill kit and MSDS available (for oil spill) • Emergency procedure for fire • Fire extinguisher available <p>4. Regular maintenance of equipment and service vehicles</p> <p>5. (EMSG-04 Dust Control)</p> <ul style="list-style-type: none"> • Using fire truck to spray water on the road • Regular monitoring of ambient air quality

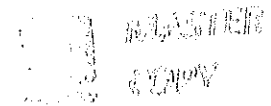



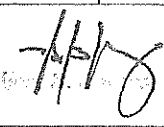
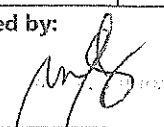
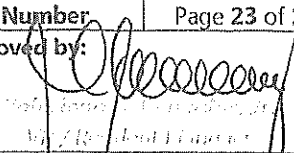
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	<p>6. Toxic waste may contaminate soil and water</p> <p>7. Solid waste may pollute soil and water</p> <p>8. Contaminated water may be discharged into the river</p> <p style="text-align: center;">RISKS</p> <p>A. If the TSF and its related environmental structures are not monitored and well maintained, or any rehab and maintenance are of sub-standard quality (or not planned efficiently/effectively), catastrophic environmental hazards could occur: tails dam breach, dam failure or breached on the TSF related structure, tails spill</p> <p>B. Tailing stored in TSF could overflow if the allowed Free Board is not maintained.</p> <p>C. Failure to comply on all government regulations on TSF maintenance and operation may compromise the Company's mining operations.</p> <p>D. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<p>6. EMSG-07-L (Hazardous Waste Other Chemical Containers)</p> <p>7. EMSG-07-N (Hazardous Waste Ink Cartridges)</p> <p>8. EMSG-09 (Solid Waste Management)</p> <p>9. EMSG-12 (Contaminated Water)</p> <p>10. EMSG-05 (Gas Cylinders and Tanks)</p> <p style="text-align: center;">OPPORTUNITY</p> <p>1. All discharge from mill particularly the mill tailings and other effluents are impounded on the Company's TSF, thus, any pollution or environmental concern arising from the operations are being addressed.</p>
Treasury	<p>1. Toxic waste may contaminate soil and water</p> <p>2. Solid waste may pollute soil and water</p> <p>3. Occurrence of fire</p> <p style="text-align: center;">RISKS</p> <p>A. Lose of cash or gold deposits at Treasury due to robbery or burglary</p> <p>B. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<p>1. EMSG-07-N (Hazardous Waste Ink Cartridges)</p> <p>2. EMSG-09 (Solid Waste Management)</p> <p>3. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for fire • Fire extinguisher available <p style="text-align: center;">OPPORTUNITY</p> <p>1. All gold production stored or delivered to the Treasury will be delivered and sold to the Banko Sentral ng Pilipinas (BSP), thus, it ensures that all necessary taxes will be collected by the Government.</p>
Warehouse	<p>1. Oil and chemical spill or leak can cause soil and water contamination</p> <p>2. Occurrence of fire</p>	<p>1. DRCS-30 (Protocol for Possible Emergency Situations)</p> <ul style="list-style-type: none"> • Emergency procedure for oil and chemical spill

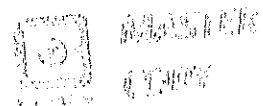
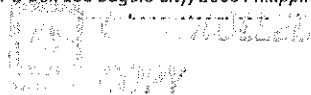




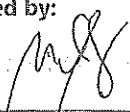
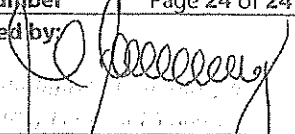
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	<p>3. Excessive dust and smoke will degrade air quality</p> <p>4. Toxic waste may contaminate soil and water</p> <p>5. Solid waste may pollute soil and water</p> <p style="text-align: center;">RISKS</p> <p>A. If not managed properly, there is a higher risk of contamination and environmental accidents</p> <p>B. If complete information about chemicals (from the supplier) are not clearly and properly communicated to the end user, environmental accidents could occur.</p> <p>C. The department's failure to comply or implement the Company's Environmental Policy would affect the company's compliance to Company's EMS, government and other environmental requirements.</p>	<ul style="list-style-type: none"> • Spill kit and MSDS available (for oil and chemical spill) • Emergency procedure for fire • Fire extinguisher available <p>2. Regular maintenance of forklift</p> <p>3. (EMSG-04 Dust Control)</p> <ul style="list-style-type: none"> • Using fire truck to spray water on the road • Regular monitoring of ambient air quality <p>4. EMSG-01 (Chemicals and Reagents – Handling and Storage)</p> <p>5. EMSG-02 (Contaminated Containers)</p> <p>6. EMSG-03 (Diesel – Handling, Transport and Storage)</p> <p>7. EMSG-05 (Gas Cylinders and Tanks)</p> <p>8. EMSG-07-D (Hazardous Waste Cyanide Containers)</p> <p>9. EMSG-07-H (Hazardous Waste Batteries)</p> <p>10. EMSG-09 (Solid Waste Management)</p> <p style="text-align: center;">OPPORTUNITY</p> <p>1. Recycle of solid waste materials such as empty boxes, used papers, folders, plastics, crates, empty ink cartridges, drums</p> <p>2. Opportunity to influence suppliers to comply environmental laws/requirements</p> <p>3. Scraps, worn out tools, parts and equipment generated from repair and maintenance delivered and stored to the designated scrap yard is sold by the company as scraps to generate additional income.</p>
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Republic of the Philippines
Department of Environment and Natural Resources
MINES AND GEOSCIENCES BUREAU
Cordillera Administrative Region

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Tel. No. 63 74 442 6392; Fax No. 63 74 304 2596; Website: www.car.mgb.gov.ph

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ANNEX "C"



ANNUAL ENVIRONMENTAL PROTECTION AND ENHANCEMENT PROGRAM (AEPEP)

CERTIFICATE OF APPROVAL

No. 2019 – 04 – CAR

The Mines and Geosciences Bureau - Cordillera Administrative Region (MGB-CAR) as chair of the Mine Rehabilitation Fund Committee for Benguet Corporation – Acupan Contract Mining Project (MRFC BC-ACMP) that evaluated and approved the company's 2019 Annual Environmental Protection and Enhancement Program (AEPEP), hereby grants this Certificate of Approval of the said AEPEP to **BENGUET CORPORATION – ACUPAN CONTRACT MINING PROJECT** for its Mining Project located at Barangays Virac, Poblacion and Ampucao in the Municipality of Itogon Province of Benguet under its patented mining claims, after complying substantially with the requirements as mandated under DENR Administrative Order (D.A.O.) No. 2010-21.

This Certificate is being issued subject to the pertinent provisions of the above-mentioned D.A.O. and to the following conditions:

1. This Certificate is valid only for the Programs/Projects/Activities (P/P/As) stipulated in the submitted 2019 AEPEP reviewed and approved by the MRFC BC-ACMP
2. The Company shall submit a *quarterly accomplishment report within 30 calendar days after the end of each quarter and annual accomplishment report within 30 calendar days after the end of each calendar year* to MGB RO; and
3. Additional conditions may be imposed to effectively and efficiently implement the approved AEPEP should the results of monitoring by the Multipartite Monitoring Team (MMT) for BC-ACMP warrant them.

Non-compliance with the above conditions shall be sufficient ground for the cancellation, revocation or termination of this Certificate or suffer the penalty prescribed in the Penal Provisions of Republic Act No. 7942, the Philippine Mining Act of 1995.

Given this 17th day of January 2019 at MGB-CAR, Baguio City, Philippines.



4:55 PM

01/18/2019


FAY W. APIL
OIC, Regional Director
MGB – Cordillera Administrative Region

2019 ANNUAL ENVIRONMENTAL PROTECTION AND ENHANCEMENT PROGRAM

I. SPECIFIC STRATEGY TO LIMIT AND CONTROL IMPACTS

A. LAND RESOURCES

AREAS TO BE AFFECTED	PREDICTED IMPACT	CONTROL STRATEGIES
1. Underground	<ul style="list-style-type: none"> • Increase in muck waste • Deformation of landforms from blasting • Presence of new openings, if any • Oil / diesel leak / spillage from underground heavy equipment 	<ul style="list-style-type: none"> • Generated muck wastes will be used to backfill underground voids. • Excess muck wastes are trammed out and dumped at a designated area in Batuang. • Impose immediate backfilling of voids to prevent subsidence of mine surface • Use of mine timbers • Follow established EMS Guidelines on proper handling and transport of oil
2. Surface mine buildings and other structures	<ul style="list-style-type: none"> • No significant negative impact is predicted as camp facilities like office buildings and quarters already exist 	<ul style="list-style-type: none"> • Assess stability of all buildings and structures • Implement necessary repairs needed to ensure safety of occupants • Offices will be refurbished and maintain good housekeeping at all times
3. Access Roads	<ul style="list-style-type: none"> • No significant negative impact is foreseen 	<ul style="list-style-type: none"> • Existing access road to the minesite and to the working areas will be maintained.
4. Stockpiles and dumps	<ul style="list-style-type: none"> • Stockpile may cause additional siltation 	<ul style="list-style-type: none"> • Practice proper stockpiling to avoid damages of sacks.
5. Mill Plant	<ul style="list-style-type: none"> • The ground surface where the plant was transferred is in flat area and previously used by the company as 	<ul style="list-style-type: none"> • The mill plant at Balatoc already exists. Proper procedure for the installation of new mill

	<p>industrial area for its shops. No adverse effect is predicted with respect to the ground levelling or excavation.</p>	<p>equipment/facilities will be observed.</p>
<p>6. Water supply and storage, including treatment ponds</p>	<ul style="list-style-type: none"> • Spillage and overflow of mill effluents along land surface 	<ul style="list-style-type: none"> • Conduct a regular monitoring of tailings disposal system to avoid spillage. • Conduct regular maintenance to prevent breakdown. • Standby pump motors shall be maintained to provide 100% mechanical availability and efficiency of the machines and tailings disposal system.
<p>7. Removal of plants and animal communities</p>	<ul style="list-style-type: none"> • No significant impact is predicted. There will be no cutting of trees and plants as the operation is done underground. Mine timbers are sourced from suppliers from outside of the region. 	<ul style="list-style-type: none"> • The nursery at the Virac Timber Yard will be maintained for company reforestation activities. • Reforestation activities will be conducted annually.

B. WATER RESOURCES

RESOURCES/AREAS TO BE AFFECTED	PREDICTED IMPACT	CONTROL STRATEGIES
<p>1. Underground mine used water and lubricants</p>	<ul style="list-style-type: none"> • Water contamination 	<ul style="list-style-type: none"> • Implement established EMS Guidelines on addressing oil spill • Conduct routine maintenance for equipment • Implement established EMS Guidelines for contaminated water • Conduct regular water quality monitoring
<p>2. Mill Plant</p>	<ul style="list-style-type: none"> • Water contamination due to spillage (breached pipes) of pulp, ballmill discharges and mill tailings 	<ul style="list-style-type: none"> • Regularly check and conduct maintenance and clean-up activities to all pipelines, valves and others.

		<ul style="list-style-type: none"> • Close monitoring of tanks, discharge valve to avoid overflow • Regularly conduct water quality monitoring test. • Mill Tailings should be directed to the Mill Tailings Treatment Facility
3. Mechanical Shop and Motorpool	<ul style="list-style-type: none"> • Water contamination due to oil spill 	<ul style="list-style-type: none"> • Construction of oil-water separator • Implement established EMS Guidelines on addressing oil spill • Conduct water quality test of effluent
4. Assay Laboratory	<ul style="list-style-type: none"> • Water contamination from toxic wastes • Release of contaminated water into the river • Chemical spill 	<ul style="list-style-type: none"> • Water drains are all connected to the tailings storage treatment facility • Conduct water quality test of the effluent • Implement established EMS Guidelines on addressing chemical spill
5. Tailings Storage Facility (TSF)	<ul style="list-style-type: none"> • Mill effluent discharges 	<ul style="list-style-type: none"> • TSF is utilized for silt / effluent impoundment. Only decanted water is discharged from the facility, hence water will be free from toxic substances that may pollute water bodies • Conduct water quality test of effluent
6. Infrastructure and sewerage	<ul style="list-style-type: none"> • Water contamination due to waste generated by human 	<ul style="list-style-type: none"> • All infrastructure facilities (including sewer system) for the ACMP already exist. Needed repairs and improvements shall be implemented • Decanted water will be contained in the TSF

C. NOISE QUALITY

RESOURCES/AREAS TO BE AFFECTED	PREDICTED IMPACT	CONTROL STRATEGIES
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1. Road vehicles	<ul style="list-style-type: none"> • Insignificant impact is foreseen 	<ul style="list-style-type: none"> • N/A
2. Explosives	<ul style="list-style-type: none"> • Blasting may cause hearing loss 	<ul style="list-style-type: none"> • Controlled blasting is being employed • Employees are provided with ear plug to control noise pollution from blasting
3. Milling Equipment	<ul style="list-style-type: none"> • Minimal impact is foreseen 	<ul style="list-style-type: none"> • Employees are provided with ear plug to control noise pollution from equipment • Conduct noise level monitoring
4. Mining equipment	<ul style="list-style-type: none"> • Minimal impact is foreseen 	<ul style="list-style-type: none"> • Provision of PPE's

D. AIR QUALITY

RESOURCES / AREAS TO BE AFFECTED	PREDICTED IMPACT	CONTROL STRATEGIES
1. Dust from mining activities	<ul style="list-style-type: none"> • Generation of dust and fumes after blasting, however with only minimal impact • Generation of dust from drilling activities however with only minimal impact 	<ul style="list-style-type: none"> • Adequate and proper mine ventilation • Implement wet drilling
2. Dust from underground equipment	<ul style="list-style-type: none"> • There will be generated dust and smoke from underground equipment however, with only minimal impact 	<ul style="list-style-type: none"> • Adequate and proper mine ventilation • Conduct regular maintenance of all equipment
3. Pollution Control Equipment	<ul style="list-style-type: none"> • Smoke from scrubbers 	<ul style="list-style-type: none"> • Conduct regular check-up and maintenance of scrubbers • Conduct stack emission test
4. Dust from mill processing	<ul style="list-style-type: none"> • Minimal impact is foreseen 	<ul style="list-style-type: none"> • Processed ore are wet / sprinkled with water
5. Dust from vehicle movement	<ul style="list-style-type: none"> • No significant impact is foreseen 	<ul style="list-style-type: none"> • Regular water spraying along roads and haulroads will be considered when necessary to avoid increase dust suspension in the atmosphere. Dust suspension will come from public conveyances that fly the Baguio-Acupan route.

E. CONSERVATION VALUES

RESOURCES / AREAS TO BE AFFECTED	PREDICTED IMPACT	CONTROL STRATEGIES
1. Visual aesthetics	<ul style="list-style-type: none">• Unpleasant view of operational vicinity. Impact, however, is considered nil.	<ul style="list-style-type: none">• Implement proper / orderly piling of sacked ores in a manner that no spill over of ore will be seen• Implement 5S in all working areas

F. SOCIAL ISSUES

RESOURCES / AREAS TO BE AFFECTED	PREDICTED IMPACT	CONTROL STRATEGIES
1. Social Issues	<ul style="list-style-type: none">• Issue on the hiring of employees and contractors for the operation is a significant concern	<ul style="list-style-type: none">• Company will give priority to qualified Itogon residents

II. STRATEGY FOR MONITORING IMPACTS

A. LAND RESOURCES

SIGNIFICANT IMPACT TO BE MONITORED	SOURCE OF IMPACT	PARAMETERS TO BE MONITORED	MONITORING METHODS	MONITORING LOCATIONS / FREQUENCY	PURPOSE OF MONITORING
<p>1. Change in the configuration geologic setting of the underground</p>	<ul style="list-style-type: none"> Underground mining activities 	<ul style="list-style-type: none"> Width, depth, area and alignment of the portion of the portal before and after each extraction and the cycle of the extraction will be monitored to see to it that impact on change in the configuration of underground workings are avoided. 	<ul style="list-style-type: none"> Field measurements and inspection of actual accomplishments, taking photographs, and regular preparation of reports and documentation along underground and mill plant site will be important in monitoring disturbances in land resources. 	<ul style="list-style-type: none"> Monitoring of underground operation should be done daily by the Company's Safety Inspector. Since road network and mine buildings are very visual, this can be monitored daily or weekly. Monitoring may also be conducted as deemed necessary by government agencies concerned such as EMB and MGB 	<ul style="list-style-type: none"> To determine the remaining allotted ore reserve to be extracted and determine efficiency of extraction methods. To monitor volume of tails deposited in the Tailings Pond. To institute revisions/improvements in the operation/processes in cases where there are significant deviations and corrections from the planned operation activities. To anticipate any problems that may occur during the operation and prevent/mitigate
<p>2. Waste dumps</p>	<ul style="list-style-type: none"> Mine wastes disposal system 	<ul style="list-style-type: none"> Volume of wastes produced, especially on the manner of disposal should be monitored. Disposal or piling of mine wastes should be regulated, that is mine waste can be utilized as backfill 	<ul style="list-style-type: none"> Ocular inspections on roads and buildings 		

<p>3. Tailings Storage Facility</p> <ul style="list-style-type: none"> Discharge of mill wastes towards the Tailings Storage Facility 	<ul style="list-style-type: none"> Volume of tailings produced from the mill plant should be contained / impounded in the Tailings Pond. Road condition or damages should be immediately repaired whenever mining operation has caused such. Stability 	<p>materials on underground voids.</p>	<p>any adverse consequences.</p> <ul style="list-style-type: none"> To inform the management and concerned regulatory agencies on the status of the operation primarily as compliance / responsibility to the ECC issued on December 12, 2010.
<p>4. Road network conditions</p>	<ul style="list-style-type: none"> Moving vehicles on roads to and from the minesite 		
<p>5. Buildings</p>	<ul style="list-style-type: none"> Damage on buildings due to mine and office operations 		

B. WATER RESOURCES

SIGNIFICANT IMPACT TO BE MONITORED	SOURCE OF IMPACT	PARAMETERS TO BE MONITORED	MONITORING METHODS	MONITORING LOCATIONS / FREQUENCY	PURPOSE OF MONITORING
<p>1. Pollution or contamination of water bodies as a result of discharge of contaminated effluent into the receiving water bodies.</p>	<ul style="list-style-type: none"> Any spill-over of contaminated wastewater generated from mill plant operation. 	<ul style="list-style-type: none"> Total dissolved and suspended solids, chemical content and flow measurement of the catchment basins (Batuang and Ambalanga River). 	<ul style="list-style-type: none"> Water sampling along river bodies, flow measurement and water quality analysis will be conducted monthly or as deemed necessary by the DENR-CAR Office. 	<ul style="list-style-type: none"> Water samples will be collected, and flow measurements will be done along the receiving body, Ambalanga and Batuang River. 	<ul style="list-style-type: none"> To determine any spillage of wastewater on river bodies.
<p>2. Siltation effect, if any, caused by the project operation.</p>	<ul style="list-style-type: none"> Waste materials from underground extraction activities which may be carried by surface run-off discharged on river bodies. 	<ul style="list-style-type: none"> Date and time of monitoring should also be indicated. Also, the atmospheric condition should also be recorded. 		<ul style="list-style-type: none"> Water and effluent sampling and analysis will be done monthly. In-house laboratory analysis is rendered by the Company's laboratory. 	<ul style="list-style-type: none"> To determine efficiency of treatment process on effluent resulting from the mill plant operation if it is within the standard limits set under DAO 35, Revised Effluent Regulations of 1990, series of 1990
<p>3. Effluent quality especially on cyanide content as it is the critical compound utilized by the operation.</p>	<ul style="list-style-type: none"> Use of cyanide by mill operations in the extraction of gold. 	<ul style="list-style-type: none"> Measure of the free cyanide content of effluent or contained wastewater along the mouth of the penstock of the Tailings Pond. 	<ul style="list-style-type: none"> Effluent sampling discharged (if any) from the Tailings Pond thru the penstock or contained wastewater at the mouth of the penstock and Filter Drain 	<ul style="list-style-type: none"> Effluent samples will be collected at the penstock of Phase II Tailings Pond. 	<ul style="list-style-type: none"> To determine if receiving water body are contaminated or affected by siltation and other pollutant due to the extraction and processing of gold-bearing ore.

<p>by the mining operations such as noise disturbance, respiratory irritation.</p> <p>2. Benefits derived from the project through compliments given to the Company</p>		<p>received by the Company from the community</p>	<p>conditions of the host communities.</p> <ul style="list-style-type: none"> • Survey questionnaires can also be used as a tool to gather social issues brought about by the project. • Open suggestion box may also be placed in a designated area within the camp or barangay hall to gather other issues of the community. 	<p>needs to be resolved.</p>	<p>by the mining operation.</p> <ul style="list-style-type: none"> • To determine policies on how to resolve such issue raised. • To make sure that the stakeholders are well given attention.
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<p>4. Drainage on diversion tunnels</p>	<ul style="list-style-type: none"> Strong current, boulders, and/or natural calamities that may be incurred causing damages on flooring or walls of the diversion tunnels. 	<ul style="list-style-type: none"> Any damage on floor and walls, inlet and outlet portions of the diversion tunnel 	<ul style="list-style-type: none"> Field inspection on structures on the stability and efficiency of the diversion tunnels on a quarterly basis or as deemed necessary by the government concerned 	<ul style="list-style-type: none"> Diversion tunnels situated at Batuang will be monitored on any damage incurred by the said structures Ocular and underground inspections on diversion tunnels should be done quarterly or may be daily especially during typhoons. 	<ul style="list-style-type: none"> To make necessary remedial / mitigating measures are detected or effluent quality exceeds standard limits. Determine any damage, as much as possible at its minor stage, of diversion structures and plan for remedy to avoid any possible collapse of the diversion tunnels.
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C. NOISE

SIGNIFICANT IMPACT TO BE MONITORED	SOURCE OF IMPACT	PARAMETERS TO BE MONITORED	MONITORING METHODS	MONITORING LOCATIONS / FREQUENCY	PURPOSE OF MONITORING
<p>1. Workers impairment of hearing facilities.</p>	<ul style="list-style-type: none"> Explosives utilized in the underground workings. 	<ul style="list-style-type: none"> Decibel / noise level. 	<ul style="list-style-type: none"> Usual method used in monitoring noise level is audiometers. However, workers exposed to such 	<ul style="list-style-type: none"> Underground working areas where blasting activities are done. 	<ul style="list-style-type: none"> Monitoring is done to determine if noise level is within the standards as prescribed under

<p>2. Complaints of high level of noise within the mill plant</p>	<ul style="list-style-type: none"> • Crushing and mill plant operations. • Noise emitted by vehicles and trucks 		<p>noise emission can be interviewed on any adverse effect from noise exposure.</p>	<ul style="list-style-type: none"> • Crushing and milling area. • Surrounding communities, if any are affected 	<p>the Environmental Quality Standards for Noise in general areas (maximum allowable noise levels in general cases) and Maximum Noise Standards for construction activities and allowable working hours per area.</p> <ul style="list-style-type: none"> • To determine if workers are well protected from noise pollution. • To formulate remedial / mitigating measures to address any issue that may arise due to high noise level
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D. AIR QUALITY

SIGNIFICANT IMPACT TO BE MONITORED	SOURCE OF IMPACT	PARAMETERS TO BE MONITORED	MONITORING METHODS	MONITORING LOCATIONS / FREQUENCY	PURPOSE OF MONITORING
<p>1. Air quality alteration.</p> <p>2. Any adverse impact on the health of workers exposed to any air pollutant.</p>	<ul style="list-style-type: none"> • Exhaust emission from diesel engine equipment used in the mining operation. • Transportation vehicles of project staffs, hauling trucks can also be a significant source of air pollutant in the mine camp. • Milling processes, such as generation of acid fumes from the treatment area is also a possible source of gas concentration in the atmosphere. • Dust generation from extraction and related activities during dry season 	<ul style="list-style-type: none"> • Total Suspended Particulates within the mine camp. 		<ul style="list-style-type: none"> • Sampling location will be within the vicinity of the mill plant and roads. • Monitoring will be conducted quarterly 	<ul style="list-style-type: none"> • Monitoring will help in the determination if air quality if it falls within the standards prescribed under DENR Administrative Order No. 14 – Revised Air Quality Standards of 1993, Series of 1993 Revising and Amending Air Quality Standards for Specific Pollutants from Stationary and Exhaust Emission Standards for Vehicles. • Regular monitoring will help the management evaluate efficiency of protective equipment provided to workers. • To make necessary remedial/ mitigating

						measures if contaminations are detected or effluent quality exceeds standard limits.
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E. CONSERVATION VALUES

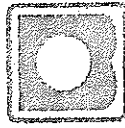
SIGNIFICANT IMPACT TO BE MONITORED	SOURCE OF IMPACT	PARAMETERS TO BE MONITORED	MONITORING METHODS	MONITORING LOCATIONS / FREQUENCY	PURPOSE OF MONITORING
<ol style="list-style-type: none"> 1. Reduction in the ore reserves. 2. Disturbance in vegetation due to mining operation, if any 	<ul style="list-style-type: none"> • Underground mining / ore extraction activities 	<ul style="list-style-type: none"> • Quantity and grade of gold ore mined and milled. • Area and species of cleared vegetation 	<ul style="list-style-type: none"> • Regular updating of ore reserve, quantity and grade of gold ore mined and milled including plant recovery. • Documentation of any area that may be cleared due to mining activities such as the development of the mill tailings disposal system. 	<ul style="list-style-type: none"> • Ore reserve monitoring will be on specific ore vein levels actively mined by the operation. • Ore reserves will be updated semi-annually • Any alteration in the vegetative cover along the mill tailings disposal area will be properly monitored. 	<ul style="list-style-type: none"> • To determine extent of ore reserve depletion with respect to the mining method employed. • To monitor and identify species to be planted on areas that will be cleared, if any, due to mining operations. • To determine any necessary adjustments and improvement on mining plans.

F. HERITAGE AND CULTURAL VALUES

SIGNIFICANT IMPACT TO BE MONITORED	SOURCE OF IMPACT	PARAMETERS TO BE MONITORED	MONITORING METHODS	MONITORING LOCATIONS / FREQUENCY	PURPOSE OF MONITORING
<p>1. Incidence of cultural rivalry or conflicts especially of contractors belonging to different ethnic groups.</p> <p>2. It is also important to monitor if traditional practices, such as cañao, is still practiced by the members of the community.</p>	<ul style="list-style-type: none"> Influence of contractors and community members of different ethnic groups. 	<ul style="list-style-type: none"> Number of incidences of conflicts. Number of complaints and issues raised 	<ul style="list-style-type: none"> Actual survey and assessment of the records of the Company's security department, barangay tanods and barangay council. 	<ul style="list-style-type: none"> Entire mine camp vicinity including areas within the barangay where contractors and employees are housed. To carry out efficient monitoring, daily assessment of records will be done. 	<ul style="list-style-type: none"> To determine issues and assist security and barangay council to resolve any cultural conflicts. To impose peace and order procedures to see to it that the surrounding community is not disturbed. To preserve cultural values, especially of highland groups and indigenous practices in the community

G. SOCIAL ISSUES

SIGNIFICANT IMPACT TO BE MONITORED	SOURCE OF IMPACT	PARAMETERS TO BE MONITORED	MONITORING METHODS	MONITORING LOCATIONS / FREQUENCY	PURPOSE OF MONITORING
<p>1. Complaints from community members that are adversely affected</p>	<ul style="list-style-type: none"> Residents of the host community and neighboring areas. 	<ul style="list-style-type: none"> Number of complaints received. Number of compliments 	<ul style="list-style-type: none"> Assessment and actual field survey of socio-economic 	<ul style="list-style-type: none"> Daily monitoring will enable the Company to immediately gather any issue that 	<ul style="list-style-type: none"> To determine if stakeholders are not adversely affected



BenguetCorp

ANNEX "D"

PURCHASING



BenguetCorp

MATERIALS MANAGEMENT POLICIES, PROCEDURES & METHODS		
FUNCTION PURCHASING	CHAPTER 3	EFFECTIVITY DATE 1 JANUARY 1990
SUBJECT THE PURCHASING FUNCTION		APPLICATION ALL FIELD DISTRICTS
		SUPERSEDES: CHAPTER 3.1 dtd 17 MAR 1982
<p>1. <u>The Purchasing Function</u></p> <p>The principal function of Purchasing is the supply of goods and services to operations at <u>the best possible cost</u>. The "best possible cost" entails consideration of the right goods, at the right price, in the proper quantity, with delivery to the proper place. Purchasing is a major component of the materials management system due to its effect on "cost" in terms of inventory size, storage, handling and scheduling.</p> <p>In the majority of industries, it is estimated that materials cost accounts for about 40% to 60% of product cost. While it is not that high in the extractive industry where BC belongs, inasmuch as the raw materials (ore) come from the mine itself, the contribution of Purchasing is just as important, if not more so. In the mining industry, finished product prices are dictated by outside factors. Any savings or added cost attributable to the purchasing function are directly reflected in the profit or loss.</p> <p>The Purchasing function can be a major contributor to a company's profitability depending on its effectiveness in pursuing its responsibilities in proper selection and development of sources, determination of quality, sizing of orders and timing of deliveries. Successful application of purchasing strategies such as cost/price analysis, make-or-buy decision, value analysis, negotiations and other methods, enhances Purchasing's value to a profitable operation. For these, it deserves serious attention from management.</p>		

MATERIALS MANAGEMENT POLICIES, PROCEDURES & METHODS

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CHAPTER

3

2. BC Procurement Organization

BC has a centralized purchasing organization. The main buying activities are carried out by the Central Headquarters (CHQ) Procurement Group. The Materials Group in the various minesites are authorized to source certain items and services from suppliers located close to the mines when it is more economical or when the requirement is urgent. The CHQ Procurement Group and the mines' Materials Management Groups must work very closely in this regard.

3. Leadtime

Providing satisfactory service levels to the mines at minimum cost is highly dependent on leadtimes. "Leadtime" is the length of time between the date a requisition is prepared up to the date the goods are delivered to the minesite. The leadtime can be broken down into the various activities involved as follows:

a. Preparing and Processing the Purchase Requisition.

The time required to prepare a requisition, have it approved by the proper authorities and send it to the CHQ Procurement Group. This can be facilitated by the use of an RTM.

b. Preparing the Request For Quotation.

The time required by Procurement from receipt of requisition to prepare a Request For Quote. This can be facilitated by telephone canvassing.

c. Waiting Time for Quotations.

The time allowed from the date the Request For Quote is sent to the supplier until the time the reply is received by Procurement. For foreign suppliers, this can be facilitated by the use of the telex at extra expense.

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<p>d. Awarding the Purchase Order.</p> <p>The time required for typing, signing and mailing the Purchase Order and receipt by the supplier. For foreign suppliers, this can be shortened by using the telex at extra expense.</p> <p>e. Supplier Delivery Leadtime.</p> <p>The time required for the supplier upon receipt of the Purchase Order / Letter of Credit to produce and prepare the items for delivery. This varies widely from item to item. Stock items can take as little as two (2) days. Manufactured items can take more than a year.</p> <p>f. Foreign Documentation/Booking on Vessel.</p> <p>The time required by foreign suppliers to secure documentation (e.g., Consular Invoice, Certificate of Origin, etc.) and booking on vessel to Manila.</p> <p>g. Vessel Travel Time.</p> <p>The travel time of the carrying vessel from port of exit to Port of Manila. This varies depending on the country of origin. Ocean shipment takes from one (1) week to two (2) months. Travel time can be shortened by air shipment, but at a much higher cost.</p> <p>h. Customs Clearance.</p> <p>The time required to release imported cargo from the Bureau of Customs either at the South Harbor or at the NAIA. The time may vary from a few days to several months depending on various factors such as availability of documents, conditions at the pier, etc.</p> <p>i. Delivery Time from CHQ to Minesite.</p> <p>The time required to deliver items from CHQ to the minesite.</p>	



BenguetCorp

MATERIALS MANAGEMENT POLICIES, PROCEDURES & METHODS		
FUNCTION PURCHASING	CHAPTER 3.1.1	EFFECTIVITY DATE 1 JANUARY 1990
SUBJECT PREPARATION AND PROCESSING OF THE PURCHASE ORDER		APPLICATION ALL FIELD DISTRICTS
		SUPERSEDES: CHAPTER 3.2.1 dtd 17 MAR 1982
FOR : CHQ PROCUREMENT GROUP : SITE PURCHASING UNIT : INVENTORY CONTROL MANAGER FORMS USED : PURCHASE ORDER/NOTICE OF INCOMING SHIPMENT (PO/NIS) : LETTER ORDER (LO) : MATERIAL RECEIVING REPORT (MRR) : ORDER ACKNOWLEDGEMENT AND ACCEPTANCE FORM : DOCUMENTS TRANSMITTAL SLIP (DTS) : PURCHASE REQUISITION (PR)		
<u>INTRODUCTION</u>		
<p>The Purchasing activity is initiated by a Purchase Requisition received from the Mines Materials Group. BC presently uses two (2) Purchase Requisition forms: (1) the standard Purchase Requisition form, and (2) the New Item Request and Issue Order, the "Purchasing" copy of which serves as a Purchase Requisition. The requisition information are passed on to prospective suppliers who then submit quotations. These quotations become the basis for the selection of suppliers for each item ordered.</p> <p>Of particular interest to BC during and after these negotiations is the clear understanding by suppliers of BC's requirements. It should also be emphasized that agreed delivery dates are part of the supplier's commitment and that early and late deliveries, particularly for staggered delivery requirements, can earn for him a poor rating. This may ultimately lessen his chances of future business with BC.</p>		
<u>RESPONSIBILITY</u>		<u>P R O C E D U R E S</u>
PROCUREMENT GROUP/ PURCHASING UNIT		A. <u>PREPARATION AND PROCESSING OF THE REGULAR PURCHASE ORDER</u>
		1. After proper canvass and selection of supplier(s) for the item(s) ordered on a Purchase Requisition, prepare the pre-numbered Purchase Order/Notice of

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Incoming Shipment by indicating the following:

- a. Supplier Name and Address
- b. Supplier Code
- c. Transaction Code - Indicate "51".
- d. Purchase Order Date
- e. Delivery Point
- f. Delivery Date
- g. Payment Terms
- h. Purchase Order Item No.
- i. Purchase Requisition No. /
PR Item No.
- j. Stock No.
- k. Item Type - Enter "0" for brand new
item.
- Enter "1" for used or
second-hand item.
- l. Item Description
- m. Unit of Measure - Must be expressed
in terms of BC's Unit of Measure.
- n. Quantity
- o. Unit Price
- p. Total Amount
- q. Printed Name and Signature of the
Buyer.

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r. Printed Names of the Authorized Signatories (refer to Annex A).

NOTE:

- * 1) Do not combine two or more similar items contained in one (or more) PR(s) to appear as one PO item.
- 2) Refer to Volume IV of the MPPPM for the detailed procedures on the Purchasing Information System (PURCHIS).
- 2. Submit the Purchase Order to the authorized Manager for approval.
- 3. Distribute the approved PO as follows:
 - 3.1 For purchases by the Purchasing Unit:
 - "Supplier" - Supplier
 - "Inventory Control"- Documents Control Section
 - "Purchasing" (2 copies) - Procurement Group/
Purchasing Unit
 - "Accounting" - Accounting
 - 3.2 For purchases by the CHQ Procurement Group, distribute the following copy, in addition to those listed in 3.1 above:
 - "BC Receiving" - BC Receiving & Inspection

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3.3 For foreign purchases, distribute the following copies, in addition to those listed in 3.1 and 3.2 above:

"Treasury" - Treasury Department

"Customs" - Customs Section

NOTE:

- 1) The "SUPPLIER" copy of the PO will be accompanied by a duly accomplished Order Acknowledgement and Acceptance form for signature by the supplier and then returned to BC for file.
- 2) All "INVENTORY CONTROL" copies of the POs prepared by the Procurement Group must be sent daily under cover of a Documents Transmittal Slip to the Inventory Control Manager (Attn: Documents Control Section) of the field district concerned. Similarly, the "BC RECEIVING" copy of the PO for all items to be received / cleared at the AFC terminal must also be sent daily under cover of a Documents Transmittal Slip to the BC Receiving & Inspection Section.
4. Send all copies of the NIS to the Receiving Section, Central Warehouse of the field district concerned under cover of a Documents Transmittal Slip.

B. PROCESSING ERRONEOUS PURCHASE ORDERS

5. If a Purchase Order was misprepared, rubber-stamp each copy of the erroneous PO with "CANCELLED" then prepare the correct PO.

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6. Return the cancelled POs to the Procurement/Purchasing Secretary.

PROCUREMENT/
PURCHASING SECRETARY

7. Maintain a record of the serial numbers of the blank PO forms issued for use by the Procurement Group/Purchasing Unit.

8. Check periodically the serial numbers of issued, unused and cancelled POs.

C. PURCHASES TO BE COUPSED THROUGH BENGUETCORP CANADA, LTD (BCL)

PROCUREMENT GROUP

9. When purchasing through BCL is favorable, prepare a Letter Order in five (5) copies showing the following:

a. Letter Order No. / Date

b. Account Charged

c. Purchase Requisition No.

d. PR Item No.

e. Stock No. / Check Digit

f. Description of the Item

g. Quantity

h. Unit of Measure

i. Philippine Standard Commodity Code

j. Expected Arrival Date

k. Printed Name and Signature of the Buyer.

l. Printed Name and Signature of the Authorized Signatories.

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10. Have the Letter Order approved then distribute the Letter Order as follows:
 - Original) BCL
 - Duplicate)
 - Triplicate - Documents Control Section
 - Quadruplicate) Procurement Group & Quintuplicate)
11. When the BCL Purchase Order is received, forward a copy to the Inventory Control Manager (Attn: Documents Control Section) of the field district concerned.

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A N N E X A

PURCHASE ORDER SIGNING AUTHORITIES

AMOUNT OF PURCHASE

Up to P 5,000	-	AUM Buyer (Grade IV)
Up to 15,000	-	AUM Purchasing (Grade VI)
Up to 30,000	-	Section Manager / Department Manager - Purchasing
Up to 50,000	-	Group Manager-Purchasing / Materials Manager
Up to 100,000	-	VP-Operations / General Manager or Assistant General Manager / Division Manager-Materials
Over 100,000	-	EVP-Operations / Chairman - Purchasing Committee

NOTE:

The above are subject to the following conditions:

1. In view of Benguet's centralized purchasing system, site purchases are allowed only under the following conditions:
 - a. Emergency purchases;
 - b. Confirmation POs for withdrawal of consigned items;
 - c. Items that have been agreed with CHQ Procurement Group to be procured by the minesite due to competitive prices and/or convenience; or,
 - d. Items with prior clearance from CHQ Procurement.

In the absence of the EVP-Operations, the VP-Operations is authorized to sign POs for urgent requirements with value over P100,000. Additionally, the VP-Operations is authorized to sign confirmation POs for withdrawn consigned stock with value over P100,000.

EFFECTIVE 16 JANUARY 1990

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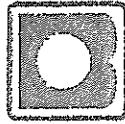
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2. The Purchasing Committee must be furnished a copy of all minesite-issued Purchase Orders.
3. Any item to be purchased at a price 10% higher than the previous purchase price shall be referred to the Group Manager-Procurement regardless of PO and value, and with explanation/justification of the price increase.
4. Accounting duplicate copies of POs with value up to P15,000 shall pass through and be countersigned by the Section Manager / Department Manager-Purchasing on a post-audit basis.
5. Accounting duplicate copies of POs with value over P15,000 and up to P30,000 shall pass through and be countersigned by the Group Manager-Purchasing on a post-audit basis.
6. Accounting duplicate copies of POs with value over P30,000 up to P50,000 shall be sent to and be countersigned by the VP-Operations / Assistant General Manager on a post-audit basis.
7. Accounting duplicate copies of POs with value over P50,000 up to P100,000 shall be sent to and be countersigned by the EVP-Operations / Chairman-Purchasing Committee on a post-audit basis.

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FUNCTION PURCHASING	CHAPTER 3.1.2	EFFECTIVITY DATE 1 JANUARY 1990
SUBJECT PROCESSING A PURCHASE ORDER CHANGE/ CANCELLATION		APPLICATION ALL FIELD DISTRICTS SUPERSEDES: CHAPTER 3.2.2 dtd 15 MAR 1982
FOR : CHQ PROCUREMENT GROUP : SITE PURCHASING UNIT		
FORMS USED : PURCHASE ORDER CHANGE/CANCELLATION (PO C/C) : PURCHASE REQUISITION CHANGE/CANCELLATION (PR C/C)		
<u>INTRODUCTION</u>		
A Purchase Order Change is prepared by the Procurement Group/ Purchasing Unit when any of the following conditions are encountered:		
a. A Purchase Requisition Change form is received from the Site Materials Group;		
b. Any of the following entries were mistyped in the original PO: Unit of Measure, Quantity, Unit Price, or Amount;		
c. The vendor cannot deliver the total quantity ordered;		
d. The unit price was omitted in the original PO;		
e. The total amount was miscomputed;		
f. The discount was not applied or the discount is being deleted from the original PO;		
g. Description errors; or,		
h. Unit of Measure errors.		
A Purchase Order Cancellation is prepared when any of the following conditions are encountered:		
a. A PR Cancellation is received from the Site Materials Group; or,		
b. The authorized officers have decided to cancel the whole Purchase Order.		

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1. Prepare the Purchase Order Change/Cancel-
lation form in six (6) copies by filling
in the following data:
 - a. Purchase Order Change No. / Date
 - b. Indicate an "X" before "CHANGE" or
"CANCELLATION", whichever is
applicable.
 - c. Supplier Name and Address
 - d. Supplier Code
 - e. PO No. / Date - PO to be changed.
 - f. Item No. in original PO
 - g. PR No. in original PO
 - h. PR Item No.
 - i. Stock No./Check Digit/Item Type
 - j. New Description - Do not fill up if
unchanged.
 - k. Unit of Measure - To be filled up
only if there is a change in
quantity ordered.
 - l. New Quantity - Enter the new
quantity ordered, if any. If the
item is to be deleted from the order,
indicate "0".
 - m. New Unit Price)
) Do not fill up
 - n. New Total Amount) if unchanged.
)
 - o. New Date Required} :

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- p. Reasons for Change/Cancellation - Place an "X" on the appropriate box(es).
- q. Remarks
- r. Delivery Instructions
- s. Printed Name and Signature of the Buyer.
- t. Printed Name and Signature of the Authorized Signatories.

NOTE:

- 1) If the Unit of Measure and/or the Quantity remains unchanged, annotate or rubber-stamp the change order with "FOR ACCOUNTING USE ONLY - DO NOT DATA ENTER".
 - 2) A Purchase Order Change/Cancellation for BCL can be prepared only when the BCL PO has been received. A new Letter Order, specifying the changes to be made, will be prepared if the BCL PO has not been received.
 - 3) Refer to Volume IV of the MMPFM for detailed procedures on the Purchasing Information System (PURCHIS).
2. The PO Change/Cancellation form shall be approved as follows:

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- 2.1 If the amended PO value is higher than the original PO value, the "PURCHASING" copy of the original PO together with a memo justifying the increase in PO value will be attached to the PO Change/Cancellation form and then submitted for approval by the PO signing authorities specified in Annex A of Chapter 3.1.1 of this Manual.
- 2.2 If the amended PO value is equal to or lower than the original PO value, the "PURCHASING" copy of the original PO will be attached to the PO Change/Cancellation form and then submitted to the Procurement Group Manager (or the Materials Manager of the field district) for approval.
3. Distribute the Purchase Order Change/Cancellation form as follows:
 - 3.1 PO Change/Cancellation for local purchases:

"Supplier"	- Supplier
"Inventory Control"	- Documents Control Section
"Purchasing" (2 copies)	- Procurement Group/ Purchasing Unit
"Accounting"	- Accounting
"Receiving"	- Receiving Section, Central Warehouse

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3.2 For foreign purchases, distribute the following copy in addition to those listed in 3.1 above.

"Treasury" - Treasury
Department

NOTE:

One of the "PURCHASING" copies shall be sent together with the "SUPPLIER" copy to and signed by the Supplier and returned to BC for file.

3.3 PO Change/Cancellation for BCL Purchase Orders shall follow the distribution in Paragraph 3.2 above except that the "SUPPLIER" copy will be sent to BCL.



SenguetCorp

MATERIALS MANAGEMENT POLICIES, PROCEDURES & METHODS		
FUNCTION PURCHASING	CHAPTER 3.2	EFFECTIVITY DATE 1 JANUARY 1990
SUBJECT EXPEDITING PROCEDURES		APPLICATION CHQ PROCUREMENT
		SUPERSEDES
FOR	:	ORDER FOLLOW-UP CUSTOMS SECTION TREASURY
FORMS USED	:	PURCHASE ORDER (PO) LETTER ORDER (LO) BCL PURCHASE ORDER ORDER FOLLOW-UP REFERRAL FORM PENALTY CLAUSE FORM REQUEST FOR LETTER OF CREDIT IMPORT ENTRY DECLARATION REGULAR IMPORT LETTER OF CREDIT OPENED MATERIAL RECEIVING REPORT (MRR)
<u>RESPONSIBILITY</u>		<u>P R O C E D U R E S</u>
	A.	<u>FOLLOW-UP OF LOCAL PURCHASES - REGULAR PURCHASE ORDERS</u>
ORDER FOLLOW-UP	1.	Expedite the delivery of materials ordered starting on the 4th day after release of the PO or one (1) week before the promised delivery date, whichever is earlier.
	2.	If the Supplier advises inability to supply the full quantity ordered, prepare an Order Follow-up Referral form requesting the Buyer to prepare a PO Change/Cancellation. Indicate:
	a.	Date
	b.	Buyer's Name or Initials
	c.	PO No.
	d.	Supplier Name

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e. Check the box before "FOR CANCELLATION/CHANGE ORDER OF ITEM NO(s).
_____ DUE TO _____."

f. Reason(s)

g. Printed Name and Signature of the Order Follow-up clerk.

3. Attach the PO copy to the Referral form and forward to the Buyer.

4. Upon arrival of an approved PO Change/Cancellation form from the Buyer, segregate and distribute copies following Paragraph 3 of Chapter 3.1.2 of this Manual.

5. Check whether the form is for a change or for a cancellation:

5.1 If it is a PO Change, file a copy together with the PO in the Suspense file.

5.2 If it is a PO Cancellation, file a copy together with the PO in the Completed PO file.

The other "PURCHASING" copy of the PO Change/Cancellation shall be filed with the PO copy in the masterfile.

6. Await the Invoice and the Bill of Lading from BC Receiving & Inspection. These will inform Purchasing that the materials ordered have been delivered by the Supplier and transhipped to the Site.

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7. Upon arrival of the Invoice and the Bill of Lading, match the quantities and amounts indicated with those of the PO in suspense. Also match with any PO Change/Cancellation in file or pending with the Buyer.
 - 7.1 If there are discrepancies between the Invoice and the PO, inform and resolve with the Supplier.
 - 7.2 If there are no discrepancies, note down the Invoice No. and Bill of Lading No. on the PO and file the PO and Invoice in the Awaiting MRR file.
8. File the Bill of Lading in a Bill of Lading file by site.
9. Upon receipt of the MRR, compare the quantities and amounts with those of the PO and Invoice.
 - 9.1 If the MRR quantities and amounts differ from those of the PO and Invoice and/or a Materials Inspection/Damage Report is received from the Site, refer to the procedures in Chapter 4.2.1 of this Manual for processing exception shipments.
 - 9.2 If there are no discrepancies between the MRR and the PO/Invoice quantities and amounts, record the MRR No. and date on the PO.
10. File the PO, Invoice, MRR and other related documents in the Completed PO file.

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11. Processing Late Deliveries or Failure To Deliver. If the Supplier delivers after the promised delivery date or fails altogether to deliver without prior notice, prepare a prenumbered Penalty Clause form in five (5) copies. Indicate:
 - a. Date
 - b. Supplier Name and Address
 - c. PO No.
 - d. PO Amount
 - e. Reason for Penalty - Check the appropriate box.
 - f. Details of Non-Delivery or Late Delivery:
 - Quantity and Description of Items Ordered
 - Date Promised
 - Date Received by BC Receiving & Inspection
 - Number of Days Delayed
 - g. Penalty Clause - Check the appropriate box.
 - h. Amount of Penalty
 - i. Recommended By - Printed Names and Signatures of the Buyer/Supervisor and the Purchasing Manager.

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- j. Approved By - Printed Names and Signatures of the Procurement Group Manager and the Materials Division Manager.
- k. Debit Memo No. / Date - To be filled up by Accounting.
- 12. With an Order Follow-up Referral form attached, route the Penalty Clause form for approval.
- 13. Distribute the approved Penalty Clause form as follows:
 - "Supplier" - Supplier
 - "Accounting" (2 copies) - One (1) copy shall be returned to the Order Follow-up Clerk once the penalty has been imposed. The "DEBIT MEMO NO." should have been filled up by Accounting.
 - "Minesite" - Site Materials Manager
 - "File" - With the PO copy in the Suspense File if awaiting a PO Change/Cancellation.
 - With the PO copy in the Awaiting MRR file if a late delivery.
- 14. For failure to deliver, prepare an Order Follow-up Referral form as described Paragraph 2 above to request the Buyer prepare a PO Change/Cancellation.

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B. FOLLOW-UP OF LOCAL PURCHASES -
SPECIAL TYPE PURCHASES

15. Items Under an Open/Blanket PO. Receive and file the "PURCHASING" copy of the PO in an Open PO file.
16. When a PR for materials covered by an Open PO is received, call up the Supplier to inform him of the requirements.
17. Upon receipt of the Invoice and the Bill of Lading from BC Receiving & Inspection, file the Invoice with the PO in the Open PO file. File the Bill of Lading in the Bill of Lading file by Site.
18. Upon receipt of the MRR, file this with the PO and Invoice in the Open PO file.
19. At year-end or upon expiration of the Open Purchase Order, attach the PO to the Invoices and MRRs and file in the Completed PO file.
20. Items Under Consignment. File the Procurement copy of the Consignment Contract.
21. When a Consignment PO (TC 59) and a Consignment MRR (TC 69) are received, send a copy of the Consignment PO to the Supplier for him to replenish the indicated quantities.
22. File a copy of the Consignment PO and MRR together with the Consignment Contract.
23. Upon expiration of the Consignment Contract, attach the Contract to the POs and MRRs and file in the Completed Consignment Contract file.

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24. Items Under a Systems Contract. Please refer to the special procedures on Systems Contracting under Chapter 8.1.1 of this Manual.

C. FOLLOW-UP OF FOREIGN PURCHASES

25. File the Treasury copy of the PO and the Proforma Invoice in the Foreign Order Envelope. Indicate the following information on the Envelope:

- a. Description of the Items
- b. Date Required
- c. Supplier
- d. Requisition No.
- e. PO No. and Date

26. File the Foreign Order Envelope sequentially by PO No. in suspense.

27. Stamp the "PURCHASING" copy of the PO with "TARIFF HEADING _____; DUTY RATE _____" and forward together with the "CUSTOMS" copy to Customs.

CUSTOMS SECTION

28. Indicate the tariff heading and duty rate on the "PURCHASING" copy based on the Tariff and Customs Code.

29. Print the names and affix the signatures of the Customs Clerk and the Customs Manager. Return the "PURCHASING" copy of the PO to the Order Follow-up Clerk and file the "CUSTOMS" copy.

ORDER FOLLOW-UP

30. File the PO copy in the corresponding Foreign Order Envelope.

31. Thirty (30) days before the stipulated shipment date, confirm with the Supplier the expected date of shipment.

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32. Prepare a Request for Letter of Credit in two (2) copies. Indicate:
- a. PO No.
 - b. PO Amount
 - c. L/C Life
 - d. Mode of Shipment - Oceanfreight or Airfreight.
 - e. Beneficiary - Supplier Name.
 - f. PSCC - Philippine Standard Commodity Code
 - g. L/C to be Opened - Confirmed or Unconfirmed.
 - h. Prepared By - Printed Name and Signature of the Order Follow-up Clerk.
 - i. Noted By - Printed Names and Signatures of the Buyer and Supervisor.
 - j. Approved By - Printed Names and Signatures of the Purchasing Department and Group Managers.
33. Assign an L/C Classification Code based on the condition indicated in the PO.
- A - Open L/C Before Processing Delivery
 - B - Ready for Shipment
 - C - Long-Term Delivery
- Indicate the L/C Code and the L/C Request No. on the upper portion of the Request for L/C form.

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34. Record the following information in the L/C Request Logbook (by L/C Classification):
 - a. L/C Request No.
 - b. PO No.
 - c. Supplier
 - d. Description of Items
 - e. Amount
 - f. Date Applied

35. Prepare an Import Entry Declaration (IED) in five (5) copies and three (3) additional facsimile copies. Indicate:
 - a. Name, Address and Tax Account No. of Importer.
 - b. Name, Address and Tax Account No. of Broker.
 - c. Country of Origin
 - d. Country of Exportation
 - e. Proforma Invoice No. - Supplier's Quotation Reference Number.
 - f. Cost (FOB)
 - g. Freight
 - h. Total Cost / L/C Amount
 - i. Rate of Exchange
 - j. Quantity and Description of Items in Tariff Terms including:
 - Trade mark, grade, quality, model, style, year of make, etc.
 - PSCC Commodity Code

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- k. Dutiable Value - In Pesos.
 - l. Tariff Heading
 - m. Rate of Duty
 - n. Duty
 - o. Licensed Imported Atty-In-Fact - Printed Names of the Manager-Treasury and Division Manager-Materials.
 - p. Residence Tax Certificate Nos. of Importer Atty-In-Fact.
36. Accomplish a Regular Import Letter of Credit Opened form in four (4) copies. Indicate:
- a. Importer
 - b. Commodity Description
 - c. Commodity Code
 - d. Quantity and Unit of Measure
 - e. Unit Price - In Original Currency.
 - f. Value - In Original Currency.
 - g. Total Amount of L/C - In Original Currency.
 - h. Tenor of Draft - Availability of L/C.
 - i. Value Reference
 - j. Beneficiary/Supplier
 - k. Country of Origin

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37. Attach the "TREASURY" copy of the PO to the following and route for approval:
 - a. Request for Letter of Credit (2 copies)
 - b. Proforma Invoice (8 copies)
 - c. Import Entry Declaration (8 copies)
 - d. Regular Import Letter of Credit form (4 copies)
38. Once approved, retain the last copy of the above documents and forward all other copies to Treasury.

TREASURY

39. Prepare an application for a Letter of Credit and forward the following to the local bank:
 - a. Purchase Order - Treasury Copy
 - b. Proforma Invoice
 - c. Import Entry Declaration
 - d. Regular Import Letter of Credit Opened
40. Once a Letter of Credit has been opened, inform the Order Follow-up Clerk of the following L/C details:
 - a. L/C No.
 - b. L/C Amount
 - c. Agent (Local) Bank
 - d. Correspondent (Foreign) Bank
 - e. Life of L/C - "FROM" and "TO" Dates
41. File the L/C copy and forward the Import Entry Declaration and BC Official Receipt to Customs.

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42. Record the L/C details in the Foreign Order Envelope.
43. Relay the L/C details to the Supplier through telephone or telex, as necessary.
44. Upon arrival of the confirmation copies of the L/C, distribute as follows:
 Original - Supplier
 Duplicate - Foreign Order Envelope
45. Complete the L/C details required on the Foreign Order Envelope.
46. Two (2) weeks after the L/C opening, start following up the order with the Supplier. For each follow-up, record the following information on the Foreign Order Envelope:
 - a. Date of Follow-up
 - b. Reference - Telephone No., Telex No., Name of Supplier Representative
 - c. Result of Follow-up
47. Obtain the shipping details from the Supplier and relay these to the Site MMG through RTM and to the Customs Section.
48. Record the shipping details on the Foreign Order Envelope.
49. Record all correspondences with the Site MMG on the Foreign Order Envelope.
50. Upon arrival of the advance copies of the following documents from the Supplier, match with the PO copy on file:

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<u>RESPONSIBILITY</u>	<u>P R O C E D U R E S</u>
ORDER FOLLOW-UP	<ul style="list-style-type: none"> a. Airwaybill or Bill of Lading b. Commercial Invoice c. Packing List <ul style="list-style-type: none"> 51. Xerox one (1) copy each of the documents and forward to Customs Section. Record the document reference numbers and file the documents in the Foreign Order Envelope. 52. Follow up the clearance of materials with the Customs Section and record on the Foreign Order Envelope. 53. Upon arrival of the Bill of Lading copy from BC Receiving & Inspection, record the B/L Number on the Foreign Order Envelope and then file the document in the Bill of Lading file by site. 54. Upon receipt of the MRR, compare the quantities and amounts with those of the PO. <ul style="list-style-type: none"> 54.1 If the MRR quantities and amounts differ from those of the PO and/or a Materials Inspection/Damage Report is received from the Site, refer to the procedures in Chapter 4.2.1 of this Manual for processing exception shipments. 54.2 If there are no discrepancies between the MRR and the PO, record the MRR No. and file in the Foreign Order Envelope. 55. Annotate the Foreign Order Envelope with "COMPLETE" and file in a Completed Foreign Order file.

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ORDER FOLLOW-UP

D. FOLLOW-UP OF PURCHASES THROUGH BENGUETCORP CANADA LTD. (BCL)

56. File the "PURCHASING" copy of the Letter Order (LO) in the Letter Order Masterfile.
57. Upon receipt of the acknowledged copy of the Letter Order from Benguetcorp Canada, Ltd. (BCL), indicate the necessary information and file in the Foreign Order Envelope.
58. Two (2) weeks after acknowledgement of the Letter Order, follow up the BCL Purchase Order.
59. Upon receipt of the BCL PO, distribute as follows:
 - Original - Order Follow-up (Foreign Order Envelope)
 - Duplicate - BCL Masterfile
 - Triplicate - Site Receiving
 - Quadruplicate - Accounting
60. Match the Order Follow-up copy of the BCL PO with the LO and indicate the BCL PO Number on the LO.
61. Check the shipping details indicated on the BCL PO:
 - 61.1 For oceanfreight, proceed with the L/C opening and follow procedures for regular foreign orders.
 - 61.2 For airfreight, no L/C will be opened. Airfreight shipments are against the revolving L/C.

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ORDER FOLLOW-UP	<p>62. Await shipping documents from BCL.</p> <p>63. Upon receipt of three (3) sets of the following documents, match with the BCL PO:</p> <ul style="list-style-type: none"> a. Airwaybill or Bill of Lading b. Summary Invoice c. Commercial Invoice(s) d. Forwarder's Invoice <p>64. Record the data required from the documents received on the Foreign Order Envelope.</p> <p>65. Distribute the three (3) sets of documents as follows:</p> <p>"Order Follow-up"</p> <p>"Customs" - One (1) copy for (2 copies) transmittal to Broker.</p> <p>- One (1) copy for computing LCF and transmittal to the site MMG.</p> <p>66. File the Commercial Invoice(s) in the Foreign Order Envelope.</p> <p>67. File the Airwaybill/Bill of Lading, Summary Invoice and forwarder's Invoice together in the "BCL DOCUMENTS" file arranged sequentially by BCL's transmittal slip control number.</p> <p>68. Follow up clearance of the materials with Customs.</p> <p>69. Await the Bill of Lading from BC Receiving & Inspection and the MRR from the site.</p>	

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70. Once all documents are received and there are no discrepancies, annotate the Foreign Order Envelope with "COMPLETE" and file in the Completed Foreign Order file. Any discrepancies should be resolved with the Site and the Buyer.



BenguetCorp

MATERIALS MANAGEMENT POLICIES, PROCEDURES & METHODS		
FUNCTION PURCHASING	CHAPTER 3.3	EFFECTIVITY DATE 1 JANUARY 1990
SUBJECT RECEIPT & INSPECTION OF MATERIALS AT THE BC RECEIVING WAREHOUSE		APPLICATION BC RECEIVING
		SUPERSEDES: CHAPTER 3.4.1 dtd 17 APR 1978
FOR : BC RECEIVING & INSPECTION SECTION : AFC RECEIVING SECTION : MINES RECEIVING SECTION : CHQ PROCUREMENT GROUP : CUSTOMS SECTION		
FORMS USED : PURCHASE ORDER : INVOICE / DELIVERY RECEIPT : MATERIALS INSPECTION REPORT : WEEKLY REPORT OF INDENT ORDERS		
<u>INTRODUCTION</u>		
1. Materials and equipment delivered to the AFC Terminal include the following: a. Purchased materials and equipment for transshipment to the BC field districts; b. Items to be returned to supplier; c. Borrowed items intended for the BC field districts or other companies; d. Items for disposal; e. Items/equipment for repair; and, f. Other items for delivery to consignee departments.		
2. The BC Receiving & Inspection Section detailed at the AFC Terminal shall be responsible for the proper receipt, inspection and disposition of materials coming from or intended for the BC field districts. Specifically, these involve: 2.1 For purchased materials to be transhipped to the BC field districts: a. Inspecting incoming cargo against order specifications;		

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- b. Receiving shipments found to be in accordance with orders;
 - c. Arranging shipment of cargo to the respective projects; and,
 - d. Preparing the necessary Materials Inspection Reports to cover the shipments.
- 2.2 For all other materials:
- a. Inspecting and receiving cargo;
 - b. Storing the item(s) properly and/or arranging shipment of the items to their respective consignee departments; and,
 - c. Preparing the necessary documents to cover the shipments.
3. AFC shall assist in the inspection and take charge of physical handling and storage.
4. The BC Receiving & Inspection Section shall also assist in the follow up of any claims for damage or loss incurred in-transit between AFC and the intended destination.
5. The CHQ Procurement Group shall be responsible for furnishing the BC Receiving & Inspection Section copies of POs, PO Change notices and other necessary documents for materials to be received and cleared at the AFC Terminal.
6. The BC Customs Section shall be responsible for furnishing the BC Receiving & Inspection Section copies of packing lists and other necessary documents prior to the delivery of foreign orders.
7. The Materials Groups at the field districts shall be responsible for:
- 7.1 Informing the BC Receiving & Inspection Section of any discrepancies in the items and quantities received at the field districts; and,

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7.2 Ensuring that all items shipped from the field district are properly covered by the BC Waybill.

RESPONSIBILITY

P R O C E D U R E S

A. RECEIVING PURCHASED MATERIALS INTENDED FOR A BC FIELD DISTRICT

BC RECEIVING &
INSPECTION/
AFC RECEIVING

1. Receiving Local Shipments. Upon delivery of materials, inspect and check the quantities and specifications with those indicated in the Invoice/Delivery Receipt.

BC RECEIVING &
INSPECTION

2. Retrieve the Purchase Order from file and match with the Invoice/DR. Check specifically the following:

- a. Description
- b. Unit of Measure
- c. Quantity

3. If matched, stamp the Invoice/DR with "RECEIVED & INSPECTED BY", indicate the extent of inspection and sign. If unmatched, prepare a Materials Inspection Report (refer to Paragraphs 19 to 21 of this Chapter).

4. Indicate the Invoice/DR No. on the PO and endorse the items to AFC.

NOTE:

There may be instances when the items received can be sent thru other carriers. In such cases, the Invoice shall be marked accordingly and signed by BC. The items shall not be endorsed to AFC.

AFC RECEIVING

5. Countersign the Invoice/DR to signify its correctness and acceptance of the items from BC.

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<u>RESPONSIBILITY</u>	<u>P R O C E D U R E S</u>	
BC RECEIVING & INSPECTION	<p>6. File the Invoice/DR in the For Shipment file.</p> <p>7. Record the following in the Control Register:</p> <ul style="list-style-type: none"> a. PO No. b. Date Received c. Supplier d. Invoice/DR No. e. No. of Line Items f. Initials of the BC and AFC Receiving personnel 	
AFC RECEIVING	<p>8. Repack or crate materials, if necessary. Seal packages and label as follows:</p> <ul style="list-style-type: none"> a. PO No. b. Invoice/DR No. c. Supplier <p>9. Sort materials by minesite and store in a reserved area for BC materials ready for shipment.</p>	
BC RECEIVING & INSPECTION/ AFC RECEIVING	<p>10. <u>Receiving Foreign Shipments.</u> Upon delivery of foreign-sourced materials, inspect packages and check the accompanying documents following Paragraphs 2 to 9 above.</p>	
BC RECEIVING & INSPECTION	<p>11. Prepare and process a Materials Inspection Report specifying the documents accompanying the delivery. Refer to Paragraphs 19 to 21.</p>	

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B. SHIPMENT OF MATERIALS TO THE FIELD DISTRICT

12. When materials are to be shipped to a minesite, retrieve the corresponding Invoice/DR from the For Shipment file.
13. Shipments Via AFC. Hand the Invoices/DRs to AFC for preparation of a Bill of Lading.
14. Shipments Via Other Carriers. Prepare a Waybill in seven (7) copies covering materials to be sent to the site.
15. Record the Bill of Lading No. or the Waybill No. on the Control Register.
16. Load the materials on the designated vehicle for delivery to the minesite.
17. For foreign shipments, prepare a weekly report of Indent Orders shipped to the site. Indicate the following:
 - a. PO No.
 - b. AWB No./Vessel
 - c. Broker's Waybill/DR No. and Date
 - d. Date Received
 - e. Unit
 - f. Description
 - g. Date Shipped to the Site
 - h. AFC Bill of Lading No.

AFC RECEIVING

BC RECEIVING &
INSPECTION

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<u>RESPONSIBILITY</u> BC RECEIVING & INSPECTION	<u>P R O C E D U R E S</u>	
	<p>18. Distribute the Report as follows:</p> <p style="padding-left: 40px;">Original - Procurement Duplicate - Customs Triplicate - File</p> <p>19. Prepare a Materials Inspection Report for the following:</p> <p style="padding-left: 40px;">a. Overshipments. b. Shortshipments. c. No PO information on file. d. Quantity difference between the PO and the Invoice/DR. e. All foreign shipments.</p> <p>20. Prepare a Materials Inspection Report in five (5) copies indicating:</p> <p style="padding-left: 40px;">a. PO/BCL PO No. b. Discrepancies - For foreign shipments, the documents received. c. Invoice/DR No. d. Destination e. Inspected By - Printed Names and Signatures of the BC and AFC Receiving personnel.</p> <p>21. Distribute copies of the Report as follows:</p> <p style="padding-left: 40px;">Original) Minesite (w/ the Duplicate) Invoice/DR)</p>	

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BC RECEIVING &
INSPECTION

P R O C E D U R E S

Triplicate - Supplier

Quadruplicate - Invoice File

Quintuplicate - Customs (for
foreign shipments)

C. RECEIVING MATERIALS SHIPPED BY A BC FIELD DISTRICT

22. Obtain the Waybill covering the delivery from the carrier's representative and inspect the packages and the items received against the description and quantity indicated in the Waybill.
23. Indicate on all copies of the Waybill the details of any shortage/loss, discrepancy and apparent damage or evidence of tampering with sealed containers. The receiver and carrier's representatives shall sign the Waybill.
24. Record the Waybill particulars in a Waybill Logbook then return a copy of the BC Waybill to the field district concerned (c/o the Warehouse Receiving Section) to serve as an acknowledgement that the goods were received in the condition indicated thereon.
25. Determine from the department concerned (i.e., consignor or consignee department) whether the item will be stored at AFC, delivered to the consignee, or returned to the consignor. Arrange proper storage of items pending advice, or as advised by the department concerned.

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INSPECTION

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26. Prepare the necessary documents and arrange shipment of items to their respective destinations according to the instructions of the department concerned. Have the carrier's representative sign the Documents Transmittal Slip to acknowledge receipt of the items and the covering documents.

D. RECEIVING NON-PURCHASED MATERIALS INTENDED FOR A FIELD DISTRICT

27. All non-purchased materials and equipment intended for the field districts shall be processed per Paragraphs 22 to 26 above if these are covered by a Waybill. If the materials are not covered by a Waybill, check the condition of the item, prepare a BC Waybill, and arrange shipment to the field district/department concerned following Paragraph 26 above.

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY, METRO MANILA) S. S.

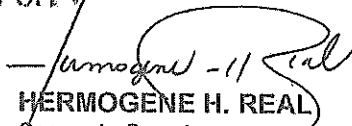
SECRETARY'S CERTIFICATE

I, the undersigned, being the duly elected Corporate Secretary of BENGUET CORPORATION, a Corporation duly organized and existing under and by virtue of the laws of Philippines, with principal office address at 7th Floor, Universal-Re Building, 106 Paseo de Roxas, Makati City, DO HEREBY CERTIFY: That during the regular meeting of the Board of Directors held on April 13, 2012, the Board approved the following resolutions duly adopted, to wit:

"RESOLVED, That the Board of Directors authorize and approve, as it hereby authorizes and approves the Company's participation/membership in the Wholesale Electricity Spot Market (WESM);

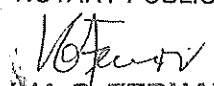
RESOLVED, FURTHER, That the Board of Directors hereby authorizes its Chief Finance Officer, Mr. Renato A. Claravall or its Vice President/General Manager-Benguet Gold Operations, Mr. Randolph B. Afidchao, Jr., to sign, execute and deliver for and in behalf of the Corporation said application for membership with Wholesale Electricity Spot Market (WESM), as well as any and all other documents to be executed in relation thereto."

IN WITNESS WHEREOF, I have hereunto subscribed my name this 23 day of April, 2012 at Makati City, MANDALUYONG CITY


HERMOGENE H. REAL
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME this 23 day of April, 2012 at Mandaluyong City, Metro Manila, affiant exhibited to me her SSS No. 03-3235876-3 and Community Tax Cert. No. 07067072 issued on March 1, 2012 at Makati City.

Doc. No. 26 ;
Page No. 7 ;
Book No. II ;
Series of 2012.

NOTARY PUBLIC

LINA G. FERNANDEZ
NOTARY PUBLIC UNTIL DEC. 31, 2012
COMMISSION No 0268-11
65 SIKAP ST., MANDALUYONG CITY
ROLL OF ATTORNEYS No.52122
IBP No.068790/JAN. 2, 2012/R3M
PTR No1296481/JAN. 2, 2012/MANDALUYONG

POWER SUPPLY AGREEMENT

This Power Supply Agreement ("Agreement") is executed by and between:

THERMA LUZON, INC., a domestic corporation duly organized and existing by virtue of the laws of the Republic of the Philippines, with office address at Governor Manuel A. Cuenco Avenue, Kasambagan, 6000, Cebu City, Cebu, represented herein by its Executive Vice President, Mr. Benjamin A. Cariaso Jr. (hereinafter referred to as "Supplier");

and

BENGUET CORPORATION, a domestic corporation duly organized and existing by virtue of the laws of the Republic of the Philippines, with principal office address at Universal Re-Building, 106 Paseo de Roxas, 1226 Makati City, represented herein by its Chief Finance Officer, Mr. Renato A. Claravall (hereinafter referred to as "Customer").

(Supplier and Customer shall be individually referred to herein as a "Party," and collectively, as the "Parties".)

RECITALS:

WHEREAS, on October 1, 2009, Supplier assumed management and control of the contracted capacity of the Power Plant pursuant to and in accordance with the independent power producer ("IPP") Administration Agreement executed between Supplier and the Power Sector Assets and Liabilities Management Corporation ("PSALM"), with the conformity of National Power Corporation ("NPC");

WHEREAS, as the IPP Administrator for the 700-MW contracted capacity of the Power Plant, Supplier has the right to trade, sell or deal with the contracted capacity of the Power Plant;

WHEREAS, Supplier agrees and offers to sell Energy, and Customer agrees to take and purchase such Energy, upon the terms and subject to the conditions set out in this Agreement;

NOW THEREFORE, under the above premises and for and in consideration of the mutual covenants and agreements hereinafter set forth, the Parties, for themselves and their respective successors and assigns, have mutually agreed as follows:

ARTICLE 1
DEFINITIONS

- 1.1 Capitalized terms used in this Agreement have the respective meanings given to them in Schedule 1.1 (*Definitions*).

ARTICLE 2
INTERPRETATION

- 2.1 This Agreement shall be construed in accordance with the rules of interpretation set out in Schedule 2.1 (*Interpretation*).

ARTICLE 3
STATUS OF CUSTOMER

- 3.1 (a) The status of Customer is, and the conditions applicable to Customer on account of such status are, as set out in Schedule 3.1(a) (*Special Conditions*) to this Agreement.

- (b) The provisions set out in Schedule 3.1(b) (*General Conditions*) shall also apply to this Agreement.

ARTICLE 4
CONTRACT PERIOD

- 4.1 The Agreement shall take effect immediately from Effective Date until the end of the last Billing Period specified in Schedule 4.1 (*Delivery Schedule*); provided, that obligations of the Parties arising prior to the date of expiration or termination and those which, by their nature, are to be performed after expiration or termination of the Agreement or which are expressed herein to survive the expiration of the Contract Period or the termination hereof shall survive any such expiration or termination.
- 4.2 Notwithstanding the execution of this Agreement and the occurrence of the Effective Date, the obligation of Supplier to commence delivery of Energy shall be subject to the satisfaction, by the Closing Date, of the following conditions precedent:
- (a) receipt by Supplier of a certificate, in form and substance satisfactory to Supplier, executed by the corporate secretary or a majority of the board of directors of Customer, attesting that the board of directors of Customer has adopted resolutions (i) authorizing Customer to execute and to enter into and deliver this Agreement and perform all its obligations hereunder, and (ii) designating the person authorized to execute this Agreement on behalf of Customer;
 - (b) receipt by Supplier of the Security Deposit pursuant to Article 7.2 hereof, such Security Deposit to be in the form set out in Schedule 7.2.1 (*Security Deposit*) hereof;
 - (c) the filing of an application by Customer with the ERC and other pertinent government agencies (where applicable) for the approval of this Agreement, such filing to be made within fifteen (15) days after the Effective Date; and
 - (d) the approval by the ERC and other pertinent government agencies (where applicable) of all the terms and conditions of this Agreement.

Upon fulfillment of all the foregoing conditions precedent, Supplier shall deliver written notice to Customer confirming receipt of the relevant documents and instruments described above.

Upon the issuance and delivery by Supplier of the written notice referred to in the immediately preceding paragraph, (i) Supplier shall thereafter be deemed to have satisfied itself as to Customer's compliance with the foregoing conditions precedent, and (ii) Closing shall be deemed to have occurred.

- 4.3 In the event that one or all of the conditions precedent required under Article 4.2 are not satisfied by the Closing Date, Supplier shall have the sole option and discretion to:
- (a) terminate this Agreement by delivery of written notice of such termination which termination shall take effect immediately from delivery by Supplier of such written notice; and/or
 - (b) waive, modify or grant to Customer a grace period for the satisfaction of, any condition precedent that has not been satisfied by the Closing Date by delivery of a written notice of such waiver, modification or grant of grace period to Customer in the form set out in Schedule 4.3(b) (*Form of Waiver, Modification, Grant of Grace Period*); and/or
 - (c) if the condition that remains unsatisfied is receipt by Supplier of the Security Deposit, Supplier may at its option and by delivery of written notice to Customer in the form set out in Schedule 4.3(c) (*Form of Notice of Increase of Basic Energy Charge*), increase the

Basic Energy Charge until such time as Customer shall have delivered the Security Deposit to the satisfaction of Supplier.

- 4.4 Without limiting the provisions of Article 4.2 or Article 4.3 hereinabove, if Customer requests a waiver of the condition in Article 4.2(d) and requires the immediate delivery of Energy by Supplier notwithstanding that the ERC and other pertinent government agencies (where applicable) have not yet approved this Agreement (whether such approval is provisional or otherwise), then any deliveries of Energy to be made by Supplier shall be conditioned upon satisfaction of all the other terms and conditions set out in this Agreement (other than the condition set out in Article 4.2(d)) and shall not in any way be affected or impaired by the terms of any subsequent provisional or final approval issued by the ERC and other pertinent government agencies (where applicable). For the avoidance of doubt, the filing of an application for the approval of this Agreement by the ERC and other pertinent government agencies (where applicable) shall be Customer's responsibility, including the implementation or application of any such approval, and the effects, consequences and costs arising, directly or indirectly, out of such approval shall be for the sole account of Customer, which shall remain obligated to pay all its monetary obligations to Supplier under the terms and conditions of this Agreement and to faithfully observe all its other obligations under this Agreement. Further, the disapproval, denial, imposition of conditions, or any other action of the ERC and other pertinent government agencies (where applicable) in respect of such application of this Agreement shall not allow Customer to invoke Force Majeure, and to avail of the remedies arising out of any such declaration of Force Majeure, including being relieved or excused from any of its obligations hereunder.

In the event that approval by the ERC and other pertinent government agencies (where applicable) shall have the effect of impairing the terms and conditions of this Agreement in any respect, Supplier may, in addition to its right to terminate this Agreement and its rights under Article 4.3 above,

- (a) suspend further deliveries of Energy;
- (b) reduce the quantities of electricity it undertakes to deliver; or
- (c) take such other action it deems necessary in order to maintain, as far as practicable, the arrangements set out in this Agreement.

Without limiting and/or modifying the provisions of Article 10 of this Agreement, Customer shall (a) indemnify Supplier and Supplier's stockholders, officers, directors, personnel and agents, and hold each of them free and harmless, against and from all claims, damages, losses and expenses whatsoever (including legal fees and expenses) in respect of (i) any fines, penalties and liability of any kind that may be imposed, or (ii) any lost discounts, rebates or other benefits that Supplier may have been otherwise entitled to receive from the ERC and other pertinent government agencies (where applicable); and (b) assume full responsibility and shall not hold Supplier answerable or accountable for any amount, claim, liability, or sum arising from any cause of action, administrative, civil or criminal, in respect of the delivery of energy under this Section 4.4, all of which shall be for the account of Customer.

- 4.5 If Supplier provides a further period for the satisfaction of any condition precedent in accordance with Article 4.3(b), it shall notify Customer in writing of the date to which the Closing Date and/or the Delivery Date shall be extended on account of the grant of such grace period.
- 4.6 This Agreement may only be renewed or extended in writing by the Parties not later than six (6) months prior to the expiration of the Contract Period. Either Party may deliver a written notice of its intent to renew this Agreement not later than twelve (12) months prior to the expiration of the Contract Period, and the Parties shall meet as soon as reasonably practicable after the other Party shall have received such notice to discuss in good faith the terms and conditions that will apply in respect of any extension or renewal of this Agreement. In the event that no

renewal or extension of this Agreement is executed by the Parties not later than six (6) months prior to the expiration of the Contract Period or no corresponding application for approval of such renewal or extension by the ERC and other pertinent government agencies (where applicable) is filed by Customer within two (2) weeks from such execution, Supplier shall have the right to consider this Agreement terminated as of the date of expiration of the Contract Period.

ARTICLE 5
GOVERNMENT APPROVAL

- 5.1 Subject to Article 5.2, Customer shall be solely responsible for the preparation and filing with the ERC and other pertinent government agencies (where applicable) of the application for the approval, without any modification, of this Agreement.
- 5.2 Supplier shall have the right, but not the obligation, to review for correctness, accuracy and completeness, any document (including the application for approval of the ERC and other pertinent government agencies) or other information prepared by Customer prior to the submission of such documents, information or data to the ERC and other pertinent government agencies (where applicable). Supplier shall also have the right, but not the obligation, to participate in the proceedings for the approval of this Agreement.

Articles 4.2, 4.3 and 4.4 shall continue to apply notwithstanding Supplier's exercise or non-exercise of one or more of its rights under this Article 5.2.

ARTICLE 6
SUPPLY OF ENERGY

- 6.1 During the Contract Period, and provided that Closing shall have occurred, Supplier shall supply and deliver Energy (whether from the capacity of the Power Plant or the power plants owned or operated by any of its Affiliates, WESM or any other supplier) to Customer during the Billing Periods specified in Schedule 4.1 (*Delivery Schedule*), at the Metering Points specified in Schedule 6.1.1 (*Metering Points*), and at the rates specified in Schedule 6.1.2 (*Rate Schedule*); provided that, Supplier shall not be obligated to deliver Energy following the date of termination or expiration of this Agreement.
- 6.2 Customer shall furnish Supplier with its hourly nomination of demand on a daily, weekly, and monthly basis in accordance with the procedure set out in Schedule 6.2 (*Nomination Procedure*). If Customer is unable for any reason to furnish such nominations, Supplier shall use the latest historical data for the same hour, day or week, and Supplier's determination shall be binding upon Customer.

In the event that Customer enters into an agreement with another supplier for the supply of electric energy, Customer shall submit its fixed hourly nominations in accordance with Schedule 6.2 (*Nomination Procedure*).

- 6.3 During the Contract Period, Customer shall (a) pay Electricity Fees, (b) post and maintain the Security Deposit, and (c) enter into any and all contracts with NGCP as may be necessary for the transmission of electricity and the consummation of the transactions contemplated under this Agreement.
- 6.4 Customer may request an adjustment to the Contract Energy or Maximum Contract Demand per interval in respect of a particular Billing Period by delivery of written notice thereof at least thirty (30) days before the date on which such adjustment is proposed to take effect, setting out the reasons therefor and providing all documents necessary to support the request. Any such request shall be subject to approval by Supplier in its sole discretion (which approval shall not be unreasonably withheld).

*Adjustment
and
request*

If applicable, Customer shall have the obligation to secure all the necessary approvals from relevant Governmental Authorities to authorize and accommodate the increase or reduction in its Energy requirements.

- 6.5 The NGCP-Metering Services Group ("NGCP-MSG") or Third Party Meter Reader shall conduct all meter readings at the end of each Billing Period. The Parties may dispute the meter reading result in accordance with Article 8. The Parties may likewise seek the replacement of the NGCP-MSG or other Third Party Meter Reader upon written mutual agreement.
- 6.6 In the event of an error in the Billing Statement due to an error in reading, use of the wrong kWh meter multiplier, arithmetical mistakes, omissions, typographical errors, or inaccurate metering equipment readings, Supplier shall send Customer a debit or credit memo to correct the error upon verification with the NGCP-MSG.
- 6.7 No later than sixty (60) calendar days prior to each anniversary of the Effective Date, Customer shall send a written request and forecast of any proposed adjustments to the Contract Energy and Maximum Contract Demand per Interval which shall apply to the succeeding Contract Year pursuant to an increase or decrease in Customer's Energy requirements, whereupon, both Parties shall meet and negotiate in good faith on such proposed adjustments. In case Customer reduces its Contract Energy for any reason whatsoever (including procurement of its electricity requirements from an alternative source), Customer shall compensate Supplier for the reduction of the Contract Energy in the amount set out in Schedule 6.7 (*Buy-Out Charge*).

If the Parties do not agree in writing by the anniversary of the Effective Date on the adjustments to Contract Energy or the Maximum Contract Demand per Interval, the Contract Energy and the Maximum Contract Demand per Interval set out in Schedule 4.1 (*Delivery Schedule*) shall continue to apply.

At any time during the Contract Period, Customer may send a written request to increase the Contract Energy no later than six (6) months prior to the date of effectivity of such proposed increase, whereupon, both Parties shall meet and negotiate in good faith on such proposed increase.

- 6.8 Notwithstanding any provision in this Agreement to the contrary, Supplier has the right, at its sole discretion, to source Replacement Power or Back-Up Power from any available alternative sources. During Allowable Downtime of Supplier, it shall supply Replacement Power to Customer, for which Supplier shall charge Customer the Replacement Power Charge. For any other outages not arising out of Force Majeure, Supplier shall provide Replacement Power for a period of up to one hundred forty four (144) hours per calendar year, for which Supplier shall charge Customer according to the terms specified in Schedule 6.1.2 (*Electricity Fees*). If the outage exceeds such one hundred forty four (144)-hour period, Supplier shall charge Customer the Back-Up Power Charge.

During Allowable Downtime of Customer, it shall be entitled to a Maintenance Service Adjustment. For any other downtime of Customer Facility which prevents it from receiving electricity from Supplier due to reasons not arising out of Force Majeure, Supplier shall adjust the Contract Energy to take into account such downtime; provided that Supplier is informed in writing within two (2) days from occurrence of such downtime. The adjustment shall be made by reducing the Minimum Contract Energy by the unconsumed quantity of Energy by Customer in the Billing Period when the downtime occurred.

In case of Force Majeure affecting Supplier (where such Force Majeure affects Supplier's ability to supply electricity while Customer is still able to take and receive electricity), Supplier shall notify Customer of the occurrence of the Force Majeure, indicating the period of time and amount of Energy in kWh it is able to supply Customer during such period, to the extent that it can predict with a considerable degree of accuracy the information herein required. Immediately upon receipt of such notice, Customer shall inform Supplier whether it will take deliveries of Back-Up Power from Supplier.

If Customer is unable to take electricity due to Force Majeure but Supplier is otherwise able to generate electricity, Supplier shall deduct from Customer's Minimum Contract Energy the electricity that Customer was not able to consume on account of such event of Force Majeure.

ARTICLE 7
PAYMENT OF FEES & SECURITY DEPOSIT

7.1 Payment of Fees

7.1.1 Supplier shall deliver to Customer a Billing Statement setting out the Electricity Fees due on account of all Energy delivered during each Billing Period on or before the seventh (7th) day of the Payment Month. If Supplier sourced any Energy from another supplier during any particular Billing Period, the Billing Statement(s) shall (a) set out the quantities of Energy sourced from such other suppliers and the amount due thereon, (b) identify the account or accounts to which amounts payable to it may be paid, (c) identify value-added taxes due on all Energy sourced and delivered, if any, and (d) have attached thereto copies of invoices, statements, or other acceptable substitutes issued by the relevant supplier in respect of any Energy sourced and delivered by such supplier.

The hourly energy levels that will be used for purposes of the Billing Statement will be based on the Energy levels nominated by Customer pursuant to Schedule 6.2 (*Nomination Procedure*).

7.1.2 Customer shall pay all Electricity Fees without need of any demand on or before the Payment Date by remittance of funds to the account or accounts identified in the Billing Statement. All payments shall be made in lawful currency of the Philippines.

For the avoidance of doubt, any payments made by Customer shall be applied first against interest, penalties and other charges imposed under this Agreement, if any; then against Electricity Fees then due and payable.

7.1.3 Customer may be entitled to a payment discount if Customer pays the full amount of the Electricity Fees due in respect of a Billing Period, together with all other charges payable by it to Supplier under this Agreement and (unless otherwise waived as to any component thereof) all taxes due thereon, not later than the fifteenth (15th) day of the Payment Month, as provided in Item 1(a) (Payment Discount) of Schedule 3.1(b) (General Conditions). Supplier shall apply any such discount on the Electricity Fees accruing in the immediately succeeding Billing Period (but not on any taxes due thereon). Supplier shall credit the discount to the Electricity Fees due on Customer's next Billing Statement.

7.1.4 If Customer shall have taken Additional Energy, which shall in no case exceed 30% of the Maximum Contract Energy, Customer shall pay to Supplier the amount equivalent to: (a) the WESM ex-ante ~~Nodal Energy Price~~ Nodal Energy Price for the hour during which the Additional Energy was supplied at the Receiving Node; or (b) the contract price for the hour during which the Additional Energy was supplied at the Receiving Node, whichever is higher, including all incidental charges attendant to the transactions at the WESM.

7.1.5 For Back-Up Power and Replacement Power delivered by Supplier pursuant to Article 6.8, Customer shall pay to Supplier the corresponding Back-Up Power Charge and Replacement Power Charge equivalent to the rates specified in Schedule 6.1.2 (*Rate Schedule*).

7.1.6 In case the actual Energy consumed by Customer is below its Minimum Contract Energy, Customer shall pay Supplier an amount equivalent to the Minimum Energy Charge. However, if Customer is unable to take Energy, or is only able to take Energy

below the Minimum Contract Energy, solely due to Force Majeure resulting from the failure of or constraints attributable to the Transmission System, Customer may request Supplier to grant a Service Interruption Adjustment of the Minimum Contract Energy determined in accordance with Schedule 6.1.2 (*Rates Schedule*).

7.1.7 All payments made by Customer hereunder shall be made free and clear of and without any deductions for or on account of any set-off, counterclaim, tax, or otherwise, except as required by law or as mutually agreed in writing by the Parties. In the event Customer is prohibited by law from making payments hereunder free from deduction or withholding, then Customer shall pay such additional amounts to Supplier as may be necessary in order that the actual amount received by Supplier after deduction or withholding (and after the payment of any additional taxes or other charges due as a consequence of the payment of such additional amounts) shall equal the amount that would have been received by Supplier if such deduction or withholding had not been required.

7.1.8 If Customer fails to pay the Electricity Fee or any other amounts payable by it under this Agreement in full on the due date, it shall pay a penalty of two percent (2%) per month (a fraction of a month to be considered one month) based on the amount due, from the date when such payment is due until the date such amount is received in full by Supplier. In addition to the penalty, Supplier shall have the right (i) to draw against the Security Deposit; (ii) to temporarily suspend its obligation to generate and sell electric power to Customer without need of notice; (iii) to rescind or terminate this Agreement (and Customer shall be liable to pay the Termination Fee as provided in Article 14.4); (iv) to declare fees and charges for electricity supplied in the current Billing Period and such other unbilled periods, as due and payable, whereupon Customer shall pay such fees and charges immediately upon delivery by Supplier of the corresponding Billing Statement to Customer; and/or (v) to direct NGCP or any other relevant entity to disconnect Customer from the Grid; for such purpose, Customer hereby constitutes Supplier as its attorney-in-fact with full power and authority to effect such disconnection by the Customer from the Grid.

All interest, penalties and other charges imposed under this Agreement not paid when due shall likewise bear interest at the rate of two percent (2%) per month (a fraction of a month to be considered one month).

7.1.9 In case of non-payment by Customer, and without prejudice to any of Supplier's other remedies hereunder or under the law, Supplier may send Customer a written notice of discontinuance of supply or disconnection forty-eight (48) hours prior to such discontinuance of supply or disconnection. Supplier shall inform WESM and other relevant parties of such notice simultaneously with the delivery of the notice of discontinuance or disconnection to Customer. Customer shall indemnify and hold harmless WESM and/or the relevant industry parties that implement such discontinuance of supply or disconnection.

7.1.10 The responsibility for all other costs in respect of the transmission of Energy, all costs assessed by WESM and PEMC, and all other transmission, market and other fees, costs, and charges not forming part of the generation charge (including with respect to the Net Settlement Surplus), shall be as provided in Item 2 (b) of Schedule 3.1(b) (*General Conditions*).

7.2 Security Deposit

7.2.1 Prior to the commencement of the 2nd Contract Year and each Contract Year thereafter, the face value of the Security Deposit shall be adjusted in accordance with the formula set out in Schedule 7.2.1 (*Security Deposit*). Customer shall post the Security Deposit in the adjusted amount on or prior to the first day of the first Billing Period of each succeeding Contract Year.

- 7.2.2 In the event that Supplier draws against the Security Deposit, Customer shall replenish the Security Deposit to restore the value thereof to its original amount, on the business day immediately following the date Supplier shall have made a drawing thereon.
- 7.2.3 In the event that Customer does not replenish its Security Deposit in full as provided in Article 7.2.2, Supplier shall have the right to unilaterally (a) impose a premium on the Basic Energy Charge equivalent to an additional charge of PHP 0.20/kWh which shall be applied to the Billing Statement immediately following such failure to replenish the Security Deposit and all Billing Statements to be issued thereafter until such time as Customer shall have replenished the Security Deposit to the satisfaction of Supplier, (b) suspend the supply and delivery of Energy hereunder until such time as Customer shall have replenished the Security Deposit to the satisfaction of Supplier, or (c) terminate the Agreement with immediate effect, and Customer shall be liable to pay the Termination Fee in accordance with Article 14.4.

Together with such termination, Supplier shall have the right to unilaterally draw on the balance of the Security Deposit, and apply the proceeds thereof towards payment of the Termination Fee in accordance with Article 14.4.

- 7.2.4 The increase in the Basic Energy Charge as provided in Article 4.3(c) and Article 7.2.3 is not a substitute for the Security Deposit, but is a penalty premium on the Basic Energy Charge that Supplier may assess against Customer during the period when Customer has failed to deliver the Security Deposit as provided in Article 4.2(b), or has failed to post the adjusted Security Deposit as provided in Article 7.2.1, or has failed to replenish the Security Deposit to restore its amount to the value thereof prior to a drawing thereon, as provided in Article 7.2.2. Such increase in the Basic Energy Charge for the relevant period of non-compliance by Customer of the Security Deposit shall not be refunded to Customer, notwithstanding the delivery thereafter by Customer of the Security Deposit, replenishment of the amount thereof, or the termination of this Agreement by Supplier.
- 7.2.5 Supplier reserves the right, in its absolute discretion, to require Customer to immediately increase the Security Deposit or to post an additional Security Deposit if (a) Customer requests an increase in its Contract Energy, (b) Customer's electrical consumption in two consecutive Billing Periods exceeds its Maximum Contract Energy for such Billing Periods, or (c) Supplier determines in the exercise of its reasonable discretion that Customer's obligations and risks have increased or could reasonably be foreseen to increase, and where in any such case such increase would have a material adverse effect on Customer's ability to perform or comply with any of its obligations, or to exercise any of its rights, under this Agreement.

ARTICLE 8 BILLING DISPUTE

- 8.1 If Customer disputes any Billing Statement, Customer must notify Supplier in writing by the twelfth (12th) day of the Payment Month, specifying in said notice the items that are disputed in the Billing Statement. If the dispute is not resolved by the Payment Date, Customer shall pay the full amount stated in the Billing Statement on or before such due date, with the disputed portion paid under protest. The Parties shall endeavor in good faith to resolve the dispute within ten (10) days after payment in full of the amount stated in the Billing Statement. In case the dispute is not resolved within ten (10) days, then the matter shall be deemed to be a Dispute under and governed by Article 17.
- 8.2 If the Parties resolve the dispute in favor of Customer in accordance with Article 8.1, or if the Dispute on the Billing Statement is determined adversely to Supplier pursuant to Article 17, Supplier shall allow Customer a credit on the next Billing Statement in an amount equivalent to

that which Customer is resolved or determined to be entitled to (without any interest or penalty thereon whatsoever).

ARTICLE 9
TAXES, FEES AND COSTS

- 9.1 Customer shall be liable for and pay (i) any and all taxes (including value-added tax, if any), fees, charges, levies and imposts imposed or assessed by any Governmental Authority on or in connection with the purchase and sale of electricity and/or payments due to Supplier hereunder, and (ii) any new taxes, fees, charges, levies and imposts (including any increase in the rate or amount thereof after the date hereof but excluding income taxes imposed on Supplier and fines and penalties directly attributed to Supplier's gross negligence) after the date hereof in connection with the performance by Supplier of its obligations pursuant to this Agreement. Such payments shall be made as and when required pursuant to Applicable Laws in effect from time to time.
- 9.2 Customer shall also be liable for payment of the Universal Charge (as this term is defined in the EPIRA) upon the imposition thereof, it being understood that the imposition of the Universal Charge pursuant to the provisions of the EPIRA shall not be an event of Force Majeure.
- 9.3 Save as otherwise provided in this Agreement, each Party shall be liable for such costs and expenses that each may incur on account of the performance of its obligations hereunder.

ARTICLE 10
LIABILITY

- 10.1 Customer shall indemnify and hold harmless Supplier, its officers, directors, employees or agents from and against any liability, damages, claims or suits of all kind arising from the performance by Supplier of its obligations under this Agreement, except if such is due to the gross, willful and inexcusable negligence or intentional breach by Supplier of this Agreement, in which case, Customer shall use diligence in mitigating such or avoiding any further liability, damages, claims or loss.
- 10.2 Neither Party shall be liable to the other in any event for loss of profits, or for any indirect, special or consequential losses or damages, whether arising under tort, contract or otherwise, in respect of or in connection with this Agreement (without prejudice to the payment of any such losses or damages which have been or may be deemed included in the calculation of any amount comprised within the Electricity Fees and the payment of any other amount agreed by a Party to be payable by it to the other Party in accordance with this Agreement and the conditions hereof).

ARTICLE 11
FORCE MAJEURE

- 11.1 Force Majeure means any event, matter or circumstance that is unforeseeable or is outside the reasonable control of a Party and prevents or restricts the performance by that Party of its obligations hereunder, and shall include: (i) acts of God; (ii) acts of war or the public enemy, whether war be declared or not, terrorism, invasion, armed conflict or act of a foreign enemy, blockade, embargo, revolution and public disorders, including insurrection, rebellion, civil commotion, sabotage, riots and violent demonstrations; (iii) strikes, lockouts, riots, and labor disputes which in any such case are widespread or nationwide; (iv) floods, tidal waves, explosions, fires, earthquakes, typhoons and other natural calamities; (v) failure or inability of the Transmission System to transmit Energy to Customer, (vi) expropriation or compulsory acquisition of all or any material part of the Power Plant or the Site, or any other act of Governmental Authority that prevents or restricts Supplier's access to the Power Plant to the Site or limits or restricts the ability of Supplier to receive and transmit power from the Power Plant or from back-up power plants; (vii) change in Governmental Requirements in force from time to time after the date hereof, including (for the avoidance of doubt) any change in the

policies (or the interpretation or application of policies) of the Department of Energy, the ERC, NGCP or any Governmental Authority that regulates or exercises jurisdiction over the electric power industry (including the WESM) or any sector thereof or participant therein; (viii) arbitrary or capricious or unreasonable denial, conditioning, variation, termination or voiding of, or failure, or delay in granting or renewing, any governmental permit, such as but not limited to any permit, license, agreement, order, certificate, franchise, registration, filing, authorization, consent or other approval issued by or filed with any Governmental Authority, which is required for such Party's performance of its obligations hereunder, notwithstanding such Party's due application therefor and diligent efforts to obtain the same; (ix) System Operator intervention resulting in disruptions to normal grid operations; or (x) any other event of similar nature which prevents Supplier from delivering electricity to Customer, or prevents Customer from receiving electricity from Supplier.

With respect to Supplier, Force Majeure shall also include the failure or inability of Supplier to manage and control the contracted capacity of the Power Plant, on account of any failure or delay in the delivery of Fuel to, or the failure or inability of Supplier to take and accept deliveries of Fuel at, the Power Plant due to any event or circumstance described in the preceding paragraph, or any act of any Governmental Authority preventing the Supplier from continued operations as an IPP Administrator of the Power Plant or preventing access to the Power Plant or its related facilities.

Force Majeure shall not include, among other things: (i) lack of funds for the performance of any obligation hereunder; (ii) fluctuations in the Peso-Dollar exchange rate; and (iii) ordinary or extraordinary inflation.

- 11.2 Neither Party shall be liable for any failure or delay in the performance of its obligations under this Agreement if such failure or delay arises out of, but only to the extent caused by, any reported, documented and verified event of Force Majeure; provided, that the relief granted by this Article 11.2 shall be available only if and to the extent the Party claiming relief has and continues to take all steps reasonably within its control to mitigate the effects of such verified Force Majeure event, and in no event shall late payment or non-payment of money due be excused by any event of Force Majeure.
- 11.3 The Party seeking to rely on an event of Force Majeure to excuse failure or delay in the performance of its obligations pursuant to Article 10.2 shall notify the other Party as soon as reasonably possible of the nature of Force Majeure claimed and the extent to which the Force Majeure claimed affects the Party's obligation under this Agreement, and such Party shall resume the performance of its obligations as soon as reasonably possible after the event of Force Majeure no longer exists.

The other Party shall have five (5) days to verify, based on any available documentation, or deny in writing that such situation exists. If the other Party disputes the occurrence of such event of Force Majeure, the Parties shall endeavor in good faith to resolve the dispute within ten (10) days after receipt by the claiming Party of the other Party's notice of denial. In case the dispute is not resolved within ten (10) days, then the matter shall be deemed to be a Dispute under and governed by Article 17.

- 11.4 If any event of Force Majeure occurs during the Contract Period, the Contract Period by mutual written agreement of the Parties may be extended by a period of time equal to the period of time for which performance is excused as a result of the event of Force Majeure. The Parties will consult with each other and take such reasonable steps as it may in its discretion deem advisable to minimize the losses of either Party resulting from Force Majeure.
- 11.5 Notwithstanding any other provision of this Agreement to the contrary, in the case of any situation in which, in the reasonable opinion of Supplier, it would be dangerous to continue to provide electricity to Customer in accordance with this Agreement, Supplier may, but without any obligation, if it would not be reasonably practicable under the relevant circumstances to obtain the prior approval of Customer, act unilaterally to take preventive and corrective actions

in response to such situation in accordance with Good Industry Practices. Supplier shall notify Customer as soon as reasonably practicable, following the occurrence of such situation, of any action taken or to be taken pursuant to this Article 11.5 and the reasons therefor.

- 11.6 Any Party may terminate this Agreement upon thirty (30) days' prior written notice to the other Party if an event of Force Majeure occurs during the Contract Period and prevents either Party from performing its obligations under the Agreement for a period in excess of six (6) consecutive months.

ARTICLE 12
REPRESENTATIONS, WARRANTIES, & COVENANTS

- 12.1 Customer hereby represents, warrants, and agrees to the following as of its execution of this Agreement and throughout the Contract Period:
- (a) It is duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines;
 - (b) It possesses full power and authority to enter into this Agreement, and has taken all the necessary action to authorize the entry into and delivery of this Agreement and the transactions contemplated hereby, and the performance of its obligations hereunder;
 - (c) It has the qualifications, capacity, and abilities to perform the obligations hereunder, pursuant to and in accordance with this Agreement;
 - (d) No other party has exclusive rights to supply Customer with Energy and it is in no way compromising any rights or trust relationships between any other party and Customer, or creating a conflict of interest, or any possibility thereof, for Customer or for Supplier;
 - (e) It has the power, licenses and permits required to carry on its business as it is being conducted and as proposed to be conducted;
 - (f) This Agreement is binding upon all its successors-in-interest, permitted assigns, agents, and representatives;
 - (g) It has not failed to disclose any Material Fact to Supplier;
 - (h) This Agreement and the consummation of the transactions contemplated herein are its legal, valid, binding and enforceable obligations;
 - (i) The entry into and the performance by it of this Agreement do not and will not conflict with or constitute a breach of or default under (a) any Applicable Law; (b) any provision of its Articles of Incorporation or By-Laws; or (c) any agreement, contract, or instrument binding upon it or any of its assets, real or personal;
 - (j) There are no outstanding notices of or any violations by Customer of any Applicable Law or other requirements of any Government Authority having jurisdiction over or affecting any part of the Agreement;
 - (k) Other than the approval of this Agreement by the ERC and other pertinent government agencies (where applicable), which Customer is obligated to secure, all governmental, corporate and other requirements, authorizations and permits necessary or desirable in connection with the entry into, performance, validity, and enforceability of, and the transactions contemplated by, this Agreement have been obtained or effected and are in full force and effect;
 - (l) There are no actions, suits or proceedings by or before any court, arbitral tribunal, administrative body or other judicial or quasi-judicial authority that are pending or

threatened against it that if determined adversely against it could materially and adversely affect its ability to perform its obligations under this Agreement;

- (m) It operates and maintains the Customer Facility in accordance with Good Industry Practice and Applicable Laws as necessary to enable the Customer Facility to accept and take the Contract Energy;
- (n) It shall be solely responsible for violations of any Applicable Laws in the performance of its obligations under this Agreement; and
- (o) Except for any statutory preference or priority established under Philippine law, its financial obligations under this Agreement shall have first priority in order of payment, and Customer has no existing liability or obligation, or is under no legal impediment, which would prevent Customer from ensuring such preference in payment;
- (p) It shall, in good faith, comply with all its obligations under this Agreement, including its obligation to have this Agreement approved by the ERC and other pertinent government agencies (where applicable) in its entirety and without any modifications;
- (q) It is not in default in any material respect in the performance, observance or fulfillment of any obligation, covenant or condition in any material agreement or instrument (as may be reasonably determined by Supplier) to which it is a party.
- (r) It shall not enter into any agreement with other generators or suppliers for the supply of electric energy on commercial terms or conditions, including terms of payment and load profile, more favorable than the terms of this Agreement; otherwise, this Agreement shall, at Supplier's option, be deemed to be amended to adopt such favorable terms.

12.2 Supplier hereby represents and warrants:

- (a) It is duly incorporated, validly existing and in good standing under the laws of the Republic of the Philippines;
- (b) It possesses full power and authority to enter into this Agreement, and has taken all the necessary action to authorize the entry into and delivery of this Agreement, and the transactions contemplated hereby, and the performance of its obligations hereunder;
- (c) It has the qualifications, capacity, and abilities to perform the obligations hereunder, pursuant to and in accordance with this Agreement;
- (d) It has the power, licenses and permits required to carry on its business as it is being conducted and as proposed to be conducted;
- (e) This Agreement is binding upon all successors-in-interest, permitted assigns, agents, and representatives of Supplier;
- (f) This Agreement and the consummation of the transactions contemplated herein are its legal, valid, binding and enforceable obligations;
- (g) The entry into and the performance by it of this Agreement do not and will not conflict with or constitute a breach of or default under (a) any Applicable Law; (b) any provision of its Articles of Incorporation or By-Laws; or (c) any agreement, contract, or instrument binding upon it or any of its assets, real or personal;
- (h) All corporate requirements and authorizations necessary or desirable in connection with the entry into, performance, validity, and enforceability of, and the transactions

contemplated by, this Agreement have been obtained or effected and are in full force and effect;

- (i) There are no actions, suits or proceedings by or before any court, arbitral tribunal, administrative body or other judicial or quasi-judicial authority that are pending or threatened against it that if determined adversely against it could materially and adversely affect its ability to perform its obligations under this Agreement; and
- (j) It shall, in good faith, comply with all its obligations under this Agreement.

ARTICLE 13 CONFIDENTIALITY

- 13.1 Each Party shall ensure that no Confidential Information of the other Party (the "Disclosing Party") is disclosed to third parties unless consented to in writing by the Disclosing Party; Provided that, this limitation shall not apply to any disclosure required by law, regulation, legal process or other statutory or regulatory requirements in any relevant jurisdiction, which shall include the disclosure requirements of the Securities and Exchange Commission and the Philippine Stock Exchange. A Party shall not accept Confidential Information from others on behalf of the other Party unless it is necessary and acquired pursuant to a written agreement with that other Party.
- 13.2 A Party shall not use Confidential Information except in the performance of its obligations under this Agreement. It shall not reproduce or otherwise copy any Confidential Information without the express prior written consent of the Disclosing Party except for a reasonable number of copies necessary to accomplish the purposes of the Agreement and subject to the condition that all such copies shall, upon reproduction, contain appropriate proprietary and confidential notices and legends that may appear on the original Confidential Information.
- 13.3 Without limiting the foregoing, each Party shall use utmost efforts to prevent any unauthorized disclosure of Confidential Information, including the exercise of no lesser security measures and degree of care than those which it applies to its own confidential information, such as but not limited to keeping all documents and other materials bearing or incorporating any of the Confidential Information separate from all other documents and materials.
- 13.4 Any consent given by the Disclosing Party for disclosure of Confidential Information shall be so given upon the condition (whether or not set out in the Disclosing Party's written consent to the disclosure) that the other Party shall procure that each person or entity to whom disclosure is made shall, prior to disclosure, execute a confidentiality agreement with the Disclosing Party on the same terms as are set out in this Article 12.
- 13.5 The provisions contained in this Article 13 shall be in force from the Effective Date and shall survive the termination or expiration of this Agreement.

ARTICLE 14 TERMINATION

- 14.1 Either Party may terminate this Agreement with immediate effect by serving written notice on the other Party in the event that the other Party breaches any provision of this Agreement and fails to cure such breach within a period of thirty (30) days from receipt of notice of such breach.
- 14.2 Supplier may terminate this Agreement with immediate effect by serving written notice to Customer upon the occurrence of any of the following events of default:
 - (a) (i) Customer admits in writing its inability to pay any debt as and when they fall due; (ii) any bankruptcy, insolvency, suspension of payment, reorganization or similar proceedings are commenced by or against Customer; (iii) as part of a scheme of arrangement or composition with its creditors, Customer makes any assignment for the

benefit of its creditors; or (iv) an effective order is made, or an effective corporate resolution is passed, for the liquidation, winding-up or dissolution of Customer;

- (b) A receiver or trustee in bankruptcy, insolvency, suspension of payment, reorganization or similar proceedings is appointed in respect of all or any material part of Customer's assets and such appointment is not set aside or stayed within sixty (60) days;
 - (c) Customer ceases or discontinues operations for a period of thirty (30) consecutive days;
 - (d) Any financial obligation of Customer under any other agreement is not paid when due or within any applicable grace period, or is validly declared to be or otherwise becomes due and payable prior to its stated maturity as a result of any actual or potential default, howsoever described; and
 - (e) (i) The Security Deposit ceases to be valid, or (ii) Customer or the party providing the Security Deposit asserts that it is or has become entitled to revoke, cancel or suspend the Security Deposit or does revoke, cancel or suspend the Security Deposit or otherwise repudiates the same, or (iii) any of the events or circumstances described in clauses (a) through (e) above, inclusive, shall apply to or affect the person providing the Security Deposit and, in each case, Customer shall not have provided a substitute Security Deposit within fifteen (15) calendar days from the date of notice from Supplier requiring that a substitute Security Deposit be posted.
- 14.3 Upon termination of this Agreement under any circumstance, Customer shall immediately pay to Supplier all unpaid Electricity Fees and all other amounts then payable by Customer to Supplier under this Agreement.
- 14.4 In the event that this Agreement is terminated pursuant to Articles 7.1.8(iii), 7.2.3, 14.1 (except where Supplier is the breaching party) or 14.2, Customer shall immediately pay to Supplier the Termination Fee and all costs arising from the termination of the Agreement.
- 14.5 Upon any termination of this Agreement, neither Party shall have any further obligation to the other Party, other than for those obligations arising prior to the date of termination and those which, by their nature, are to be performed after termination or which are expressed to survive the termination hereof. The termination of this Agreement under any circumstance hereunder shall be in addition to, and not exclusive of, any other right, remedy or relief as are available to the Party terminating this Agreement hereunder, at law or in equity.
- 14.6 Either party shall have the right to terminate this Agreement without cause by serving at least thirty (30) days prior written notice to the other party; provided, that Customer may only terminate this Agreement under this provision upon payment of the Termination Fee.
- 14.7 In the event of termination of this Agreement, the provisions of Articles 7.2.3 (second paragraph), 10.1, 13, 14.3, 14.4, 14.5, this Article 14.7, and 14.8 shall survive such termination.
- 14.8 Notwithstanding the termination of this Agreement in accordance with Articles 7.1.8(iii), 7.2.3, 14.1 (except where Supplier is the breaching party), 14.2, 14.3, 14.4, or 14.7, the Security Deposit shall not be released, terminated and returned to Customer, retired, or deemed cancelled until after all the Termination Fees, unpaid Electricity Fees, costs, charges, and all other amounts outstanding and payable by Customer to Supplier, as the case may be, at the time of termination of this Agreement are fully paid to Supplier; Provided that, Supplier shall have the sole discretion and authority to unilaterally draw against and apply the Security Deposit to satisfy the outstanding obligations of Customer and set-off all claims of Supplier against such Security Deposit upon termination of this Agreement.

ARTICLE 15
NOTICES

- 15.1 Each communication, notice, demand, or request to be made hereunder, including Billing Statements (each a "Notice") shall be made in writing and, unless otherwise stated, may be sent through personal delivery, facsimile, email, registered courier, or registered mail. Any Notice to be made or delivered by one Party to another pursuant to this Agreement shall be made or delivered to the other Party at the contact details specified in *Schedule 15.1 (Notices)*. Any Party may change its address, facsimile number or email address for purposes of receipt of Notices by giving the other Party not less than fifteen (15) days notice of such change. A Notice shall be deemed to have been made or delivered (i) in the case of any Notice made by personal delivery, registered courier or by registered mail, when left at that address or otherwise received by the addressee, (ii) in the case of any communication made by facsimile, when a legible copy of such communication has been received, and (iii) in case of email, upon receipt by sender of the acknowledgement of the "receipt requested" message from the recipient.

ARTICLE 16
NON-WAIVER, AMENDMENTS and REMEDIES

- 16.1 No waiver by Supplier of any provision of this Agreement shall be binding unless made in writing and signed by Supplier's authorized representative. The failure of Supplier to insist, in any one or more instances, upon strict performance of any of the provisions of this Agreement or to take advantage of any rights granted hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights in the future.
- 16.2 No changes or modifications of this Agreement shall be effective unless made in writing and signed by both Parties.
- 16.3 Unless otherwise provided, the remedies under this Agreement shall be cumulative and not exclusive, and the exercise of one remedy shall not exclude the exercise and shall not be construed as a waiver of the right to exercise the other remedies.

ARTICLE 17
DISPUTE RESOLUTION

- 17.1 The Parties shall refer any dispute, controversy, claim or difference between them arising out of or relating to this Agreement, or the breach thereof, or in the interpretation of any of the provisions hereof (each, a "Dispute"), to their respective representatives who shall seek to amicably resolve such Dispute in accordance with the procedure set out in this Article 17.
- 17.2 The Party alleging a Dispute shall give written notice thereof to the other Party within thirty (30) calendar days from the occurrence thereof, which notice shall contain a description of the Dispute.
- 17.3 Promptly upon receipt by the other Party of notice of a Dispute, the Parties' respective representatives shall meet and discuss in good faith to resolve the Dispute within thirty (30) days from receipt of the notice, or within such longer period as the Parties may mutually agree.

ARTICLE 18
JURISDICTION & COURT LITIGATION

- 18.1 Any Dispute that is not resolved between the Parties in accordance with the provisions of Article 17 shall, unless the Dispute falls within the original and exclusive jurisdiction of the ERC, be submitted to the jurisdiction of the proper court specified in item (3) of *Schedule 3.1(b) (General Conditions)*, to the exclusion of all other courts elsewhere situated, and the Parties agree that such court specified in item (3) of *Schedule 3.1(b) (General Conditions)* is an appropriate forum for the settlement of Disputes and waive any claim or assertion that such courts are an inconvenient forum.

- 18.2 If Supplier shall have instituted an action on a Dispute to enforce this Agreement or as a result of an alleged breach of this Agreement by Customer, Customer shall also be liable to Supplier for an amount equivalent to twenty percent (20%) of the value of any award made in favor of Supplier, to cover attorney's fees and other expenses of dispute resolution or litigation.

ARTICLE 19
GOVERNING LAW

- 19.1 This Agreement shall be governed by and construed in accordance with the laws of the Republic of the Philippines. The Parties shall perform all their obligations under this Agreement in accordance with Applicable Law. In case of any amendment, modification or change in Applicable Law, the Parties shall continue to perform their obligations under this Agreement unless made expressly unlawful or impossible by such amendment, modification or change.

ARTICLE 20
ENTIRE AGREEMENT & EXECUTION IN COUNTERPARTS

- 20.1 The Parties acknowledge that this Agreement and the Schedules attached hereto constitutes the entire agreement between them and shall completely supersede all other prior understandings, agreements, previous communications, or contracts, oral or written, between the Parties relating to its subject matter.
- 20.2 Nothing contained in this Agreement shall be construed to create an association, trust, partnership, or joint venture or impose a trust or partnership duty, obligation, or liability on or with regard to either Party, or to create the relationship of principal and agent between the Parties, or to create any duty, standard of care or liability to any person or entity not a Party hereto. Each Party shall be liable individually and severally for its own obligations under this Agreement.
- 20.3 This Agreement may be executed in counterparts, each of which will be deemed an original but all of which together will constitute one and the same
- 20.4 In case of conflict between this Agreement and the Schedules attached hereto, the Schedules shall prevail in so far as the specific stipulations agreed to by the parties made with the objective of specifying, clarifying or waiving any provision or terms and conditions set forth in this Agreement.

ARTICLE 21
ASSIGNMENT OR TRANSFER

- 21.1 This Agreement will inure to the benefit of, and be binding upon, the parties hereto and their respective executors and permissible assigns.
- 21.2 Neither Party shall assign or transfer all or any part of its rights, benefits or obligations hereunder without the prior written consent of the other Party, except that Supplier may assign all or any part of its rights, benefits or obligations hereunder to: (a) its holding companies, subsidiaries, or affiliates, (b) its existing or potential creditors, when assignment by way of security, or a pledge or mortgage, is required for project or balance sheet financing or (c) if the IPP AA is terminated on account of a default by the Supplier (as IPP Administrator thereunder), PSALM, in each case without need for notice to or consent of Customer.

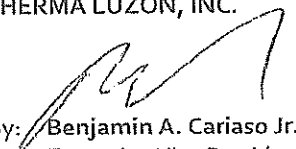
Except for assignments made by Supplier to creditors in item (b) or to PSALM in item (c) above, no assignment or transfer shall be valid unless the assignee or transferee shall issue a formal written assumption of liability of all the obligations of its assignor or transferor under this Agreement.

ARTICLE 22
SEVERABILITY

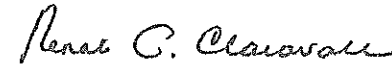
22.1 If one or more provisions of this Agreement will be deemed severable, and if any part of any provision is held to be invalid, void, illegal, non-binding or unenforceable, in its entirety or partially or as to any party, for any reason, such provision may be changed, consistent with the intent of the parties hereto, to the extent reasonably necessary to make the provision, as so changed, legal, valid, binding, and enforceable. If any provision of this Agreement is held to be illegal, void, voidable, invalid, non-binding or unenforceable in its entirety or partially or as to any party, for any reason, and if such provision cannot be changed consistent with the intent of the parties hereto to make it fully legal, valid, binding, and enforceable, then such provisions will be stricken from this Agreement and the remaining provisions of this Agreement will not in any way be affected or impaired, but will remain in full force and effect. The Parties shall meet in good faith to agree, to the fullest extent allowed by law, on a substitute provision that would most closely approximate the intention of the invalid provision, and amend this Agreement accordingly.

IN WITNESS WHEREOF, the Parties hereto have signed this instrument on the date above mentioned.

THERMA LUZON, INC.

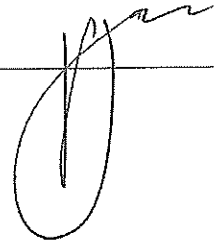

By: Benjamin A. Cariaso Jr.
Executive Vice President
October 25, 2011

BENGUET CORPORATION


By: Renato A. Claravall
Chief Finance Officer
October 25, 2011

Signed in the presence of:

Rolando U. Gaerlan



ACKNOWLEDGMENT

NOV 10 2011

REPUBLIC OF THE PHILIPPINES }
MAKATI CITY, METRO MANILA }S. S.

I, MARTIN JOHN S. YASAY, a Notary Public duly authorized in the city named above to take acknowledgments, certify that on this [date] personally appeared Mr. Benjamin A. Cariaso Jr., who presented to me his community tax certificate and was identified by me through competent evidence of identity:

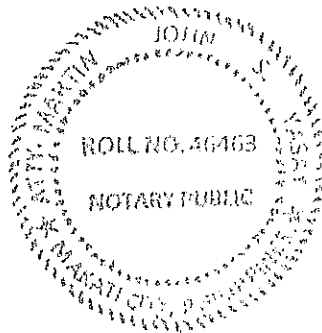
Name	Community Tax Certificate Number	Date and Place Issued
Benjamin A. Cariaso Jr.	CCI2011 02768795 <i>Passport No. X76305046</i>	March 8, 2011 / Las Pinas City <i>expires on 2/17/11 - NGA.</i>

to be the same person described in the foregoing instrument, who acknowledged before me that his signature on the instrument was voluntarily affixed by him for the purposes stated therein, and who declared to me that he executed the instrument as his free and voluntary act and deed as well as the free and voluntary act and deed of the corporation he represents.

This instrument consisting of 45 pages, including the page on which this acknowledgment is written, Schedule 1.1 – Definitions, Schedule 1.1(a) – Allowable Downtime, Schedule 2.1 – Interpretation, Schedule 3.1(a) – Special Conditions, Schedule 3.1(b) – General Conditions, Schedule 4.1 – Delivery Schedule, Schedule 4.3(b) – Form of Notice of Waiver, Modification, Grant of Grace Period, Schedule 4.3(c) – Form of Notice of Increase of Basic Energy Charge, Schedule 6.1.1 – Metering Points, Schedule 6.1.2 – Rate Schedule, Schedule 6.2 – Nomination Procedure, Schedule 6.7 – Buy-Out Charge, Schedule 7.2.1 – Security Deposit, Schedule 7.2.1A – Form of letter of Credit, and Schedule 15.1 – Notices, is signed on page 17 thereof by the parties and their instrumental witnesses and sealed with my notarial seal.

WITNESS MY HAND AND SEAL on the date and at the place first above-written.

Doc. No. 496
Page No. 19
Book No. I
Series of 2011.



NOTARY PUBLIC

[Signature]
MARTIN JOHN S. YASAY
Notary Public for Makati City
Notarial Commission No. M-89
Until December 31, 2011
110 Legaspi St., Legaspi Village, Makati City
Roll No. 46463
PTR No. 2642501 Makati City 01.03.11
IBP Lifetime Membership No. 03991
Negros Occidental Chapter
MCLE Compliance No. III-0007144

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES }
MAKATI CITY, METRO MANILA }S. S.

I, [Name of Notary Public], a Notary Public duly authorized in the city named above to take acknowledgments, certify that on this [date] personally appeared [Name of Customer signatory], who presented to me his community tax certificate and was identified by me through competent evidence of identity:

Name	Type / Number	Date and Place Issued
Renato A. Claravall	Republic of the Philippines Passport / XX0517779	February 12, 2008 / Department of Foreign Affairs, Manila

to be the same person described in the foregoing instrument, who acknowledged before me that his signature on the instrument was voluntarily affixed by him for the purposes stated therein, and who declared to me that he executed the instrument as his free and voluntary act and deed as well as the free and voluntary act and deed of the corporation he represents.

This instrument consisting of 45 pages, including the page on which this acknowledgment is written, Schedule 1.1 – Definitions, Schedule 1.1(a) – Allowable Downtime, Schedule 2.1 – Interpretation, Schedule 3.1(a) – Special Conditions, Schedule 3.1(b) – General Conditions, Schedule 4.1 – Delivery Schedule, Schedule 4.3(b) – Form of Notice of Waiver, Modification, Grant of Grace Period, Schedule 4.3(c) – Form of Notice of Increase of Basic Energy Charge, Schedule 6.1.1 – Metering Points, Schedule 6.1.2 – Rate Schedule, Schedule 6.2 – Nomination Procedure, Schedule 6.7 – Buy-Out Charge, Schedule 7.2.1 – Security Deposit, Schedule 7.2.1A – Form of letter of Credit, and Schedule 15.1 – Notices, is signed on page 17 thereof by the parties and their instrumental witnesses and sealed with my notarial seal.

WITNESS MY HAND AND SEAL on the date and at the place first above-written.

NOTARY PUBLIC

Doc. No. ___;
Page No. ___;
Book No. ___;
Series of 2011.



Schedule 1.1 - Definitions

In this Agreement:

"Additional Energy" refers to the amount of Energy (kilowatt hours or "kWh") taken by Customer in excess of the Maximum Contract Energy and/or Maximum Contract Demand per Interval (kilowatt or "kW").

"Affiliate" means, with respect to any Person, any corporation that directly or indirectly controls, is controlled by, or which is under common control with such Person. For purpose of this definition, the words "control" and "controlled by" means ownership of at least 51% of the total issued and outstanding voting capital stock, or the right to elect at least 51% of the total number of the members of the board of directors of such corporation.

"Agreement" means this Power Supply Agreement, including all of its Schedules.

"Allowable Downtime" refers to the period during which Supplier or Customer may undertake scheduled or planned inspection, maintenance, repair and overhaul of the Power Plant or the Customer Facility, as the case may be, as specified in Schedule 1.1(a) (*Allowable Downtime*).

"Ancillary Service Charges" refers to the fees assessed by the NGCP and/or the WESM in respect of Ancillary Services (as this term is defined in the Grid Code).

"Applicable Law" refers to laws, statutes, orders, issuances, ordinances, rules, rulings, regulations, codes, decisions, opinions or interpretations of any Governmental Authority pertinent to or affecting a Party or both Parties.

"Back-Up Power" refers to Energy from an alternative source delivered by Supplier to Customer in the case of Force Majeure.

"Back-Up Power Charge" refers to the price per kilowatt-hour of Back-Up Power consumed by Customer, which is equal to the WESM ex-ante Nodal Energy Price for the period during which the Back-Up Power was supplied at the Receiving Node.

"Basic Energy Charge" refers to the unit price (Pesos per kWh) that Customer shall pay for Contract Energy as set out in Schedule 6.1.2 (*Rate Schedule*).

"Billing Period" means the period commencing at 00:00 hours on the twenty-sixth (26th) day of each calendar month, and ending at 24:00 hours on the twenty-fifth (25th) day of the following calendar month.

"Billing Statement" refers to the document that Supplier will furnish Customer, indicating the total amount of Electricity Fees that Customer will pay Supplier.

"Buy-Out Charge" refers to the amount stated in Schedule 6.7 that Customer will pay Supplier in the circumstances set out in Article 6.7

"Closing" refers to the satisfaction by Customer, as determined by Supplier, of all the conditions precedent set out in Article 4.2, unless otherwise waived by Supplier under the terms of this Agreement.

"Closing Date" shall be October 26, 2011; as such date may be extended by Supplier in accordance with Article 4.4.

"Confidential Information" means all data and information disclosed (whether before or after the date of this Agreement and whether in writing, or in computer disc, verbally or by any other means and whether directly or indirectly) by the Disclosing Party (or by another person on behalf of the Disclosing Party) to the other Party in whatever form, tangible or intangible, that is not generally known to the

public and relates to the operations, businesses, technology, practices, products, marketing, sales, services, finances, or legal affairs of the Disclosing Party or of any third party doing business with or providing information to the Disclosing Party, including this Agreement, information about this Agreement and negotiations pertaining to this Agreement as well as actual or prospective customers, business partners, market opportunities, business, sales, marketing, technical, financial and legal plans, proposals and projections, product information, know-how, design rights, trade secrets, concepts, techniques, processes, methods, systems, designs, programs, codes, formula, research, experimental work and work in progress.

"Contract Energy" refers to the Maximum and Minimum Contract Energy quantity in kilowatt-hours per Billing Period as set out in Schedule 4.1 (*Delivery Schedule*).

"Contract Period" refers to the duration of this Agreement starting from Effective Date until the end of the last Billing Period.

"Contract Year" refers to each period consisting of twelve (12) Billing Periods.

"Customer Facility" refers to the mining facility, located at Balatoc, Itogon, Benguet.

"Delivery Date" means the first day of the first Billing Period, as such date may be adjusted by Supplier in accordance with Articles 4.4 and 4.5.

"Disclosing Party" shall have the meaning given to this term in Article 13.1.

"Dispute" shall have the meaning given to this term in Article 17.1.

"Effective Date" refers to the date of execution of this Agreement, as set out below the respective signatures of the Parties; provided, however, that if the Parties shall have executed this Agreement on separate dates, the Effective Date shall be the later of the dates on which each Party executed this Agreement.

"Electricity Fees" refers to the total amount of charges due from Customer in respect of all Energy supplied during a Billing Period, computed in accordance with, and as provided in, Table 1, Table 2 and Table 3 of Schedule 6.1.2 (*Rate Schedule*).

"Energy" shall refer to all Contract Energy, Back-Up Power and Replacement Power measured, in each case, in kilowatt-hours (kWh).

"EPIRA" means Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001."

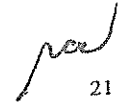
"ERC" refers to the Energy Regulatory Commission, which is the regulating body of the electric power industry as provided under EPIRA.

"Force Majeure" refers to the circumstances defined in Article 11.

"Fuel" means fuel required to operate the Power Plant and to generate Energy.

"Generator Node" refers to the Node on the Market Network Model where Supplier shall supply electricity to the Transmission System.

"Good Industry Practice" means those nationally recognized practices, methods, standards, and acts engaged in or approved by the majority of the members of the power generation industry in the Philippines at any relevant time, including practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, adequacy, quality, safety, and expedition. Good Industry Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather, refers to



acceptable practices, methods, or acts generally accepted in the region and consistently adhered to by similar generating companies.

"Governmental Authority" means the Republic of the Philippines or any national, regional, provincial, municipal or other political subdivision thereof, and any department, ministry, instrumentality, agency, corporation, or commission under the direct or indirect control or supervision of the Republic of the Philippines or any political subdivision thereof; provided however, that for purposes of this Agreement, Customer shall not be considered a Governmental Authority.

"Governmental Requirement" means any and all Applicable Laws, regulations, codes, directives, judgments, decrees, orders or interpretations of any court, arbitrator or Governmental Authority and any valid waivers, exemptions, variances, permits, licenses, authorizations, orders, consents or conditions of or from, in any such case, any Governmental Authority or court or other entity having jurisdiction over the performance of the obligations of each Party to be performed hereunder, including all consents, licenses, registrations, concessions and permits required to be issued pursuant thereto by any Governmental Authority in connection with any of the transactions contemplated hereby.

"Grid" means the high-voltage backbone system of interconnected transmission lines, substations and related facilities.

"Grid Code" means the Philippine Grid Code adopted by the ERC pursuant to its Resolution No. 115 dated December 2001.

"IPP AA" refers to the IPP Administration Agreement executed between Supplier and PSALM, with the conformity of NPC.

"IPP Administrator" refers to Supplier, its successors, transferees and assigns, exercising control over the contracted capacity of the Power Plant pursuant to and in accordance with the IPP Administration Agreement executed between Supplier and PSALM, with the conformity of NPC.

"Line Rental Charge" refers to the difference between the ex-ante Nodal Energy Prices of the Generator Node and ex-ante Nodal Energy Prices at the Receiving Node.

"Maintenance Service Adjustment" refers to the proportionate adjustment of the Contract Energy to reflect Allowable Downtime by Customer, calculated in accordance with Schedule 6.1.2 (*Rate Schedule*).

"Market Network Model" or MNM refers to the mathematical representation of the power system, used for the purpose of determining the dispatch schedules and energy prices and preparing market projections.

"Material Fact" is defined as one where, had Supplier known of such fact either during the negotiation or at any time during the life of this Agreement, Supplier would not have entered into this Agreement.

"Maximum Contract Demand per Interval" refers to the maximum Energy (in kilowatts) that Customer may draw per hourly interval as provided in Schedule 4.1 (*Delivery Schedule*).

"Maximum Contract Energy" refers to the maximum Energy quantity in kilowatt-hours as provided in Schedule 4.1 (*Delivery Schedule*).

"Metering Points" means the actual physical point(s) (e.g. plant metering point) where Supplier shall deliver the Energy to Customer as specified in Schedule 6.1.1 (*Metering Point*).

"Minimum Contract Energy" refers to minimum Energy quantity in kilowatt-hours as provided in Schedule 4.1 (*Delivery Schedule*).

"Minimum Energy Charge" refers to the load weighted average price of Supplier for the Billing Period multiplied to the difference between the Contract Energy and the actual Energy consumed by

Customer in case the latter consumes less than the Contract Energy.

"NGCP" refers to the National Grid Corporation of the Philippines.

"Node" refers to the connection point or junction point on the Market Network Model whether physical or notional.

"Nodal Energy Price" refers to the energy price at a Node determined ex-ante or ex-post. In relation to a Trading Interval, Nodal Energy Price is ex-ante when determined before that Trading Interval commences, and is ex-post when determined after the conclusion of said Trading Interval.

"Net Settlement Surplus" represents the settlement surplus or deficit remaining after all market transactions have been accounted for, including the assignment of transmission line rentals to Network Service Providers. This surplus or deficit is assumed to be attributable to economic rentals arising from other binding constraints, and accounted for in accordance with the WESM Rules provision on the Treatment of Net Settlement Surplus.

"Payment Date" means the twenty-fifth (25th) day of the Payment Month.

"Payment Month" means the calendar month immediately following the month on which a Billing Period ends and on which Electricity Fees in respect of Energy Delivered during that Billing Period are due.

"Person" means an individual, corporation, partnership, joint venture, unincorporated association, trust, or other juridical entity, or any Governmental Authority.

"Power Plant" means the 700 megawatt Pagbilao Coal Fired Power Plant.

"Receiving Node" refers to the Node on the Market Network Model from which there is a net flow of electricity. It also refers to the Node where Customer shall draw the electricity from the Transmission System.

"Replacement Power" refers to Energy from an alternative source provided by Supplier to Customer during an Allowable Downtime, as specified in Schedule 4.1 (*Delivery Schedule*), or when Supplier is unable to generate and deliver electricity for a cause not due to an event of Force Majeure.

"Replacement Power Charge" refers to the unit price (Pesos per kWh) that Customer shall pay for Replacement Power according to the terms specified in Schedule 6.1.2 (*Rate Schedule*).

"Service Interruption Adjustment" refers to the sole remedy available to Customer in the case of a Force Majeure event consisting of a failure of or a constraint in the Transmission System, whereby Contract Energy is adjusted by Supplier upon request of Customer in accordance with Schedule 6.1.2 (*Rate Schedule*).

"Security Deposit" means the instrument Customer is required to post to guarantee its outstanding accounts and other obligations under this Agreement, as more particularly described, in the form, and in the amount set out, in Schedule 7.2.1 (*Security Deposit*).

"Site" means the land on which all or any part of the Power Plant is located.

"System Operator" refers to the party identified as the System Operator pursuant to the Grid Code, which is the party responsible for generation dispatch, the provision of ancillary services, and operation and control to ensure safety, power quality, stability, reliability and security of the grid.

"Termination Fee" refers to the fee equivalent to the historical load weighted average price under this Agreement multiplied by the Maximum Contract Energy for the remainder of the Contract Period, which Customer shall pay to Supplier in the cases enumerated in Article 14.4.

"Trading Interval" refers to an hourly trading period in a trading day in the WESM.

"Transmission Fees" refers to all fees and charges of NGCP for the transmission of electricity.

"Transmission System" refers to the high voltage backbone system of NGCP consisting of interconnected transmission lines, substations and related facilities.

"WESM" refers to the Wholesale Electricity Spot Market.

"WESM Costs" refers to all costs, fees and charges charged by the WESM for the delivery and transmission of electricity including any such costs, fees and charges that would have been assessable against Customer had Customer been a WESM member but were not (including for the reason that it is not a WESM member) and were instead charged to Supplier including must run unit (MRU) charges, metering charges and similar costs and fees.



Schedule 1.1(a) – Allowable Downtime

Contract Year	Period	Total Allowable Downtime
1	October 26, 2011 to October 25, 2012	120 hours
2	October 26, 2012 to October 25, 2013	120 hours
3	October 26, 2013 to October 25, 2014	120 hours
4	October 26, 2014 to October 25, 2015	120 hours
5	October 26, 2015 to October 25, 2016	120 hours
6	October 26, 2016 to October 25, 2017	120 hours
7	October 26, 2017 to October 25, 2018	120 hours
8	October 26, 2018 to October 25, 2019	120 hours
9	October 26, 2019 to October 25, 2020	120 hours
10	October 26, 2020 to October 25, 2021	120 hours
11	October 26, 2021 to October 25, 2022	120 hours
12	October 26, 2022 to October 25, 2023	120 hours
13	October 26, 2023 to October 25, 2024	120 hours
14	October 26, 2024 to October 25, 2025	120 hours
15	October 26, 2025 to October 25, 2026	120 hours
16	October 26, 2026 to October 25, 2027	120 hours
17	October 26, 2027 to October 25, 2028	120 hours
18	October 26, 2028 to October 25, 2029	120 hours
19	October 26, 2029 to October 25, 2030	120 hours
20	October 26, 2030 to October 25, 2031	120 hours

120

Schedule 2.1 – Interpretation

Unless otherwise specified:

- (a) words in the singular include the plural and vice versa;
- (b) references to Articles and Schedules shall refer to the Articles and Schedules of this Agreement;
- (c) "include" or "including" means including without limitation;
- (d) "or" is not exclusive;
- (e) if any day on which an act is required to be performed or an obligation is required to be discharged is a Saturday, Sunday or a public holiday in the place where such act is required to be performed or obligation is to be discharged, then such act may be performed and such obligation discharged on the next succeeding business day;
- (f) reference to a statute, rule, regulation, legislation, memorandum circular or order refers to the same as amended, modified, supplemented or replaced from time to time and to any statute, regulation, rule, legislation, memorandum circular or order made thereunder;
- (g) reference to a consent refers to the same as amended, modified or replaced from time to time, and to any proper order, instruction, requirement or decision of any Governmental Authority thereunder;
- (h) reference to an agreement or instrument refers to the same as amended, novated, modified or replaced from time to time; and
- (i) reference to a government department, authority or agency shall be construed as including a reference to the governmental department, authority or agency which succeeds to the functions thereof.



A handwritten signature, possibly reading 'Paul', located at the bottom right of the page.

Schedule 3.1(a) – Special Conditions

1. Customer is:

- a distribution utility that is a direct member of the WESM
- a distribution utility that is an indirect member of the WESM
- an industrial customer that is a direct member of the WESM
- an industrial customer that is an indirect member of the WESM

2. The following Sections of Article 5 apply to this Agreement:

	Section Number (Article 6)	Yes	No
(a)	6.1	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(b)	6.2 (par. 1)	<input type="checkbox"/>	<input type="checkbox"/>
(c)	6.2 (par. 2)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(d)	6.3	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(e)	6.4	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(f)	6.5	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(g)	6.6	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(h)	6.7	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(i)	6.8	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(j)	7.1.4	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Note : In the event that Customer (i) registers as a Direct WESM member, (ii) enters into an energy supply agreement with another supplier, or (iii) generates its own energy requirements, item (b) shall also be applicable.

Schedule 3.1(b) – General Conditions

1. Payment Discount (Section 7.1.3):

(a) Customer is entitled to Payment Discount: Yes No

If Yes:

Rate of Discount	Remarks, if any
Half of one percent (0.5%) shall be deducted from the subsequent month's power bill as computed based on the Electricity if the Supplier receives payment on or before the 15 th day of the Payment Month.	The application of the Payment Discount to sums due from Customer shall be in accordance with Section 7.1.3.

2. Transmission, Market and Other Costs (Section 7.1.10):

(a) The following fees, charges, and other costs shall be for the account of Customer:

- Transmission Fees
- Ancillary Service Charges
- WESM Costs for the delivery and transmission of Energy
- Line Rental Charges in excess of Php 0.30 per kWh
- Other transmission charges
- Market related fees
- Charges that are not part of the generation charge

(b) Customer shall refund the Net Settlement Surplus:

Yes No Not Applicable

3. Venue of Actions (Section 18.1):

Any Dispute not falling within the original and exclusive jurisdiction of the ERC shall be filed in the appropriate court of Makati City, to the exclusion of all other courts elsewhere situated.

Schedule 4.1 – Delivery Schedule

BILLING PERIOD	Maximum Contract Energy per Interval (kW)	CONTRACT ENERGY	
		Minimum Contract Energy	Maximum Contract Energy
26-Oct-11 to 25-Nov-11	780.00	352,220.00	422,664.00
26-Nov-11 to 25-Dec-11	780.00	352,220.00	422,664.00
26-Dec-11 to 25-Jan-12	780.00	352,220.00	422,664.00
26-Jan-12 to 25-Feb-12	780.00	352,220.00	422,664.00
26-Feb-12 to 25-Mar-12	780.00	352,220.00	422,664.00
26-Mar-12 to 25-Apr-12	780.00	352,220.00	422,664.00
26-Apr-12 to 25-May-12	780.00	352,220.00	422,664.00
26-May-12 to 25-Jun-12	780.00	352,220.00	422,664.00
26-Jun-12 to 25-Jul-12	780.00	352,220.00	422,664.00
26-Jul-12 to 25-Aug-12	780.00	352,220.00	422,664.00
26-Aug-12 to 25-Sep-12	780.00	352,220.00	422,664.00
26-Sep-12 to 25-Oct-12	780.00	352,220.00	422,664.00
26-Oct-12 to 25-Nov-12	780.00	352,220.00	422,664.00
26-Nov-12 to 25-Dec-12	780.00	352,220.00	422,664.00
26-Dec-12 to 25-Jan-13	780.00	352,220.00	422,664.00
26-Jan-13 to 25-Feb-13	780.00	352,220.00	422,664.00
26-Feb-13 to 25-Mar-13	780.00	352,220.00	422,664.00
26-Mar-13 to 25-Apr-13	780.00	352,220.00	422,664.00
26-Apr-13 to 25-May-13	780.00	352,220.00	422,664.00
26-May-13 to 25-Jun-13	780.00	352,220.00	422,664.00
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26-Sep-13 to 25-Oct-13	780.00	352,220.00	422,664.00
26-Oct-13 to 25-Nov-13	780.00	352,220.00	422,664.00
26-Nov-13 to 25-Dec-13	780.00	352,220.00	422,664.00
26-Dec-13 to 25-Jan-14	780.00	352,220.00	422,664.00
26-Jan-14 to 25-Feb-14	780.00	352,220.00	422,664.00
26-Feb-14 to 25-Mar-14	780.00	352,220.00	422,664.00
26-Mar-14 to 25-Apr-14	780.00	352,220.00	422,664.00
26-Apr-14 to 25-May-14	780.00	352,220.00	422,664.00
26-May-14 to 25-Jun-14	780.00	352,220.00	422,664.00
26-Jun-14 to 25-Jul-14	780.00	352,220.00	422,664.00
26-Jul-14 to 25-Aug-14	780.00	352,220.00	422,664.00
26-Aug-14 to 25-Sep-14	780.00	352,220.00	422,664.00
26-Sep-14 to 25-Oct-14	780.00	352,220.00	422,664.00
26-Oct-14 to 25-Nov-14	780.00	352,220.00	422,664.00
26-Nov-14 to 25-Dec-14	780.00	352,220.00	422,664.00
26-Dec-14 to 25-Jan-15	780.00	352,220.00	422,664.00
26-Jan-15 to 25-Feb-15	780.00	352,220.00	422,664.00
26-Feb-15 to 25-Mar-15	780.00	352,220.00	422,664.00
26-Mar-15 to 25-Apr-15	780.00	352,220.00	422,664.00
26-Apr-15 to 25-May-15	780.00	352,220.00	422,664.00
26-May-15 to 25-Jun-15	780.00	352,220.00	422,664.00
26-Jun-15 to 25-Jul-15	780.00	352,220.00	422,664.00
26-Jul-15 to 25-Aug-15	780.00	352,220.00	422,664.00
26-Aug-15 to 25-Sep-15	780.00	352,220.00	422,664.00
26-Sep-15 to 25-Oct-15	780.00	352,220.00	422,664.00

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Contract period - Oct. 26 - 2011
 Oct. 15 - 2013

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BILLING PERIOD	Maximum Contract Energy per Interval (kW)	CONTRACT ENERGY	
		Minimum Contract Energy	Maximum Contract Energy
26-Oct-15 to 25-Nov-15	780.00	352,220.00	422,664.00
26-Nov-15 to 25-Dec-15	780.00	352,220.00	422,664.00
26-Dec-15 to 25-Jan-16	780.00	352,220.00	422,664.00
26-Jan-16 to 25-Feb-16	780.00	352,220.00	422,664.00
26-Feb-16 to 25-Mar-16	780.00	352,220.00	422,664.00
26-Mar-16 to 25-Apr-16	780.00	352,220.00	422,664.00
26-Apr-16 to 25-May-16	780.00	352,220.00	422,664.00
26-May-16 to 25-Jun-16	780.00	352,220.00	422,664.00
26-Jun-16 to 25-Jul-16	780.00	352,220.00	422,664.00
26-Jul-16 to 25-Aug-16	780.00	352,220.00	422,664.00
26-Aug-16 to 25-Sep-16	780.00	352,220.00	422,664.00
26-Sep-16 to 25-Oct-16	780.00	352,220.00	422,664.00
26-Oct-16 to 25-Nov-16	780.00	352,220.00	422,664.00
26-Nov-16 to 25-Dec-16	780.00	352,220.00	422,664.00
26-Dec-16 to 25-Jan-17	780.00	352,220.00	422,664.00
26-Jan-17 to 25-Feb-17	780.00	352,220.00	422,664.00
26-Feb-17 to 25-Mar-17	780.00	352,220.00	422,664.00
26-Mar-17 to 25-Apr-17	780.00	352,220.00	422,664.00
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26-Aug-17 to 25-Sep-17	780.00	352,220.00	422,664.00
26-Sep-17 to 25-Oct-17	780.00	352,220.00	422,664.00
26-Oct-17 to 25-Nov-17	780.00	352,220.00	422,664.00
26-Nov-17 to 25-Dec-17	780.00	352,220.00	422,664.00
26-Dec-17 to 25-Jan-18	780.00	352,220.00	422,664.00
26-Jan-18 to 25-Feb-18	780.00	352,220.00	422,664.00
26-Feb-18 to 25-Mar-18	780.00	352,220.00	422,664.00
26-Mar-18 to 25-Apr-18	780.00	352,220.00	422,664.00
26-Apr-18 to 25-May-18	780.00	352,220.00	422,664.00
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26-Oct-18 to 25-Nov-18	780.00	352,220.00	422,664.00
26-Nov-18 to 25-Dec-18	780.00	352,220.00	422,664.00
26-Dec-18 to 25-Jan-19	780.00	352,220.00	422,664.00
26-Jan-19 to 25-Feb-19	780.00	352,220.00	422,664.00
26-Feb-19 to 25-Mar-19	780.00	352,220.00	422,664.00
26-Mar-19 to 25-Apr-19	780.00	352,220.00	422,664.00
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26-Nov-19 to 25-Dec-19	780.00	352,220.00	422,664.00
26-Dec-19 to 25-Jan-20	780.00	352,220.00	422,664.00
26-Jan-20 to 25-Feb-20	780.00	352,220.00	422,664.00
26-Feb-20 to 25-Mar-20	780.00	352,220.00	422,664.00
26-Mar-20 to 25-Apr-20	780.00	352,220.00	422,664.00
26-Apr-20 to 25-May-20	780.00	352,220.00	422,664.00
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26-Jun-20 to 25-Jul-20	780.00	352,220.00	422,664.00
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26-Aug-20 to 25-Sep-20	780.00	352,220.00	422,664.00
26-Sep-20 to 25-Oct-20	780.00	352,220.00	422,664.00

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		Minimum Contract Energy	Maximum Contract Energy
26-Oct-20 to 25-Nov-20	780.00	352,220.00	422,664.00
26-Nov-20 to 25-Dec-20	780.00	352,220.00	422,664.00
26-Dec-20 to 25-Jan-21	780.00	352,220.00	422,664.00
26-Jan-21 to 25-Feb-21	780.00	352,220.00	422,664.00
26-Feb-21 to 25-Mar-21	780.00	352,220.00	422,664.00
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26-Jul-23 to 25-Aug-23	780.00	352,220.00	422,664.00
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26-Nov-23 to 25-Dec-23	780.00	352,220.00	422,664.00
26-Dec-23 to 25-Jan-24	780.00	352,220.00	422,664.00
26-Jan-24 to 25-Feb-24	780.00	352,220.00	422,664.00
26-Feb-24 to 25-Mar-24	780.00	352,220.00	422,664.00
26-Mar-24 to 25-Apr-24	780.00	352,220.00	422,664.00
26-Apr-24 to 25-May-24	780.00	352,220.00	422,664.00
26-May-24 to 25-Jun-24	780.00	352,220.00	422,664.00
26-Jun-24 to 25-Jul-24	780.00	352,220.00	422,664.00
26-Jul-24 to 25-Aug-24	780.00	352,220.00	422,664.00
26-Aug-24 to 25-Sep-24	780.00	352,220.00	422,664.00
26-Sep-24 to 25-Oct-24	780.00	352,220.00	422,664.00
26-Oct-24 to 25-Nov-24	780.00	352,220.00	422,664.00
26-Nov-24 to 25-Dec-24	780.00	352,220.00	422,664.00
26-Dec-24 to 25-Jan-25	780.00	352,220.00	422,664.00
26-Jan-25 to 25-Feb-25	780.00	352,220.00	422,664.00
26-Feb-25 to 25-Mar-25	780.00	352,220.00	422,664.00
26-Mar-25 to 25-Apr-25	780.00	352,220.00	422,664.00
26-Apr-25 to 25-May-25	780.00	352,220.00	422,664.00
26-May-25 to 25-Jun-25	780.00	352,220.00	422,664.00
26-Jun-25 to 25-Jul-25	780.00	352,220.00	422,664.00
26-Jul-25 to 25-Aug-25	780.00	352,220.00	422,664.00
26-Aug-25 to 25-Sep-25	780.00	352,220.00	422,664.00
26-Sep-25 to 25-Oct-25	780.00	352,220.00	422,664.00

raw

BILLING PERIOD	Maximum Contract Energy per Interval (kW)	CONTRACT ENERGY	
		Minimum Contract Energy	Maximum Contract Energy
26-Oct-25 to 25-Nov-25	780.00	352,220.00	422,664.00
26-Nov-25 to 25-Dec-25	780.00	352,220.00	422,664.00
26-Dec-25 to 25-Jan-26	780.00	352,220.00	422,664.00
26-Jan-26 to 25-Feb-26	780.00	352,220.00	422,664.00
26-Feb-26 to 25-Mar-26	780.00	352,220.00	422,664.00
26-Mar-26 to 25-Apr-26	780.00	352,220.00	422,664.00
26-Apr-26 to 25-May-26	780.00	352,220.00	422,664.00
26-May-26 to 25-Jun-26	780.00	352,220.00	422,664.00
26-Jun-26 to 25-Jul-26	780.00	352,220.00	422,664.00
26-Jul-26 to 25-Aug-26	780.00	352,220.00	422,664.00
26-Aug-26 to 25-Sep-26	780.00	352,220.00	422,664.00
26-Sep-26 to 25-Oct-26	780.00	352,220.00	422,664.00
26-Oct-26 to 25-Nov-26	780.00	352,220.00	422,664.00
26-Nov-26 to 25-Dec-26	780.00	352,220.00	422,664.00
26-Dec-26 to 25-Jan-27	780.00	352,220.00	422,664.00
26-Jan-27 to 25-Feb-27	780.00	352,220.00	422,664.00
26-Feb-27 to 25-Mar-27	780.00	352,220.00	422,664.00
26-Mar-27 to 25-Apr-27	780.00	352,220.00	422,664.00
26-Apr-27 to 25-May-27	780.00	352,220.00	422,664.00
26-May-27 to 25-Jun-27	780.00	352,220.00	422,664.00
26-Jun-27 to 25-Jul-27	780.00	352,220.00	422,664.00
26-Jul-27 to 25-Aug-27	780.00	352,220.00	422,664.00
26-Aug-27 to 25-Sep-27	780.00	352,220.00	422,664.00
26-Sep-27 to 25-Oct-27	780.00	352,220.00	422,664.00
26-Oct-27 to 25-Nov-27	780.00	352,220.00	422,664.00
26-Nov-27 to 25-Dec-27	780.00	352,220.00	422,664.00
26-Dec-27 to 25-Jan-28	780.00	352,220.00	422,664.00
26-Jan-28 to 25-Feb-28	780.00	352,220.00	422,664.00
26-Feb-28 to 25-Mar-28	780.00	352,220.00	422,664.00
26-Mar-28 to 25-Apr-28	780.00	352,220.00	422,664.00
26-Apr-28 to 25-May-28	780.00	352,220.00	422,664.00
26-May-28 to 25-Jun-28	780.00	352,220.00	422,664.00
26-Jun-28 to 25-Jul-28	780.00	352,220.00	422,664.00
26-Jul-28 to 25-Aug-28	780.00	352,220.00	422,664.00
26-Aug-28 to 25-Sep-28	780.00	352,220.00	422,664.00
26-Sep-28 to 25-Oct-28	780.00	352,220.00	422,664.00
26-Oct-28 to 25-Nov-28	780.00	352,220.00	422,664.00
26-Nov-28 to 25-Dec-28	780.00	352,220.00	422,664.00
26-Dec-28 to 25-Jan-29	780.00	352,220.00	422,664.00
26-Jan-29 to 25-Feb-29	780.00	352,220.00	422,664.00
26-Feb-29 to 25-Mar-29	780.00	352,220.00	422,664.00
26-Mar-29 to 25-Apr-29	780.00	352,220.00	422,664.00
26-Apr-29 to 25-May-29	780.00	352,220.00	422,664.00
26-May-29 to 25-Jun-29	780.00	352,220.00	422,664.00
26-Jun-29 to 25-Jul-29	780.00	352,220.00	422,664.00
26-Jul-29 to 25-Aug-29	780.00	352,220.00	422,664.00
26-Aug-29 to 25-Sep-29	780.00	352,220.00	422,664.00
26-Sep-29 to 25-Oct-29	780.00	352,220.00	422,664.00
26-Oct-29 to 25-Nov-29	780.00	352,220.00	422,664.00
26-Nov-29 to 25-Dec-29	780.00	352,220.00	422,664.00
26-Dec-29 to 25-Jan-30	780.00	352,220.00	422,664.00
26-Jan-30 to 25-Feb-30	780.00	352,220.00	422,664.00
26-Feb-30 to 25-Mar-30	780.00	352,220.00	422,664.00
26-Mar-30 to 25-Apr-30	780.00	352,220.00	422,664.00
26-Apr-30 to 25-May-30	780.00	352,220.00	422,664.00
26-May-30 to 25-Jun-30	780.00	352,220.00	422,664.00
26-Jun-30 to 25-Jul-30	780.00	352,220.00	422,664.00
26-Jul-30 to 25-Aug-30	780.00	352,220.00	422,664.00
26-Aug-30 to 25-Sep-30	780.00	352,220.00	422,664.00
26-Sep-30 to 25-Oct-30	780.00	352,220.00	422,664.00

BILLING PERIOD	Maximum Contract Energy per Interval (kW)	CONTRACT ENERGY	
		Minimum Contract Energy	Maximum Contract Energy
26-Oct-30 to 25-Nov-30	780.00	352,220.00	422,664.00
26-Nov-30 to 25-Dec-30	780.00	352,220.00	422,664.00
26-Dec-30 to 25-Jan-31	780.00	352,220.00	422,664.00
26-Jan-31 to 25-Feb-31	780.00	352,220.00	422,664.00
26-Feb-31 to 25-Mar-31	780.00	352,220.00	422,664.00
26-Mar-31 to 25-Apr-31	780.00	352,220.00	422,664.00
26-Apr-31 to 25-May-31	780.00	352,220.00	422,664.00
26-May-31 to 25-Jun-31	780.00	352,220.00	422,664.00
26-Jun-31 to 25-Jul-31	780.00	352,220.00	422,664.00
26-Jul-31 to 25-Aug-31	780.00	352,220.00	422,664.00
26-Aug-31 to 25-Sep-31	780.00	352,220.00	422,664.00
26-Sep-31 to 15-Oct-11	780.00	352,220.00	422,664.00



Schedule 4.3 (b) – Form of Notice of Waiver, Modification, Grant of Grace Period

[Date]

[Customer Name]
[Address]

Re: Power Supply Agreement dated [_____], by and between [Name of Supplier] and [Name of Customer] (the "Agreement")

Attention: [Name of Designated Representative of Customer (Schedule 15.1 - Notices)]
[Designation]

Gentlemen:

We hereby give notice, in accordance with Section 4.3(b) of the Agreement, of our intent to [check option/s below]:

- waive,
- modify, or
- give a non-extendible period of [_____ (____)] days for, the satisfaction by [Name of Customer] of

the below-listed condition(s) precedent as set forth in Section 4.2 of the Agreement that was/were not satisfied on Closing Date:

Condition(s) Precedent	Specifics of modification, or N/A, as the case may be



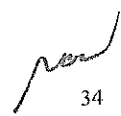
Terms not otherwise defined herein shall have the same meaning as that ascribed to them in the Agreement.


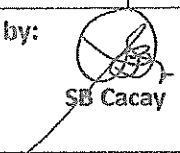
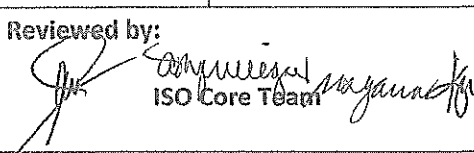
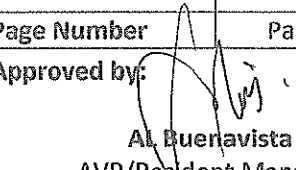
[Name of Supplier]

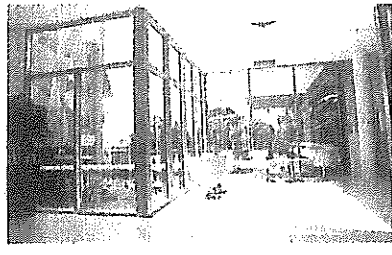
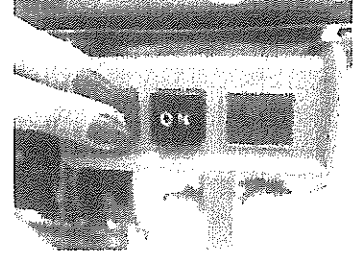
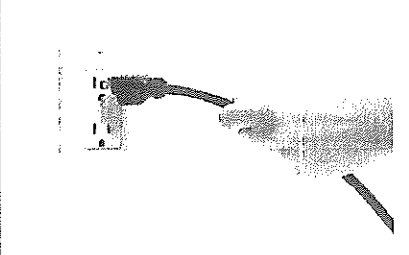
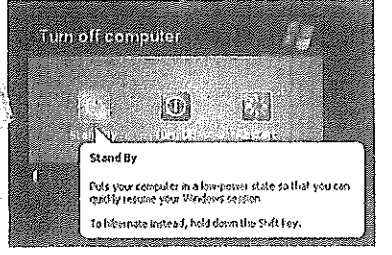
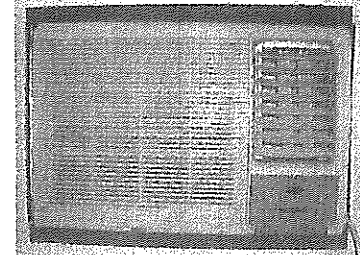

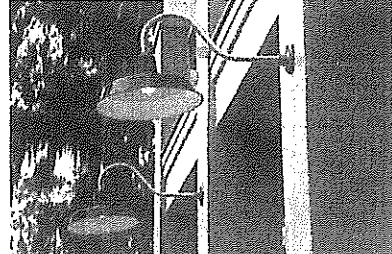
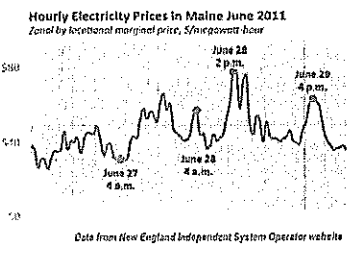
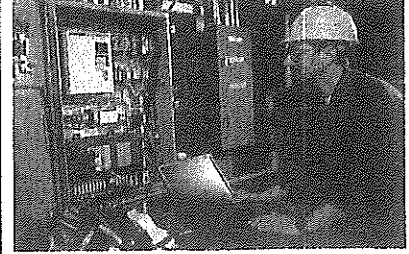
By: _____

Name: [Designated Representative
/ (Schedule 15.1-Notices)]


Title: [_____]



Document Title	EMS GUIDELINES				
Process	Power Conservation				
Document Code	EMSG-06	Revision No.	00	Effective Date	September 15, 2015
Prepared by:  SB Cacay				Page Number	Page 1 of 1
Reviewed by:  ISO Core Team				Approved by: 	
				Al Buenavista AVP/Resident Manager	

INDOORS/OFFICE	Use natural light whenever possible	INDOORS/OFFICE	Turn off lights, machinery, computers, & appliances whenever possible	INDOORS/OFFICE	Unplug electrical appliances and chargers when not in use
					
INDOORS/OFFICE	Avoid leaving computers on standby when leaving the office for the day	INDOORS/OFFICE	Use air-conditioning only when necessary	INDOORS/OFFICE	Shutdown all computers at break, when leaving the office for the day
					
INDUSTRIAL AREA	Make sure to turn off outside/outpost lamps first thing in the morning	INDUSTRIAL AREA	Operate big tanks on hours with lower power rates	INDUSTRIAL AREA	Proper maintenance of equipment to maximize power-efficiency
					

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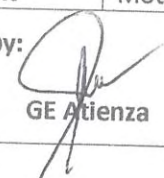
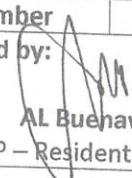

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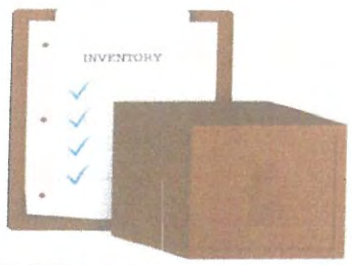







Document Title	EMS GUIDELINES			Effective Date	Sept. 15, 2015
Process	Diesel, Oil and Grease – Handling, Transport and Storage			Page Number	Page 1 of 2
Document Code	EMSG-03	Revision No.	00	Approved by:	AL Buenavista AVP – Resident Manager
Department	Motorpool, Mine Mechanical, Mill Mechanical			Prepared by:	GE Atienza
Reviewed by:	ISO Core Team				



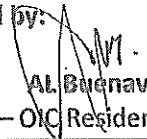

STORAGE	Long Term Storage: Steel Tanks	STORAGE	Short Term/Transport: Plastic Car Buoys	STORAGE	Short Term/Transport: Plastic/Steel Drums
					
STORAGE	Storage 6-12 months at an ambient temp higher than	STORAGE	Required secondary container	STORAGE	Proper GHS label on the containers
					
HANDLING	Use proper PPE	HANDLING	Secondary catchment when refilling/transferring container	HANDLING	Oil-soaked materials are disposed separately
					
OIL RECOVERY	Oil-Water Separator	EMERGENCY	MSDS available	EMERGENCY	Spill Kit Nearby
					

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Document Title	EMS GUIDELINES			 BenguetCorp	
Process	Diesel, Oil and Grease – Handling, Transport and Storage				
Document Code	EMSG-03	Revision No.	00	Effective Date	Sept. 15, 2015
Department	Motorpool, Mine Mechanical, Mill Mechanical			Page Number	Page 2 of 2
Prepared by:	 GE Atienza		Reviewed by:	 AL Buehavia AVP – Resident Manager	
			 ISO Core Team		

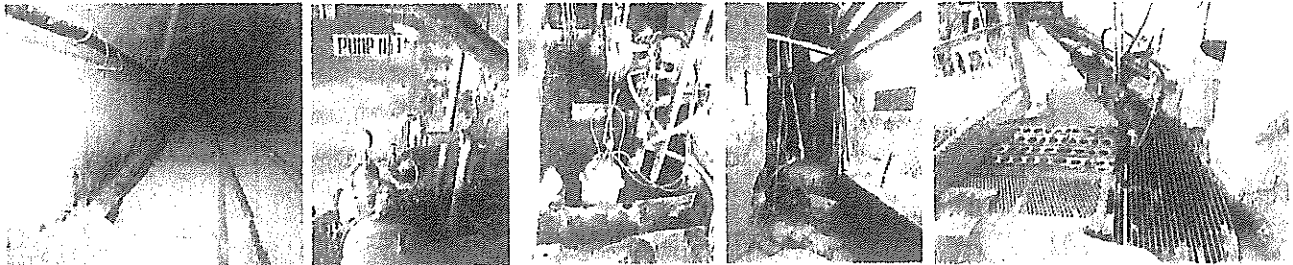
OIL RECOVERY	Use of Oil-Settling Tanks	MONITORING	Monitoring and recording of consumption	REFUELING	Only authorized personnel are allowed to refuel diesel containers
					 © Can Stock Photo
REFUELING	Designated underground refueling stations will be assigned	HANDLING	Use mine cars when transporting diesel underground	EMERGENCY	All vehicles are required to bring spill kit for emergency spills on site
					
EMERGENCY	Spill Kit: contains SAND, hand shovel, small dustpan, rags, plastic bag (labeled "Toxic Waste"). After soaking the spill using sand, collect the contaminated sand into a labeled plastic bag. Dispose accordingly				
					


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Document Title	EMS GUIDELINES				
Process	Contaminated Water				
Document Code	EMSG-12	Revision No.	00	Effective Date	September 15, 2015
Department	Mill, Mine, Mill and Mine Mechanical, Motor Pool, Environment			Page Number	Page 1 of 2
Prepared by:	 GE Atienza		Reviewed by:	 AL Buenavista AVP – OIC Resident Manager	
				 ISO Core Team	


MINES

Built underground drainage systems and canals to drain run-off water. These canals are drained by pump station near the portal, where a settling dam is installed before being discharged in the river. Some water are pumped to the mill (recycled)



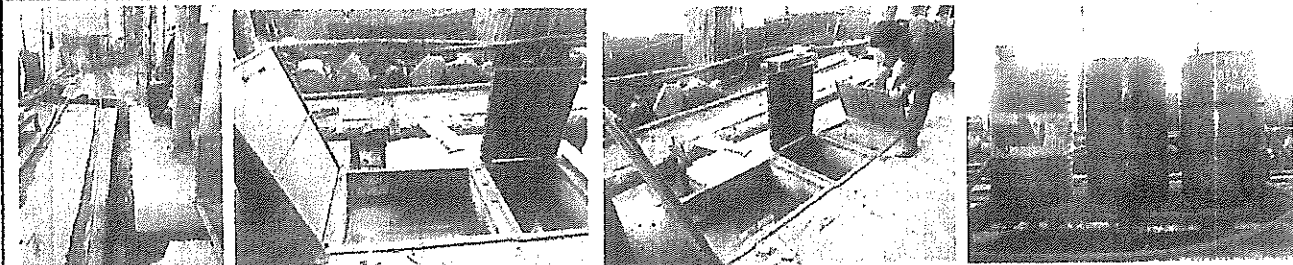
MOTOR POOL

Oil-water separator built in motor pool workshop/garage that “de-contaminates” used water. Collected used oil from separator is stored in a hazard waste container to be disposed appropriately




MINE MECHANICAL



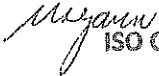
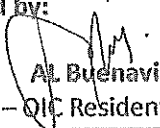
Oil-water separator built in mechanical workshop that “de-contaminates” used water. Collected used oil from separator is stored in a hazard waste container to be disposed appropriately

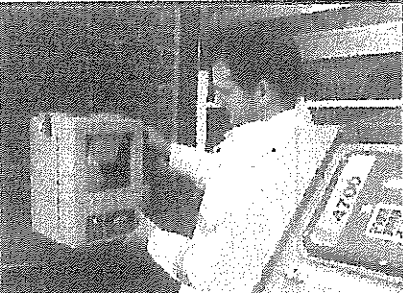
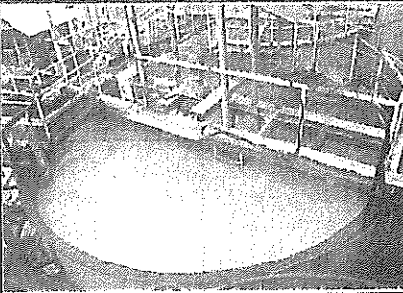
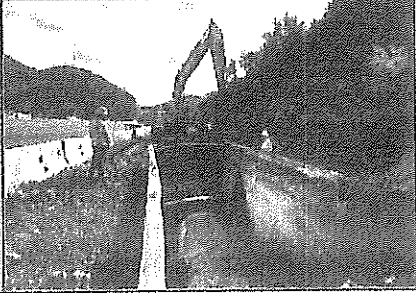



MILL

All discharge (pulp, tails, contaminated water) from the mill (from crushing, grinding to refining and smelting) goes into the Tails Treatment Facility. The solution is treated with SMBS before being pumped to Tails Storage Facility



Document Title	EMS GUIDELINES			 BenquetCorp	
Process	Contaminated Water				
Document Code	EMSG-12	Revision No.	00	Effective Date	September 15, 2015
Department	Mill, Mine, Mill and Mine Mechanical, Motor Pool, Environment			Page Number	Page 2 of 2
Prepared by:  GE Atienza		Reviewed by:  ISO Core Team		Approved by:  Al Buenavista AVP – OIC Resident Manager	

MONITORING	Effluent Monitoring	MONITORING	Monitor tanks to avoid overflow	MAINTENANCE	Regular cleanup of canal/drain
					
MAINTENANCE	Regular check of discharge valves pipes and connections				



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TSD REGISTRATION CERTIFICATE

Pursuant to Chapter 5 of DENR Administrative Order (DAO) 2013-22, the Implementing Rules and Regulations of Republic Act 6969, Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990, the applicant:

Company Name : **BENGUET CORPORATION – ACUPAN CONTRACT MINING PROJECT (Tailings Storage Facility No. 2)**

Facility Address : Balatoc, Itogon, Benguet

has submitted information to the satisfaction of the Environmental Management Bureau, Department of Environment and Natural Resources with regards to the Hazardous Wastes Treatment Storage and Disposal (TSD) facility registration requirements and is therefore assigned with the new *registration no*:

M-TR-CAR-11-00013

This hereby permits **Benguet Corporation – Acupan Contract Mining Project** to maintain/operate Treatment, Storage, and Disposal (TSD) Facility for the following wastes:

Category	Type(s) of Waste	Treatment Method
A	Wastes with cyanide (A101), acid wastes (B202, B203)	Detoxification

subject to the following conditions:

1. The TSD facility shall comply with all the requirements of R.A.6969, its Implementing Rules and Regulation and the Procedural Manual for Hazardous Wastes Management.
2. The TSD facility shall not exceed the capacity indicated in the Environmental Compliance Certificate (ECC). As such, the subject wastes shall be treated within six (6) months from the date of transport as indicated in the Hazardous Waste Manifest Form.
3. All residues generated shall be disposed of in a third party TSD Facility for further treatment or disposal.
4. Non-compliance to the above stipulations shall be subject to the penalty provisions as provided under Section 41 of DAO 92-29 and Chapter 11 of DAO 2013-22.
5. This certificate is valid for one (1) year from the approved date unless sooner revoked or suspended for cause by this Bureau. The application for renewal hereof should be filed with this Bureau at least one (1) month prior to the date of expiration.

AUTHORIZED SIGNATURE :
 AUTHORIZED NAME : **ENGR. METODIO U. TURBILLA**
 DESIGNATION : Director
 DATE : **AUG 15 2019**



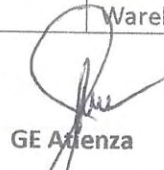
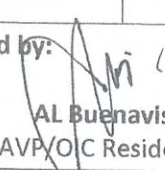
rtc/ggrr/pvc/tsd

Department of Environment and Natural Resources
ENVIRONMENTAL MANAGEMENT BUREAU
 Office of the Director


M-TR-CAR-11-00013



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Document Title	EMS GUIDELINES			  BenguetCorp	
Process	Hazardous Waste Management (Used Oil, Oil and Grease Contaminated Items)				
Document Code	EMSG-07-A	Revision No.	00	Effective Date	Sepetember 15, 2015
Department	Mill, Mill Mechanical, Mine Mechanical, Motorpool, Warehouse, Enviro Department			Page Number	Page 1 of 1
Prepared by:	 GE Ariza		Reviewed by:	 AL Buenavista BGO – AVP/OIC Resident Manager	

USED OIL	Each department will assign designated storage area for used oil	USED OIL	Use tightly sealed and properly labeled containers	USED OIL	When full, notify ENVIRO Dept for proper inventory & documentation
					
USED OIL	Collected containers will be stored in a centralized temporary storage	USED OIL	Accumulated used oil will be sold to interested parties	USED OIL	A signed waiver will be issued to by the buyer to the company
					
USED OIL	Used oil from mill mechanical will be re-used	OIL-CONTAMINATED	All contaminated items will be disposed in hazardous trash bin	OIL-CONTAMINATED	When full, seal the container and notify ENVIRO Dept for inventory
					
OIL-CONTAMINATED	Collected containers will be stored in a centralized temporary storage	OIL-CONTAMINATED	Contact an EMB-accredited Treatment/Storage/Disposal Company	OIL-CONTAMINATED	Used spill kit materials are disposed in the hazardous trash bin
					

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ENVIRONMENTAL COMPLIANCE CERTIFICATE

CAR 1012 – 174 – 2110 (Amended)

The Department of Environment and Natural Resources (DENR) thru the Environmental Management Bureau – Cordillera Administrative Region (EMB-CAR) hereby grants this Environmental Compliance Certificate (ECC) for the **Acupan Contract Mining Project (ACMP)** of **Benguet Corporation** located at the former Balatoc Power Station Area, Virac, Itogon, Benguet, after complying with the Environmental Impact Assessment (EIA) requirements as prescribed in the promulgated guidelines implementing section 3 (b) of P.D. 1586.

This Certificate is further specified as follows:

A. Scope:

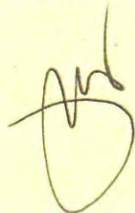
1. This Certificate is valid only for the abovesited project with a rated milling capacity not to exceed 300 dry metric tons per day (300 DMT/Day) and/or as described in the submitted documents.
2. This Certificate does not exempt the project from the requirements of other concerned agencies;

B. Conditions:

1. The development and operation of the project shall be in accordance with the plans and specifications described in the submitted documents. Any major modification and/or expansion shall be subject to the Environmental Impact Statement (EIS) System requirement;
2. The proponent shall cause the implementation of the Environmental Management Plan (EMP) and all other BC commitments described in the submitted EIA documents;
3. Tailings and other wastes generated from the operation of the plant shall be contained and disposed-off properly in the designated pollution control facility(ies) as described in the submitted EIA documents;
4. Pond/plant effluent discharges shall conform with the standards set forth under RA 9275 otherwise known as the Clean Water Act of the Philippines and its implementing Rules and Regulations;

5. Piezometer monitoring station(s) shall be installed along strategic area(s) at tailings pond nos. 1 and 2 (TP #1 & TP #2) to monitor phreatic level stability;
6. The legal requirements pursuant to RA 6969 also known as the Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990, RA 9275 or the Philippine Clean Water Act of 2004 and, RA 8749 or the Philippine Clean Air Act of 1999 shall be secured consistent to the operations of the plant. Compliance to said requirements shall be coordinated with the EMB-CAR;
7. Should there be a breakdown in the pollution control appurtenances and/or major damage(s) incurred, the proponent shall voluntary cease its operation until such time that said damages incurred shall be rehabilitated or restored. Further, the proponent shall immediately inform the EMB, DENR-CAR of said damages and of the remedial measures undertaken;
8. The proponent shall submit to EMB-CAR one (1) year prior to the final shutdown of the plant a comprehensive abandonment plan. In relation, the EMB shall first review and approve the environmental aspects/components of the plan consistent with EMB functions prior to implementation;
9. To oversee the compliance of the proponent with the ECC conditions, the proponent shall maintain the operation of the established Sectoral Monitoring Team including the Environmental Monitoring Fund (EMF) to cover all costs attendant to the said monitoring.
10. The project is subject to on-the-spot monitoring/inspection at any reasonable time by the EMB-CAR which may be in coordination with concerned groups.
11. The proponent shall cause the implementation of any undertaking which may be imposed by the EMB-CAR as a result of Technical Conference/s called relative hereof;
12. This Certificate supersedes the Environmental Compliance Certificate (ECC) NO. CAR 0211-144-120 issued the project on November 29, 2002.
13. This Certificate shall be deemed automatically expired if the project is not implemented within five (5) years from the date of issuance; and
14. Any transfer of project proprietorship or project name carries the same conditions in this ECC for which notification to the EMB-CAR shall be made by the proponent within fifteen (15) days from such transfer.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this Certificate, administrative sanctions against the office head and/or imposition of fine in the amount not to exceed Fifty Thousand Pesos (₱



50,000.00) for every violations thereof, at the discretion of the DENR (Section 9 of P. D. 1586).

C. Recommendations (for the consideration of the project proponent, the PMRB-Benguet/MGB-CAR and, other concerned agencies in the issuance of applicable permits/authorities):

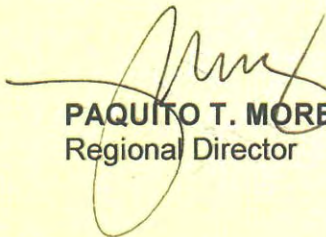
1. The recommendations cited in the Geotechnical Analysis of Dam and Review of the Hydrology for the Re-mining of Tailings from the BGO Tailings Ponds No. I, II, & III final report, where applicable, should be given preferential consideration under the requirements of the MGB-CAR;
2. Qualified local residents should be given priority employment during the development and operation of the project;
3. Construction works should be under the tight supervision of a technical personnel to ensure that standards and requirements of sound engineering, safety and health practices are strictly followed;
4. An emergency response and contingency plan in the event of failure of any of the project appurtenant facilities and/or during disaster/calamity; and
5. The appurtenant physical structures and equipment of the project, where applicable, are subject to the requirements of the National Building Code of the Philippines and the permitting requirements of MGB-CAR/LGU-concerned.

Issued this _____ day of 15 DEC 2010, Year Two Thousand Ten.

RECOMMENDING APPROVAL:

APPROVED:


NESTOR M. DONAAL
Chief, EIA Division


PAQUITO T. MORENO, JR.
Regional Director

Amendment of ECC Condition ₱ 1,200.00 O.R. No. _____ Date _____
Legal Research Fee ₱ 240.00 O.R. No. _____ Date _____

NOTE: NOT VALID WITHOUT SEAL

SUMMARY OF STATUS - REGULATORY COMPLIANCE
BC-BGO C. Y. 2019

REPORTING SCHEDULE	REPORTS/PERMITS	IMPLEMENTING LAWS AND OBJECTIVES	STATUS OF COMPLIANCE
<p>1. <u>Reports</u></p> <p>Monthly:</p>	<p>Monthly General Accident Report (MGAR - MGB Form No. 18-5)</p>	<p>DENR Administrative Order No. 23, IRR of RA 7942 - to submit incident of NLTA, LTA (fatal/non-fatal).</p>	<ul style="list-style-type: none"> ● January - 2/15/2019 ● February - 3/15/2019 ● March - 4/15/2019 ● April - 5/15/2019 ● May - 6/14/2019 ● June - 7/12/2019 ● July - 8/15/2019 ● August - 9/12/2019 ● September - 10/15/2019 ● October - 11/13/2019 ● November - 12/12/2019 ● December - 1/15/2020
	<p>Explosives Consumption Report</p>	<p>Section 270 of DAO No. 2010-21, IRR of RA 7942.</p>	<ul style="list-style-type: none"> ● January - 2/9/2019 ● February - 3/14/2019 ● March - ● April - 5/15/2019 ● May - 6/13/2019 ● June - 7/18/2019 ● July - 8/22/2019 ● August - 9/6/2019 ● September - 10/8/2019 ● October - 11/13/2019 ● November -

	<p>Annual Social Development and Management Program (ASDMP) Monthly Monitoring Report</p>		<ul style="list-style-type: none"> ● December - <p>Note: Required to be submitted within 15 working days after each calendar month.</p> <p>Internal - copy of reports from January to December 2019 is requested</p>
	<p>Monthly Report on Production, Sales, Inventory of Metallic Minerals & Employment Data</p>	<p>DENR Administrative Order No. 2010-21</p>	<p>Chapter XXIX, Section 270 of DENR Administrative Order No. 96-40 of the Revised IRR of RA 7942 required to be submitted within 15 working days after the end of each calendar month</p> <ul style="list-style-type: none"> ● January – 2/14/2019 ● February – 3/14/2019 ● March – 4/12/2019 ● April – 5/15/2019 ● May – 6/14/2019 ● June – 7/11/2019 ● July – 8/15/2019 ● August – 9/11/2019 ● September – 10/15/2019 ● October – 11/14/2019 ● November – 12/12/2019 ● December - 1/15/2020
<p>Quarterly:</p>	<ol style="list-style-type: none"> 1. Safety and Health Program Quarterly Expenditures Report 2. Conduct of Emergency Drills with Report (at least four (4) drills within a year) 3. MGB Mine Safety and Health Section Evaluation of Earthquake & Evacuation Drill 	<p>DENR Administrative Order No. 2000-98, pursuant to Section 8 of RA 7942</p>	<ul style="list-style-type: none"> ● 1st Quarter – 4/15/2019 ● 2nd Quarter – 7/16/2019 ● 3rd Quarter – 10/11/2019 ● 4th Quarter – 1/15/2020 <ul style="list-style-type: none"> ● First & Second Drill Submitted to MGB DENR CAR - 4/15/2019 (Fire & Evacuation Drill conducted on March 28, 2019) ● Third & Fourth Drill Submitted to MGB DENR CAR – 10/28/2019 (Earthquake & Evacuation Drill – October 22, 2019)

	<p>ASDMP Quarter Accomplishment Report for 2019</p>		<ul style="list-style-type: none"> ● 1st Quarter – 4/15/2019 ● 2nd Quarter – 7/13/2019 ● 3rd Quarter – 10/15/2019 ● 4th Quarter – 1/3/2020
	<p>Energy Consumption</p>	<p>Section 270, of DAO No. 2010-21 required to be submitted within 15 days after the end of each calendar quarter</p>	<ul style="list-style-type: none"> ● 1st Quarter – 4/12/2019 ● 2nd Quarter – 7/11/2019 ● 3rd Quarter – 10/15/2019 ● 4th Quarter - 1/15/2020
	<p>Monitoring Report on Mining Investments</p>	<p>Section 270, of DAO No. 2010-21 required to be submitted within 15 days after the end of each calendar quarter</p>	<ul style="list-style-type: none"> ● 1st Quarter – 4/12/2019 ● 2nd Quarter – 7/11/2019 ● 3rd Quarter – 10/15/2019 ● 4th Quarter - 1/15/2020
	<p>Inventory of Foreigners for Technical & Specialized Work in Mining Operations</p>	<p>Section 270, of DAO No. 2010-21 required to be submitted within 15 days after the end of each calendar quarter</p>	<ul style="list-style-type: none"> ● 1st Quarter – 4/12/2019 ● 2nd Quarter – 7/11/2019 ● 3rd Quarter – 10/15/2019 ● 4th Quarter - 1/15/2020
	<p>Self-Compliance Monitoring Report (SMR) & Compliance Monitoring Report (CMR)</p>	<p>DAO-2003-27 Objectives: BC Complied with the environmental laws like Discharge Permit, PD 1586, RA 6969 - An act to control toxic substances, hazardous and nuclear wastes, RA 8749 - An act providing for comprehensive air pollution control; operation and production capacity , wastes generated and etc.</p>	<ul style="list-style-type: none"> ● 1st Quarter – 4/15/2019 ● 2nd Quarter – 7/17/2019 ● 3rd Quarter - 10/15/2019 ● 4th Quarter – 1/15/2020

	Quarterly Report on National Greening Program Accomplishment	DENR Memorandum Circular No. 2012-01 - Monitor Number of Seedlings Planted and Replanted	<ul style="list-style-type: none"> 1st Quarter – 4/15/2019 2nd Quarter – 7/16/2019 3rd Quarter – 10/7/2019 4th Quarter – 1/7/2020
	Quarterly Accomplishment Report of AEPEP	DAO 2010-21, Section 270 – The company ensures that the impact of its activities are mitigated and measures are in place to certify compliance with existing laws, rules and regulations.	<ul style="list-style-type: none"> 1st Quarter – 4/15/2019 2nd Quarter – 7/12/2019 3rd Quarter – 10/15/2019 4th Quarter – 1/10/2020
	Compliance Monitoring and Validation Report (CMVR)	DAO 2010-21, Section 174 – BC ACMP compliance with ECC and other conditions (ECC Control No. CAR 1012-174-2110 issued on December 15, 2010)	<ul style="list-style-type: none"> 1st Quarter – 4/15/2019 2nd Quarter – 7/17/2019 3rd Quarter – 10/28/2019 4th Quarter - 2/6/2020
	Quarterly Accomplishment Report on the Approved Annual Work Program		<ul style="list-style-type: none"> 1st Quarter – 4/15/2019 2nd Quarter – 7/16/2019 3rd Quarter – 10/15/2019 4th Quarter - 1/15/2020
Semestral	Notarized semestral report on mine waste and tailings generated/produced.	SEC. 191 OF DENR ADMINISTRATIVE ORDER NO. 96-40 – Payment made will constitute the Mine wastes and Tailings Reserve (MWTRF) wherein P0.10/MT mill tailings & P0.05/MT mine waste generated as defined under	<ul style="list-style-type: none"> FIRST SEMESTER - Submitted August 15, 2019 SECOND SEMESTER - Submitted

		Chapter Xviii, Sec. 190 of DAO 96-40	
	Semestral report on Mining Forest Program validation report	DAO No. 1989-22 – Nursery Operations and Plantation Activities	<ul style="list-style-type: none"> FIRST SEMESTER - Submitted July 16, 2019 SECOND SEMESTER - Submitted January 7, 2020
	ANNUAL SAFETY & HEALTH PROGRAM	DAO 2000-98, Mine Safety and Health Standard	<ul style="list-style-type: none"> Approved 2019 ASHP – Certificate of Approval September 10, 2019 (ASHP # 13-2019-CAR) & Approved Amount to be spent for the year is Php2, 532,000.00 July 9, 2019
	Safety and Health Performance Reports - Verification of Safety Records (July 1, 2018 to June 30, 2019)	Chapter XIV of DENR Administrative Order No. 2010-21	<ul style="list-style-type: none"> Submitted January 30, 2020
Annual	Annual Social Development and Management Program Accomplishment Report of 2019	Chapter XIV , Section 135 of DAO 2010-21	<ul style="list-style-type: none"> Submitted November 27, 2019
	2020 Annual Social Development and Management Program (ASDMP)	Chapter XIV of DAO 96-40, IRR of RA 7942 & DAO 2010-21	<ul style="list-style-type: none"> Submitted 3rd Five Year Revised SDMP (2016-2020) – February 15, 2016
	5-Year Social Development and Management Program (SDMP)		

Annual Report on Taxes, Fees & Royalties Paid & Withheld by the Year	Annual Mineral Resources/Reserve Inventory Report for the Year	IRR of RA 7942 – Required to be submitted within two (2) weeks after the end of calendar year	<ul style="list-style-type: none"> Submitted Unaudited - January 18, 2019 Submitted Audited June 28, 2019
Annual Report of Metallic Minerals. Non-Metallic Minerals and Quarry Resources for the year.	Annual Land Use Report for the CY 2019	Section 270 of DAO No. 2010-21, IRR of RA 7942 required to be submitted on or before the end of the 1st Quarter of each calendar year	<ul style="list-style-type: none"> Submitted February 15, 2019
Annual Report of Metallic Minerals. Non-Metallic Minerals and Quarry Resources for the year.	Annual Land Use Report for the CY 2019	Section 270 of DAO No. 2010-21, IRR of RA 7942 required to be submitted within two (2) months after the end of each calendar year	<ul style="list-style-type: none"> Submitted – February 28, 2019 Submitted Audited June 28, 2019
Annual Report of Metallic Minerals. Non-Metallic Minerals and Quarry Resources for the year.	Annual Land Use Report for the CY 2019	In compliance with item “q” of Section 270 of DENR Administrative Order No. 2010-21 or the IRR of RA 7942 - Required to be submitted within sixty (60) calendar days after each calendar year	<ul style="list-style-type: none"> Submitted February 28, 2019
Annual Report of Metallic Minerals. Non-Metallic Minerals and Quarry Resources for the year.	Annual Land Use Report for the CY 2019	DENR Administrative Order No. 96-40, IRR of RA 7942:	<ul style="list-style-type: none"> First Submission is November 29, 2018
Annual Report of Metallic Minerals. Non-Metallic Minerals and Quarry Resources for the year.	Annual Land Use Report for the CY 2019	1. Contractor/Permit Holder shall allocate for its annual environment-related expense a percentage based on the AEPEP which may approximate a minimum of three to five percent (3-5%) of its direct	<ul style="list-style-type: none"> Submitted Revised January 15, 2019

	<p>mining and milling costs depending on the environment/geologic condition, nature and scale of operations and technology employed.</p> <p>2. Comprehensive and strategic Environmental management plan for the life of the mining project on which AEPEPs are based and implemented to achieve the environmental management objectives, criteria and commitments including protection and rehabilitation of the disturbed environment</p>	<p>DAO 2010-21, Section 169</p>	<ul style="list-style-type: none"> Submitted to MGB-CAR, deliberated and endorsed to MGB Central Office. Pending approval.
	<p>5-Year Environmental Protection and Enhancement Program (EPEP)</p>	<p>DAO 2010-21, Section 187</p>	<p>5- year FMRRDP was submitted to MGB-CAR. It was endorsed to MGB Central Office. Pending approval by MGB Central Office.</p>
	<p>Final Mine Rehabilitation and Decommissioning Program (FMRRDP)</p>		<p>Annual FMRRDP - Submitted</p>
	<p>3-YEAR Development / Utilization Work Program (2019 – 2021)</p>	<p>DENR Administrative Order (DAO No. 2018-20)</p>	<p>Submitted Revised Three (3) Year Utilization/Development Work Program July 24, 2019</p>

	2019 Annual Development / Utilization Work Program	DENR Administrative Order (DAO No. 2018-20)	Submitted March 5, 2019																								
2. <u>Other Reports</u> (Case to case)	1. Accident Reports	Accident Report Investigation Report and Actions taken submitted to MGB	Date of Inspection & Date of Reply: ● June 20-21, 2019 - July 5, 2019																								
	2. Latest Reply to MGB Inspection Reports, SHES Reports and Transmittals																										
3. <u>Other Permits & Licenses:</u>	1. Permanent & Temporary Safety Inspector's Permit	R.A. 7942 and DAO Nos. 96-40 and 2000-98	● Valid until April 1, 2022																								
	2. Temporary Safety Engineer's Permit		● Valid until January 11, 2020																								
	3. Fire Safety Inspection Certificate	Fire Safety and Protection Requirements of the Fire Code of the Philippines of 2008 and its Implementing Rules and Regulations	● Valid up to December 31, 2019																								
VALID UNTIL / EXPIRY DATE																											
<table border="1"> <thead> <tr> <th>Jan</th> <th>Feb</th> <th>Mar</th> <th>April</th> <th>May</th> <th>Jun</th> <th>Jul</th> <th>Aug</th> <th>Sept</th> <th>Oct</th> <th>Nov</th> <th>Dec</th> </tr> </thead> <tbody> <tr> <td></td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td>✓</td> <td>Valid until Sept. 23, 2019</td> <td></td> <td>Issued December 16, 2019</td> <td>Valid until Feb. 16, 2020</td> </tr> </tbody> </table>				Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec		✓		✓		✓		✓	Valid until Sept. 23, 2019		Issued December 16, 2019	Valid until Feb. 16, 2020
Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec																
	✓		✓		✓		✓	Valid until Sept. 23, 2019		Issued December 16, 2019	Valid until Feb. 16, 2020																
a. Permit to Purchase and Move Explosives (valid within 60 days from the date permit is issued)	A. License to Handle Controlled Precursors and Essential Chemicals (CPECS)	RA 9165 and its IRR (No operation/transaction of controlled chemicals in case of expiration of license.	Date Issued: June 19, 2019 – License valid until February 6, 2020																								
	B. License to Possess Explosives (Purchaser's License)	Conditions: 1. Quantities of explosives is the maximum total that the licensee purchase/import and possess;	Date Issued: May 23, 2019 – License valid until January 10, 2020																								

		<p>2. Purchases/importations under this license must be covered by Permit to Purchase.</p>	
<p>b. Foreman or Blaster License</p>		<p>Conditions: 1. He will safely keep, faithfully comply with the laws, rules and regulations and also will not sell, loan, dispose the explosives without consent of the PNP.</p>	<p>Valid until February 6, 2020</p>

VALID UNTIL EXPIRY DATE

<p>1. Permit to Operate Pressure Vessels – Locations of PV – 2000L, near lode shaft (BC-02), frontage of former new power plant (Bc-03), Main Transformer Substation Areas(BC-04), (BC-05), (BC-06), (BC-07), former Old Power Plant (BC-19), & (BC-20).</p>		<p>February 5 – 8, 2020</p>	
<p>2. Certificate of Electrical Inspections for the following Electro-mechanical equipment: - Pursuant to RA 7942 and to certify that the</p>			

electrical installation works were inspected by the duly authorized representatives of MGB and has been found in good condition and in accordance with the requirements of RA 7920.

February 7, 2020

1. Ball Mill 6 x 6 Circuit (BC-01)	<p>All permits/licenses of electrical equipments installations are valid until February 7, 2020</p>
2. Ball Mill 6 x 10 Circuit (BC-02)	
3. Agitator Tanks – Batch Type Process (BC-03)	
4. Waste Disposal Pumps (BC-04)	
5. Electrowinning/Ash ing (BC-05)	
6. Ball Mill 7 x 10 Circuit Continuous Type (BC-06)	
7. Agitator Tanks – Continuous Type (BC-07)	
8. Air Compressors (BC-08)	
9. DTS Pumps (BC-09)	
10. Detoxification Circuit (BC-10)	
11. Assay/Met Lab (BC-11)	

12. Virrac Water Pumps (BC-12)	
13. Refinery Area (BC-13)	
14. Air Compressors Mill Area (BC-14)	
15. 1300 Portal Underground Blower (BC-15)	
16. 1500 Portal Water Pump (BC-16)	
17. Main Transformer Substation (BC-17)	
18. 2000L Lode Shaft Underground Substation	
19. 2000L Malouf Transformer Substation (BC-19)	
20. 9th Pump Shaft 2000L Transformer (BC-20)	
21. Lode Shaft Transformer Substation, 1500L (BC-21)	
22. 1500L, Surface Substation (BC-22)	
23. Batuang Phase 2 Transformer Station (BC-23)	
24. Ashing, Fume Scrubber (BC-24)	
<p>Note: Mechanical Equipment Installation Permits of all BC existing machineries and equipment – Lifetime Permit</p>	

VALID UNTIL EXPIRY DATE

Radio Station Licenses & Radio Station Temporary Permit

Equipment/Model	SN:	Effective From	Valid Until
1. ENGENIUS EOC 5611P	SN: 115387098	October 5, 2019	October 4, 2020
2. ENGENIUS EOC 5611P (3 CH)	SN: 115387094 SN: 114481358	October 5, 2019	October 4, 2020
3. ENGENIUS EOC 5611P	SN: 115387100	October 5, 2019	October 4, 2020
4. ICOM IC-V80	SN: 60069763-9	April 28, 2019	April 27, 2020
5. ICOM IC-V80	SN: 60069762-2	April 28, 2019	April 27, 2020
6. ENGENIUS ENH500	SN: 142206297	February 4, 2019	February 3, 2020

1. Radio Station Licenses & Radio Station Temporary Permits

Equipment/Model	SN:	Effective From	Valid Until
1. BAOFENG BF-666S	SN: NTCCAR-08-350	September 27, 2019	September 26, 2020
2. BAOFENG BF-777S	SN: NTCCAR-08-352	September 27, 2019	September 26, 2020
3. BAOFENG BF-777S	SN: NTCCAR-08-351	September 27, 2019	September 26, 2020
4. BAOFENG BF-888S	SN: PH8S01014	September 27, 2019	September 26, 2020
5. BAOFENG BF-888S	SN: NTCCAR-08-353	September 27, 2019	September 26, 2020
6. BAOFENG BF-888S	SN: PH8S01836	September 27, 2019	September 26, 2020
7. BAOFENG BF-888S	SN: PH8S02263	September 27, 2019	September 26, 2020

New BC Employees Licensed Radio Operators (6) - License issued: August 27, 2019 and valid until August 26, 2024.
 Other BC Employees Licensed Radio Operators (6) - License issued: September 6, 2019 and valid until September 24, 2024.
 (6) – Radio Operator Certificate: November 26, 2019 and valid until November 25, 2024
 (1) Radio Operator Certificate: Valid until July 20, 2024)

2. Renewal and Application of Radio Operator Certificate of BC employees

		VALID UNTIL DECEMBER 31, 2019
3. Business Permit & Sanitary Permit		Paid all quarterly business taxes due for the entire year 2019
4. BC Real Property Taxes & Business Tax		Paid all quarterly real property taxes due for the entire year 2019.
VALID UNTIL / EXPIRY DATE		
TSF 2 Discharge Permit		November 19, 2019
Mine Mechanical Oil-Water Separator (5 years)		July 20, 2022
Motorpool Oil-Water Separator (5years)		July 20, 2022
Permit to Operate – Thermo Digestion Chamber with Acid Fume Scrubber Assay Lab (5 years)		January 28, 2021
Permit to Operate - Refinery Acid Fume Scrubber (5 years)		February 16, 2020
Permit to Operate - Cupellation Furnace with Lead Fume Scrubber Assay Lab (5 years)		January 26, 2022
Permit to Operate - Dust Collection System Assay Lab (5 years)		February 12, 2024
Permit to Operate - Ashing Facility (5 years)		May 21, 2023
Permit to Operate - Two (2) Units 25 KVA Generator Sets (5 years)		June 21, 2022

OTHER GOVERNMENT PERMITS AND LICENSES

1. ENVIRONMENTAL COMPLIANCE CERTIFICATE – (CAR 1012-174-2110 as Amended

A. SCOPE:

Rated Milling Capacity not to exceed 300 dry metric tons per day (300 DMT/Day)

B. CONDITIONS:

1. The development and operation of the project shall be in accordance with the plans and specifications described in the submitted documents. Any major modification and/or expansion shall be subject to the Environmental Impact Statement (EIS) System requirement;
2. The proponent shall cause the implementation of the Environmental Management Plan (EMP) and all other BC commitments described in the submitted EIA documents;
3. Tailings and other wastes generated from the operation of the plant shall be contained and disposed-off properly in the designated pollution control facility (ies) as described in the EIA documents
4. Pond/plant effluent discharges shall conform with the standards set forth under RA 9275 otherwise known as the Clean Water Act of the Philippines and its Implementing Rules and Regulations;
5. Piezometer monitoring station(s) shall be installed along strategic area(s) at tailings pond nos. 1 and 2 (TP # 1 & TP # 2) to monitor phreatic level stability;
6. The legal requirements pursuant to RA 6969 also known as the Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990, RA 9275 or the Philippine Clean Water Act of 2004 and, RA 8749 or the Philippine Clean Air Act of 1999 shall be secured consistent to the operations of the plant. Compliance to said requirements shall be coordinated with the EMB-CAR;
7. Should there be a breakdown in the pollution control appurtenances and/or major damage(s) incurred, the proponent shall voluntarily cease its operation until such time that said damages incurred shall be rehabilitated or restored. Further, the proponent shall immediately inform the EMB-DENR-CAR said damages and of the remedial measures undertaken;
8. The proponent shall submit to EMB-CAR one (1) year prior to the final shutdown of the plant a comprehensive abandonment plan. In relation, the EMB shall first review and approve the environmental aspects/components of the plan consistent with EMB functions prior to implementation;
9. To oversee the compliance of the proponent with the ECC conditions, the proponent shall maintain the operation of the established Sectoral Monitoring Team including the Environmental Monitoring Fund (EMF) to cover all costs attendant to the said monitoring.
10. The project is subject to on-the-spot monitoring/inspection at any reasonable time by the EMB-CAR which may be in coordination with concerned groups;
11. The proponent shall cause the implementation of any undertaking which may be imposed by the EMB-CAR as a result of Technical Conference/s called relative thereof;
12. This Certificate supersedes the Environmental Compliance Certificate (ECC No. CAR 0211-144-120 issued the project on November 29, 2002;

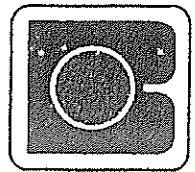
13. This Certificate shall be deemed automatically expired if the project is not implemented within five (5) years from the date of issuance; and

14. Any transfer of project proprietorship or project name carries the same conditions in this ECC for which notification to the EMB-CAR shall be made by the proponent within fifteen (15) days from such transfer.

Non-compliance with any of the above stipulations will be sufficient cause for the suspension or cancellation of this certificate, administrative sanctions against the office head and/or imposition of fine in the amount not to exceed Fifty Thousand Pesos (50,000.00) for every violations thereof, at the discretion of the DENR (Sections 9 of PD 1586)

C. Recommendations -

(for the consideration of the project proponent, the PMRB-Benguet/MGB-CAR and, other concerned agencies in the issuance of applicable permits/authorities):



PERSONNEL POLICY MANUAL			
SUBJECT: REGULAR EMPLOYMENT	DATE OF ISSUE: JUNE 1, 1989	ORIGINATED BY: <i>A. S. LAGDAMEO, JR.</i> A. S. LAGDAMEO, JR.	POLICY NO: 108
	SUPERSEDES: NEW	APPROVED BY: <i>D. L. LAZARO</i> D. L. LAZARO	PAGE NO.: 1 OF 5

I. PURPOSE

To clarify guidelines in the screening and selection of applicants for regular vacant positions.

II. COVERAGE

All Rank and File and Managerial employees

III. DEFINITION OF TERM

"Regular Employment" shall refer to the type of employment of an employee who is hired by the Company without term to fill an authorized regular vacant position. Regular employment is normally automatic at the conclusion of the probationary period, unless indicated otherwise.

IV. POLICY

The Company shall employ qualified applicants for each position within its organizational structure. Each candidate for an open position shall be selected on the basis of his/her qualifications and potentials.

A. IMPLEMENTING GUIDELINES

1. Sources of Regular Employment

a. Within the Company

Qualified employees shall be considered for transfer or promotion prior to recruitment of new employees from outside the Company.

b. Outside the Company

"Outside applicants" may be hired for any vacant position if there are no qualified applicants from within the Company.

PERSONNEL POLICY MANUAL			
SUBJECT:	DATE OF ISSUE:	POLICY NO:	PAGE NO.:
REGULAR EMPLOYMENT	JUNE 1, 1989	108	2 OF 5

2. Selection

The basic qualifications of applicants sourced from outside the Company shall be as prescribed under the schedule of Basic Qualifications for Applicants (Annex A).

3. Employment Restrictions

a. The following persons shall not be employed by the Company:

1. Applicants with criminal record
2. Former employees terminated with cause
3. Retired employees of the Company
4. Former employees separated on medical grounds

b. Relatives of an employee shall not be hired in any working unit under the employee's direct or indirect supervision. (Supervision exists when the employee is the Rater, or Reviewer or approving authority of the relative's performance evaluation report). The relatives or extent of relationships covered under this policy are as follows:

1. Spouses, children, children-in-law, and parents of employees;
2. Brothers, sisters, uncles, aunts, nephews and nieces of the employees and their spouses;
3. Brothers, sisters, and parents of spouses of employees;
4. First cousins of employees and their spouses.

B. PROCEDURAL GUIDELINES

Screening and selection of applicants for regular vacant positions shall be in accordance with procedures as outlined in the Selection Procedure (Annex B).

IV EFFECTIVITY

This policy shall take effect immediately.


 AMADO S. LAGDAMEO, JR.

PERSONNEL POLICY MANUAL			
SUBJECT:	DATE OF ISSUE:	POLICY NO:	PAGE NO.:
REGULAR EMPLOYMENT	JUNE 1, 1989	108	3 OF 5

ANNEX "A"

BASIC QUALIFICATIONS FOR APPLICANTS

I. MANAGERIAL LEVEL (AUM & up)

1. College graduate or its equivalent work experience
2. Age: Minimum - 18 years; Maximum - 40 years*
3. Duly registered in their respective professional group as necessary
4. With previous managerial or supervisory experience
5. Good communication skills (written and oral)
6. Medically fit
7. No criminal record

II. NON-MANAGERIAL LEVEL : Technical/Professional Positions

1. College graduate or its equivalent work experience
2. Age: Minimum - 18 years; Maximum - 40 years*
3. Duly registered in their respective professional group as necessary
4. Good communication skills (written and oral)
5. Medically fit
6. No criminal record

III. SKILLED POSITIONS

1. Ability to read and write
2. Age: Minimum - 18 years; Maximum - 40 years*
3. Medically fit
4. No criminal record
5. Previous experience in work applied for

IV. UNSKILLED POSITIONS

1. Ability to read and write
2. Age: Minimum - 18 years; Maximum - 40 years*
3. Medically fit
4. No criminal record

*Per Medical Director's Advice

PERSONNEL POLICY MANUAL			
SUBJECT:	DATE OF ISSUE:	POLICY NO:	PAGE NO.:
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ANNEX "B"

SELECTION PROCEDURE - APPLICANTS FOR REGULAR EMPLOYMENT

The screening and selection procedure shall be followed in the sequence of events indicated below:

I. PRELIMINARY SCREENING

1. Compare applicants qualifications with basic job requirements. Only those meeting the minimum qualifications for the job as indicated in the Personnel Requisition will be called to the initial interview.

II. INITIAL INTERVIEW

1. Clarify information which are not clearly stated in the Application Form.
2. Visually determine physical build and visible physical defects.
3. Get first impressions on applicants attitudes, inclinations, ambitions and mannerisms.

III. TESTING

Applicants who pass initial interviews shall be scheduled to undergo the following tests:

1. Intelligence or Aptitude Tests
2. Personality Tests
3. Trade or Skill Tests
4. Others as required

IV. FINAL INTERVIEWS

More rigid interviewing with stress on determination of skills, attitudes, etc. shall be conducted by the following persons in the order indicated:

1. Recruitment Officer/Personnel Manager (for Managerial Positions)
2. Immediate superior concerned
3. Manager occupying next higher level above immediate superior

After the last interviewer, the Personnel Department shall advise the applicant that he will be notified soonest as to the decision on his application.

No commitment for employment should be made at this point.

PERSONNEL POLICY MANUAL			
SUBJECT:	DATE OF ISSUE:	POLICY NO:	PAGE NO.:
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The afore-mentioned interviewers shall nominate the three (3) best candidates for the position.

4. Vice-President concerned and/or a Recruitment Committee (composed of the same members of the Retirement Committee per Operation) shall conduct the final interview with the nominees. The Recruitment Committee may be convened to interview applicants for critical positions.

V. REFERENCE AND BACKGROUND CHECK

Pending results of final interview and decision to hire, the Personnel Department shall check either by letter, telephone, or personal visit the reference cited by the candidates.

VI. DECISION TO HIRE

After results of the pre-employment examinations are known and reference checks are completed, the VP concerned shall decide which applicant should be hired.

VII. MEDICAL/DENTAL EXAMINATION

After the decision to hire is made, the Personnel Department shall arrange for the medical/dental examination of the successful applicant. At this point, it shall again be emphasized that there is still no commitment to hire pending release of medical clearance.

VIII. JOB OFFER

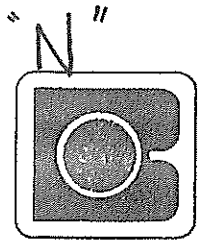
The Personnel Department shall immediately contact the selected applicant so that the superior to whom the applicant will be reporting can make the job offer. Prior consultation with the Personnel Department must be made by the immediate superior regarding the following conditions before they are discussed with prospective employees:

1. Effective date of hiring
2. Job Classification
3. Salary
4. General conditions of employment

The applications of those who were considered for hiring up to the final stages shall be kept in the active file for future vacancies. They shall also be advised as to the final decision on their application.

IX. EMPLOYMENT CONTRACT

The accepted applicant shall be asked to sign the employment contract before the start of his/her first working days.



PERSONNEL POLICY MANUAL			
SUBJECT: BASIC MEDICAL AND DENTAL SERVICES	DATE OF ISSUE: September 24, 1987	ORIGINATED BY: A. S. LAGDAMEO, JR.	POLICY NO.: 221
	SUPERSEDES: 04 March 1981/ 16 April 1984	APPROVED BY: <i>[Signature]</i> D. L. LAZARO	PAGE NO.: 1 OF 6

I. PURPOSE

To define policy on basic medical and dental services for Managers and their dependents.

II. COVERAGE

All BC Junior and Senior Managers and their dependents.

III. DEFINITION OF TERMS

"Junior Managers" shall refer to employees classified as Junior Staff or Supervisors.

"Senior Managers" shall refer to employees classified as Senior Staff.

"Dependents" shall mean:

- a) legitimate, legitimated or legally adopted children who are unmarried, not gainfully employed and not over twenty-one (21) years of age; and
- b) legal spouse.

"Company Physician" shall refer to employed or retained physicians of BC.

IV. POLICIES

1. It is the policy of the Company to ensure the physical well-being of its Managers by providing them and their dependents with medical, dental and hospitalization benefits.
2. The medical and dental benefits given by the Company shall be availed of only after the SSS/Medicare Benefits shall have been first applied.

PERSONNEL POLICY MANUAL			
SUBJECT: BASIC MEDICAL AND DENTAL SERVICES	DATE OF ISSUE September 24, 1987	POLICY NO.: 221	PAGE NO.: 2 OF 6

V. IMPLEMENTING GUIDELINES

A. Designated Clinics/Hospitals/Dispensaries

A.1. Corporate Headquarters (CHQ)

A.1.1 The Company shall subscribe to a comprehensive medical plan of a contracted medical institution. This institution shall be the Company's authorized clinic and their doctors shall be the authorized physicians of all CHQ employees and their dependents. (Refer to Annex A for CHQ's present contracted medical institution's address and clinic hours.)

A.1.2 Employees and dependents may seek hospitalization with any of the hospitals affiliated with the contracted medical institution through the CHQ clinic. List of the present contracted hospitals is in Annex A.

A.1.3 Managers in the minesites whose dependents reside within Metro Manila must be registered with the CHQ contracted medical institution for coverage under the Basic Medical Plan.

A.2 Minesite Hospitals/Dispensaries:

A.2.1 The Company's minesites have maintained their respective dispensaries, hospitals and contracted hospitals for the benefit of their employees. Annex B presents the list of minesite hospitals.

A.2.2 Minesite employees and their dependents may avail of the Medical/Dental services of CHQ's contracted medical institution and its affiliated hospitals in Metro Manila under the following conditions:

- a) when referred by the Camp Physician
- b) during emergency while in Metro Manila

The applicable rates of the contracted medical institution shall be billed to the Company and the net amount after deducting company share shall be chargeable to the employee's personal account.

PERSONNEL POLICY MANUAL			
SUBJECT:	DATE OF ISSUE	POLICY NO.:	PAGE NO.:
BASIC MEDICAL AND DENTAL SERVICES		221	3 OF 6

A.3 Non-Contracted Hospitals:

A.3.1 Consultation, treatment or hospitalization in non-contracted hospitals may be allowed to employees and their dependents upon the recommendation of the Company's Medical Director or the respective Senior Resident Physician in each camp and upon the approval of the Personnel Manager. The employees however shall pay the expenses incurred beyond the standard rates.

B. Medical and Dental Services

Employees and their qualified dependents shall be entitled free of charge to the following medical and dental services.

B.1 Doctor's Services, including surgery and anesthesiology for as long as the employee and his dependents are attended to by the Company Physicians.

B.2 Medicines in the Formulary. If employees and their qualified dependents are referred to contracted and/or affiliated hospitals, medicines prescribed by the Company Physicians which are not found in the Formulary shall be on Company's account.

B.3 Laboratory tests, X-ray and other diagnostic procedures authorized by Company Physicians.

B.4 Hospitalization not to exceed 90 days in one calendar year.

B.5 Dental services consisting of routine dental care, prophylaxis, extractions, temporary and permanent fillings if attended to by contracted medical institution/Company dentists. Dental X-ray, if required by Company Dentist, shall be on Company's account.

B.6 Annual medical examinations (for employees only) as scheduled by the Medical Unit.

C. Room and Board Allowance

C.1 The amount for room and board charges must not exceed the standard rates for Managers and their qualified dependents. Any excess shall be chargeable to one's personal account.

C.2 This benefit is exclusive of Medicare. Employees have to file Medicare claims when hospitalized.

PERSONNEL POLICY MANUAL			
SUBJECT: BASIC MEDICAL AND DENTAL SERVICES	DATE OF ISSUE	POLICY NO.: 221	PAGE NO.: 4 OF 6

D. Prescribed Medicines

- D.1 - Employees and their dependents may withdraw prescribed medicines through the clinic/hospital upon presentation of company physician prescription. The prescription should bear the name of the employee/dependent for whom the medicine is being prescribed in the physician's handwriting, otherwise withdrawal of medicine shall be denied.
- D.2 Medicines prescribed by non-contracted physicians may be reimbursed subject to review and approval by the Company physician.
- D.3 All reimbursements must be made within fifteen (15) days from date expenses were incurred.

E. Limitations

- E.1 . The following illnesses, conditions or services are excluded from hospitalization/medical benefits granted herein:
 - E.1.1 self-inflicted illness/injury;
 - E.1.2 illness or injury due to immoral, improper or illegal conduct, such as venereal diseases, drug addition, intoxication, alcoholism, fighting, etc.;
 - E.1.3 illness of employees and dependents due to causes existing prior to the date of their enrolment or coverage in Medical Plan;
 - E.1.4 medical and dental services not required by the Company physician and/or not included in item B;
 - E.1.5 vitamins, newly discovered medicines or special medicines required to correct congenital abnormality or deformity or to cure a condition peculiar to the employee and/or his dependents;
 - E.1.6 parturition when employee or dependent is unmarried; and
 - E.1.7 parturition after FOUR (4) complete deliveries, excluding miscarriages.
- E.2 The Company shall not be obligated to advance payments for accounts which are purely personal in nature.

PERSONNEL POLICY MANUAL			
SUBJECT: BASIC MEDICAL AND DENTAL SERVICES	DATE OF ISSUE	POLICY NO.: 221	PAGE NO.: 5 OF 6

- E.3 Temporary medical attention shall be given to employees and dependents suffering from mental diseases, leprosy, cholera, poliomyetis and other highly communicable diseases, the treatment of which falls under the regulations of the Department of Health, until such time as the employee or his dependents are transferred to a government institution.
- E.4 Availment of benefits under this policy by the employee's dependents shall bar the dependents from further claiming similar benefits under a separate policy, i.e. a dependent whose parents are both employees of the Company cannot claim benefits separately from both parents. Corrollarily, the employee's wife who is also an employee cannot claim benefits under this policy in addition to what she is entitled to under the Medical policy applicable to her category. However, in cases where the benefits under this policy are superior to those applicable to her category, the superior benefits shall be applied.

VI. PROCEDURAL GUIDELINES

A. Hospital Accommodation through the Company's contracted medical institution at CHQ

- A.1 To arrange for hospital accommodation, the employee has to notify the CHQ Clinic personally, in writing, by phone or through any other means in order that proper coordination with the contracted medical institution can be done and for the employee's medical coverage to be arranged.
- A.2 In case of emergency, the employee or dependents may seek admission directly with any of the contracted hospital or the nearest hospital in the vicinity. In seeking admission to the hospital, the employee must present his ID card and request the hospital administrator or his authorized staff or representative to call the CHQ Clinic or the contracted medical institution so that the latter can coordinate with the admitting hospital.
- A.3 When the contracted medical institution and CHQ clinic are closed and during emergencies requiring hospitalization, the employee can call on the contracted medical institution's Medical staff at their respective residences. (Refer to Annex A for their Phone Numbers.)

PERSONNEL POLICY MANUAL			
SUBJECT: BASIC MEDICAL AND DENTAL SERVICES	DATE OF ISSUE	POLICY NO.: 221	PAGE NO.: 6 OF 6

B. Minesite Referrals

When Minesite employees and their dependents are referred by the Camp Physicians to avail of the medical/dental services at the contracted medical institution and hospitals, the following procedures are observed:

- B.1 Employee/dependent must secure a written referral from the Camp Physician.
- B.2 The Company Physician shall endorse the employee/dependent to the Personnel Manager for assistance and counseling on his other needs before he leaves the minesite.
- B.3 The employee/dependent must present the referral to the contracted medical institution staff who shall provide him with the necessary medical assistance.

VII. EFFECTIVITY DATE

This policy is effective immediately.

A. S. LAGDAMEO, JR.



PERSONNEL POLICY MANUAL			
MAJOR MEDICAL PLAN	DATE OF ISSUE: MAY 18, 1990	ORIGINATED BY: A. S. LAGDAMEO, JR.	POLICY NO.: 222
	SUPERSEDES: APRIL 17, 1980	APPROVED BY: D. L. LAZARO	PAGE NO.: 1 of 6

I. MAJOR MEDICAL PLAN

Nowadays getting hospitalized is tremendously expensive to the Company and the employee. It usually brings about a very big financial problem to anyone who has to be medically treated for major accidental injuries or serious illnesses which are not work connected. Oftentimes, the benefits under Medicare and our Basic Medical Plan are rarely adequate.

The Major Medical Plan supplements and where applicable supersedes our Basic Medical Plan. While it is not a pay-all plan, the Major Medical Plan can help bail out employees from serious financial difficulties arising from high hospitalization or medical costs.

II. COVERAGE

All Managers (Assistant Unit Managers and up) and qualified dependents (Legal spouse and children under 21 years of age).

III. SCHEDULE OF BENEFITS

A. COST LIMITATION

	<u>Managers</u>	<u>All qualified Dependents (aggregate)</u>
1. Maximum Benefit Per Disablement	100% of Annual Basic Salary	$\frac{1}{2}$ of Manager's Benefit
2. Lifetime Maximum	Double Maximum Benefit Per Disablement	$\frac{1}{2}$ of Manager's Lifetime Maximum
3. Medicare Deduction	Medicare Deductible Amount	Medicare Deductible Amount
4. Manager's Share	Free up to ₱15,000; 25% beyond ₱15,000 net of Medicare	Free up to ₱7,500; 50% beyond ₱7,500 net of Medicare

5. Room and Board Limits

a. AUM/UM	₱300.00/day	₱300.00/day
b. Sec. Mgr. to Grp. Mgr.	₱500.00/day	₱500.00/day
c. Div. Mgr & up	₱800.00/day	₱800.00/day

B. MANAGER'S SHARE

The Manager enjoys free medical expenses, after medicare, up to ₱15,000.00 but is deemed co-payor, after medicare to the extent of 25% of expenses beyond ₱15,000.00. The manager pays 100% of expenses beyond the lifetime maximum limit.

To Illustrate:

Case 1: Given

- a. Patient: Unit Manager
- b. Annual Basic: ₱100,000.00
- c. Medical Record: No previous Major Medical Record
- d. Medical Expenses :
 - 1). Room & Board ₱350 @10 dyas ₱3,500.00
 - 2). Hospital Facilities and medicines 11,500.00
 - 3). Professional Fees 50,000.00
- e. Computation of Manager's share

Particulars	Manager's Share	Company Share
1. Total bill ₱65,000.00 (net of Medi-care)	₱49,500.00 x.25 ₱12,375.00	₱49,500.00 x.75 ₱37,125.00
2. Free Medical Expenses ₱15,000.00	add 500.00 Total ₱12,875.00	add 15,000.00 Total ₱52,125.00
3. Excess Room & Board - ₱ 500.00		
4. Amount for cost sharing- (1) minus (2+3) ₱49,500.00		

Case 2 : Given

- a. Patient: Unit Manager
- b. Annual Basic Salary: ₱100,000.00
Lifetime Maximum (2x Annual Basic) ₱200,000.00
- c. Medical Record: Major Medical record shows utilization of ₱150,000 (company share inclusive of free medical expenses limit per disablement).
Major Medical Benefit Balance - ₱50,000.00
- d. Medical Expenses :
(Same as case 1)
- e. Computation of Manager's share:

Medical Bill : ₱65,000.00 (net of medicare)

Manager's share 15,000.00

Company share 50,000.00

Total ₱65,000.00

C. EXTENSION OF SHARE

If a manager is totally disabled because of sickness or accidental injury, benefits are extended during the uninterrupted continuance of such total disability limits. Disability arising out of pregnancy or childbirth resulting from severe medical or surgical complications, ectopic pregnancy or caesarean operation is covered under this provision. Normal pregnancy is covered under our Basic Medical Plan.

D. ELIGIBLE EXPENSES

The expenses for the following services and medical supplies shall be eligible.

1. Hospital room and board accommodations.
2. Special Hospital Services and supplies such as X-Ray, laboratory, and other diagnostic examinations; drugs and medicines prescribed by a physician and administered in the hospital; medical supplies; use of prosthetic appliances; and anesthetic and their administration.
3. Professional Fees. (Attending physician, dentist, anesthesiologist, medical consultant).
4. Ambulance from place of disablement to nearest hospital.
5. Rental of wheel chair, iron lungs, etc.
6. Professional fees for doctor's visits while patient is in the hospital.

SUBJECT: MAJOR MEDICAL PLAN	DATE OF ISSUE: MAY 18, 1990	POLICY NO.: 222	PAGE NO.: 4 of 6
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E. SCOPE OF THE PLAN

The basis of Major Medical Plan costs shall be the actual necessary reasonable and eligible hospital charges, in excess of the medicare deduction, but in no case to exceed the various maximum limits specified hereunder.

For every new and independent period of disability, a manager shall be entitled to a new maximum benefit, provided the lifetime maximum is not exceeded.

F. PERIOD OF DISABILITY

A period of disability shall begin on the date of confinement to the hospital and shall terminate on the date of discharge therefrom, and shall include as part thereof any and all subsequent confinement occurring within 90 days from date of discharge from the latest confinement if such confinements arises from the same or closely interrelated causes.

If two successive confinements are separated by a 90-day interval, the latter shall be considered as a new and independent period of disability.

G. MEDICARE DEDUCTION

The medicare deduction is the total Medicare benefit.

A new medicare deduction shall apply to each case considered as new and independent period of disability.

IV. ELIGIBILITY PROVISIONS

A. ELIGIBILITY REQUIREMENT

Manager

All present and future regular full time managers who are not more than 65 years of age.

Dependents

1. Legal spouse who must be less than 65 years of age.
2. All unmarried and unemployed legitimate, legitimated, legally adopted, and step-children, including recognized natural children and natural children, by legal fiction who are under 21 years of age.

SUBJECT.	DATE OF ISSUE.	POLICY NO..	PAGE NO..
MAJOR MEDICAL PLAN	MAY 18, 1990	222	5 of 6

B. ELIGIBILITY DATES

1. A Manager on regular employment status is eligible on the date the Plan takes effect.
2. A Manager on probationary status is eligible on the first day of the month coinciding with or immediately following the date he attains regular employee status in accordance with applicable Company policy, provided, he is then actively at work (meaning, he is not bedridden or confined to a hospital) on such date; otherwise, his eligibility date shall be the first date of the month coinciding with or immediately following his return to active full-time work.

V. LIMITATIONS

1. Major Medical expenses are not payable unless the hospital confinement and the charges and operation, if any, upon which a claim is based and the continuation of such confinement during the entire period thereof were recommended and approved by the Medical Director and the VP-Personnel/VP-Administration.
2. This plan does not cover charges for room, board, general nursing care and special hospital services which are not related to the diagnosis and treatment of the condition for which hospital confinement is required by the attending physician or surgeon.
3. This plan does not cover charges for the acquisition of prosthetic appliances, such as artificial limbs, hearing aids, and others.
4. This plan is not payable for hospital confinement or for medical and other charges or surgical fees incurred which results from:
 - a. Any form of disability, injury or sickness, sustained or contracted in riot, civil commotion, insurrection, or war or any act of war, or service in any military, naval or air force of any country while such country is engaged in war, or police duty as a member of any military, naval or air organization.
 - b. Any bodily illness/injury self-inflicted intentionally whether the employee is sane or insane at the time of commission.

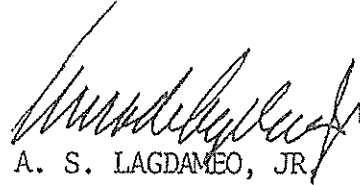
SUBJECT: MAJOR MEDICAL PLAN	DATE OF ISSUE: MAY 18, 1990	POLICY NO.: 222	PAGE NO.: 6 of 6
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c. Any illness or injury due to immoral or improper or illegal conduct of the staff/dependent, or to illness due to causes existing prior to the date of his employment.

5. This plan does not cover charges for all other limitations under the Basic Medical Plan.

VI. EFFECTIVE DATE OF THE PLAN

This plan is effective on March 21, 1990.


A. S. LAGDAMEO, JR.

/fov



Republic of the Philippines
Department of Environment and Natural Resources
MINES AND GEOSCIENCES BUREAU
Cordillera Administrative Region

80 Diego Silang St., Baguio City 2600

Tel. No. 63 74 442 6392; Fax No. 63 74 304 2596; Website: www.car.mgb.gov.ph

E-mail: car@mgb.gov.ph; car_mgb@yahoo.com; mgb.cordillera@gmail.com



CERTIFICATE OF APPROVAL

SHP # 13 – 2019 - CAR

The Mines and Geosciences Bureau-CAR, having evaluated and assessed the submitted 2019 Annual Safety and Health Program (ASHP) for **BENGUET CORPORATION - Acupan Contract Mining Project (BC-ACMP)**, located at Balatoc, Itogon, Benguet, hereby grants this **CERTIFICATE OF APPROVAL** after it was found to have substantially complied with DAO 2000-98, otherwise known as Mine Safety and Health Standard and the Suggested Guidelines in the preparation of the Safety and Health Program.

This Certificate is being issued subject to the pertinent provisions of the above DAO and to the following conditions:

1. This certificate is valid only for the activities stipulated in the approved 2019 Annual Safety and Health Program hereto attached as Annex "A" and made part hereof;
2. The amount of **PhP 2,532,000.00** shall be spent for the year by the Company as specified in the approved ASHP;
3. The firm shall notify the **MGB-CAR** of any alteration/changes in the approved **ASHP**, provided that, the alterations and/or changes do not compromise the overall Safety and Health programs of the company;
4. Shall submit regularly all reportorial documents as provided for in DAO 2000-98; and
5. Additional conditions may be imposed to effectively implement the approved **ASHP** should the result of the monitoring by **MGB-CAR** or audits by the **MGB-CO** warrants.

MGB-CAR-FO-MSESDD-MSHS-011-00 (09.05.17)

**"MINING SHALL BE PRO-PEOPLE AND PRO-ENVIRONMENT
IN SUSTAINING WEALTH CREATION AND IMPROVED QUALITY OF LIFE."**

Office of the Regional Director/Finance and Administrative Division – 63 74 442 6392; ICT – 63 74 661 7685; Geosciences Division/Laboratory Section 63 74 304 2500; Mine Management Division - 63 74 304 3068 (Monitoring and Technical Services Section/Mining Tenement Evaluation/Mineral Lands Survey Section); Mine Safety Environment and Social Development Section – 63 74 304 2595; Social Development Section/Environment Section 63 74 304 2530



Republic of the Philippines
Department of Environment and Natural Resources
MINES AND GEOSCIENCES BUREAU
Cordillera Administrative Region

80 Diego Silang St., Baguio City 2600

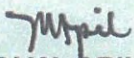
Tel. No. 63 74 442 6392; Fax No. 63 74 304 2596; Website: www.car.mgb.gov.ph

E-mail: car@mgb.gov.ph; car_mgb@yahoo.com; mgb.cordillera@gmail.com



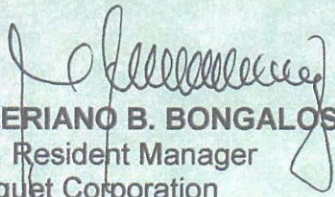
Non-compliance with the above conditions shall be ground for the cancellation, revocation or termination of this certificate or suffer the penalty prescribed in the Penal Provisions of RA 7942, the Philippine Mining Act of 1995.

Given this 10th day of September 2019 at the Mines and Geosciences Bureau-CAR, Baguio City


FAY W. APIL
OIC, Regional Director



CONFORME:

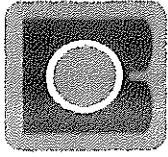

VALERIANO B. BONGALOS, JR.
OIC, Resident Manager
Benguet Corporation
Balatoc, Itogon, Benguet

MGB-CAR-FO-MSESDD-MSHS-011-00 (09.05.17)

**"MINING SHALL BE PRO-PEOPLE AND PRO-ENVIRONMENT
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2019 SAFETY PROGRAM AND ACTIVITIES : BC-BGO/ACMP						
PROGRAM			ACTIVITIES			
1. Leadership and administration			General - as needed			
2. Safety meeting/communication			a. Safety meetings (CSC, Department and Peptalks)			
			b. Operational communication meeting			
3. Management and employee training			a. Outdoor			
			b. Emergency Responders / First Aide Training			
			c. Mine Rescure Seminar			
4. Planned Inspection Practice			a. MGB-CAR Inspection			
			b. Work Environment Monitoring			
			c. Mine Program			
5. Accident / Incident Investigation			a. IPIC Meeting			
6. Health Services Program			a. Annual Physical Check-up			
			b. Dengue Monitoring			
7. Emergency Preparedness			a. Fire and Evacuation Drill			
			b. Earthquake and Evacuation Drill			
8. Good Housekeeping			a. Cleaning of Internal and External houses			
9. Personal Protective Equipment			a. Procurement and Issuance			
10. Community Consultation			a. Program activities with ComRel (ASDMP)			
11. Safety Awareness Campaign			a. Safety Orientation / Induction			
			b. Public Address System / Safety Broadcasting			
12. General Promotion			a. Monthly Safety Statistics			
			b. Printing of Signages			
13. Hiring and Placement			a. Physical / Medical Examination			
14. Conference / Symposium / Others			a. Participation to PMSEA 2019			



BenguetCorp

BENGUET CORPORATION

SEXUAL HARASSMENT POLICY

Document No

ANNEX "P" 02

Date Prepared

May 14, 2015

Revision No

02

Effective Date

Distribution Copies:

Internal Control
Distribution Files/Original

Issued by:

CHUCHI C. DEL PRADO, C.B.A.
VP - Human Resources and Administration, Corporate Governance

Approved by:

ARSENIO K. SEBIAL, Jr.
Officer-in-Charge
ISIDRO C. ALCANTARA, Jr.
Executive Director

I. PURPOSE

Benguet Corporation (BC) believes the working environment should at all times be supportive of the dignity and self-esteem of individuals.

Achieving this desired environment greatly depends upon the mutual respect, cooperation and understanding among fellow workers. Attitudes and behavior that undermine this goal are detrimental to all and should not be tolerated. High on the list of unacceptable behavior is sexual harassment which is deemed unlawful by Republic Act No. 7877, "An Act Declaring Sexual Harassment Unlawful in the Employment, Education or Training Environment and for Other Purposes."

Benguet Corporation is committed to maintaining a work environment that is free from sexual harassment and all forms of sexual intimidation and exploitation. In keeping with this commitment, we will not tolerate harassment of Benguet Corporation employees by anyone, including any of its supervisor, co-worker, vendor, client or customer.

Benguet Corporation also considers as a violation of this sexual harassment policy retaliation/reprisal in any way against anyone who has articulated any concern about sexual harassment, whether that concern directly relates to sexual harassment or results to discrimination against the individual raising the concern or against another individual.

II. COVERAGE

This policy applies to all employees, consultants, and retainers of Benguet Corporation and its subsidiaries.

III. DEFINITION OF TERMS

Work or Training Environment – refers to the place or environment where work is being undertaken or training is going on or where an employment or training relationship exists between and among individuals.

Assault – refers to any attempt or threat to inflict injury upon the person of another, when coupled with an apparent present ability to do so and any intentional display of force such as would give the victim reason to fear or expect immediate bodily harm. It may be committed without actually touching, or striking, or doing bodily harm, to the person of another.

Committee – refers to the Committee on Decorum and Investigation mentioned in Section 4 of Republic Act No. 7877.

Managerial Employee – refers to one who is vested with powers or prerogatives to lay down and execute management policies and/or to hire, transfer, suspend, lay-off, recall, discharge, assign or discipline employees.

Supervisor Employee – refers to one who, in the interest of the employer, effectively recommends such managerial actions if the exercise of such authority is not merely routine or clerical in nature but requires the use of independent judgment.

Trainee – refers to a person undergoing an organizational and instructional process undertaken by the company through which an individual acquires any knowledge and skill.

Complainant – refers to the party filing the complaint.

Respondent – refers to the individual charged or against whom the complaint is filed.

Progressive Discipline – refers to the penalty imposed from reprimand, warning, and suspension to dismissal from service.

IV. GUIDELINES

A. WHEN SEXUAL HARASSMENT IS COMMITTED

Any person who, having authority, influence or moral ascendancy over another in a work environment, demands, requests or otherwise requires any sexual favor from the other, regardless of whether the demand, request or requirement for submission is accepted by the object of said act. In a work-related or employment environment, sexual harassment is committed when:

1. A sexual favor is made as a condition in the hiring, or in the employment or re-employment or continued employment of said individual, or in granting said individual favorable compensation, terms, conditions, promotions or privileges; or
2. The refusal to grant the sexual favor results in limiting, segregating or classifying the employee which in any way would discriminate, deprive or diminish employment opportunities or otherwise adversely affect said employee;
3. The above acts would impair the employee's rights or privileges under existing labor laws;
4. The above acts would result in an intimidating, hostile or offensive environment for the employee.

B. WHERE SEXUAL HARASSMENT CAN BE COMMITTED

Sexual harassment may be committed in any work environment which includes but is not limited to the following:

1. In or outside the office building;
2. At the office or training-related social functions;

Harassment

3. In the course of work assignments outside the office;
4. At work-related conferences, studies or training sessions; or
5. During work-related travel.

C. FORMS OF SEXUAL HARASSMENT


Sexual harassment may take many forms. It may be subtle and indirect or blatant or overt. It may be physical, verbal or visual in nature. Sexual harassment acts may include but are not limited to the following:

1. Persistently telling smutty jokes to a co-employee who has indicated she/he finds them offensive;
2. Taunting a co-employee with constant talk of sex or sexual innuendos;
3. Displaying offensive pictures or publications in the workplace;
4. Asking a co-employee intimate questions on his/her sexual activities;
5. Making hand or body gestures at a co-employee; staring or leering at a co-employee
6. Making obscene phone calls to a co-employee during and outside work hours;
7. Pinching, unnecessarily brushing up against a co-employee's body;
8. Requesting for dates or favors in exchange for a job, favorable working conditions or assignments; and
9. Touching a co-employee in sensitive parts of his/her body, threats of a sexual nature and actual sexual assault.

Any person who directs or induces another to commit any act of sexual harassment as defined, or who cooperates in the commission by another without which it would not have been committed, shall also be liable.

D. RETALIATION FOR SEXUAL HARASSMENT COMPLAINTS

Any person against whom a complaint for sexual harassment is filed is deemed to commit retaliatory acts under Article 248 of the Labor Code when he carries out any of the following:

1. Disciplining, changing work assignments of, providing inaccurate work information to, or refusing to cooperate or discuss work-related matters with any employee because that employee has complained about or resisted harassment, discrimination or retaliation;
 2. Intentionally pressuring, falsely denying, lying about or otherwise covering up or attempting to cover up acts of sexual harassment;
 3. Threatening the promotional opportunities, job securities and other service-related benefits and privileges; or
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4. Other acts similar to the foregoing.

E. FILING OF A COMPLAINT FOR SEXUAL HARASSMENT

A complaint for sexual harassment should be filed with the Committee on Decorum and Investigation.

Any complaint concerning sexual harassment must be put in writing, signed and sworn to by the complainant and filed with the Committee on Decorum and Investigation within three (3) years after the incident. Benguet Corporation will provide its employees with convenient confidential and reliable mechanisms for reporting incidents of sexual harassment and retaliation.

F. COMMITTEE ON DECORUM AND INVESTIGATION

The Committee on Decorum and Investigation is composed of the Human Resource Manager, Legal Manager, Security Manager, Mine Operations Manager and Mill Operations Manager. The Committee shall undergo gender sensitivity training.

G. FUNCTIONS OF THE COMMITTEE

The Committee shall have the following functions:

1. Receive complaints, investigate and hear sexual harassment cases, prepare and submit reports with the corresponding recommendations;
2. Conduct meetings with employees to increase understanding and prevent incidents of sexual harassment.
3. Promulgate rules on proper decorum and behavior in the workplace. The names, responsibilities, work locations and phone numbers of each Committee member will be routinely and continuously be posted so that an employee seeking such name can enjoy anonymity and remain inconspicuous to all of the employees in the place in which he or she works.

Any member of the Committee who complains or is complained of sexual harassment shall inhibit himself/herself from participating in the deliberations of the Committee.

H. PROCEDURE FOR MAKING, INVESTIGATING AND RESOLVING SEXUAL HARASSMENT AND RETALIATION COMPLAINTS

The procedure will be as follows:

Complaint

1. No particular form is required but the complaint must be in writing, signed and sworn to by the complainant. However, it must contain the following:
 - a. The full name and address of the complainant;
 - b. The full name and address of the respondent;
 - c. A specification of the charge or charges;
 - d. A brief statement of the relevant and material facts.

Where the complaint is not under oath, the complainant shall be summoned by the Committee to swear to the truth of the allegations in the complaint.

2. In support of the complaint, the complainant shall submit any evidence he/she has, including affidavits of witnesses, if any, together with the complaint.
3. Where the complaint is vague or too general, the Committee may require the complainant to specify the acts complained of as sexual harassment in writing within five (5) days from the receipt of the notice, otherwise the complaint shall be dismissed.
4. A withdrawal of the complaint made or filed at any stage of the proceedings shall not preclude the Committee from proceeding with the investigation of the case.

Answer

1. Answers shall be filed within ten (10) days from the receipt of the complaint.
2. The answer shall be in writing, signed and sworn to by the respondent, and copy furnished the complainant. No particular form is required but it is sufficient if the answer contains a specific admission or denial of the charge or charges and a statement of the relevant facts constituting the respondent's defense.
3. The respondent shall indicate in his/her answer whether or not he/she elects a formal investigation.
4. In support of the answer, the respondent shall submit any evidence he/she has, including affidavits of witnesses, if any, together with the answer.
5. Unless otherwise directed by the Committee, failure of the respondent to file an answer or to appear in the investigation shall be construed as a waiver to present evidence in his/her behalf. On the basis of evidence and pleadings submitted the Committee shall then resolve the case.

Reply

The complainant may file a reply within ten (10) days from the receipt of the answer.

Preventive Suspension

1. The HR Manager may suspend any officer or employee for not more than thirty (30) days pending an investigation, if there are strong reasons to believe that the respondent is guilty of charges which would warrant his/her removal from the service.
2. When the case against the officer or employee under preventive suspension is not finally decided within a period of thirty (30) days after the date of suspension of the respondent, he/she shall be automatically reinstated in the service. Provided, that when the delay in the disposition of the case is due to the fault, negligence or petition of the respondent, the period of the delay shall not be counted in computing the period of suspension.

Hearing

1. After all the pleadings have been submitted, the Committee may conduct a hearing not earlier than five (5) days nor later than ten (10) days from the date of receipt of the respondent's answer or complainant's reply if any, and shall terminate such hearing within thirty (30) days from the filing of the charges. However, the Committee may extend the period of hearing if it deems necessary.
2. The parties and their respective witnesses shall be notified of the scheduled hearing at least five (5) days before the date, specifying the time, date and place of hearing.
3. Either party may avail himself/herself of the services of counsel.
4. No postponement shall be granted except in meritorious cases.
5. All documentary evidence shall be admitted for whatever value they may have and shall be attached to the record of the case.
6. The parties may be required to submit their respective memoranda within ten (10) days after the hearing of their case.
7. A report/recommendation shall be submitted by the Committee within fifteen (15) days after the conclusion of the investigation or hearing.

Decision

The decision shall be final and executory ten (10) days after receipt of the copy by the parties unless a motion for reconsideration or appeal is filed with the HR Manager.

Motion for Reconsideration

1. The aggrieved party may file a motion for reconsideration with the HR Manager within ten (10) days from the receipt of the copy of the decision based on any of the following grounds:
 - a. New evidence has been discovered which materially affects the decision.
 - b. The decision is not supported by the evidence on record.
 - c. Errors of law or misrepresentation of facts.
2. The motion for reconsideration shall be deemed filed on the date of receipt by the HR Manager.
3. A motion for reconsideration suspends the ruling of the period for appeal.
4. Nothing in this procedure shall preclude the victim of sexual harassment from instituting a separate action in the proper courts.

Schedule of Penalties

Where progressive discipline is provided for in the Company's Employee Code of Discipline, violation of this policy moves the offending employee through the steps of disciplinary action. In other words, it is not necessary for an employee to repeat the same precise conduct in order to move up the scale of discipline.

A written record of each action taken pursuant to this policy will be placed in the offending employee's 201 file. The record will reflect the conduct, or alleged conduct, and the warning given, or discipline imposed.

1. **Assault and Rape** – Any employee's first proven offense of assault or threat of assault, including assault of a sexual nature, attempted, frustrated and consummated rape will result in dismissal.
2. **Other acts of harassment by co-workers** – An employee's commission of acts of sexual harassment other than assault will result in written warning, suspension or discharge upon the first proven offense, depending upon the nature and severity of the misconduct, and suspension or discharge upon the second proven offense, depending on the nature and severity of the misconduct.
3. **Retaliation** – Alleged retaliation against a sexual harassment complainant will result in non-disciplinary oral counselling. Any form of proven retaliation will result in suspension or discharge upon the first proven offense, depending upon the nature and severity of the retaliatory acts, and discharge upon the second proven offense.

A supervisor's commission of acts of sexual harassment (other than assault) with respect to any other employee under the person's supervision will result in final warning or dismissal for the first offense, depending upon the nature and severity of the misconduct and discharge for any subsequent offense.

I. EDUCATION AND TRAINING TO ENFORCE SEXUAL HARASSMENT POLICY

Education and training for employees at each level of the work force are critical to the success of Benguet Corporation's policy against sexual harassment.

Educational posters using concise messages conveying Benguet Corporation's opposition to workplace sexual harassment will reinforce the company's policy statement.

Education and training include the following components:

1. For all Benguet Corporation employees: As part of general orientation, each recently hired employee will be given a copy of the policy and requested to read and sign a receipt so that they are on notice of the standards of behavior expected. In addition, supervisory employees who have attended a management training seminar on sexual harassment will explain orally at least once every six (6) months at meeting attended by all employees the kinds of acts that constitute sexual harassment, the company's serious commitment to eliminating sexual harassment in the workplace, the penalties for engaging in harassment, and the procedures for reporting incidents of sexual harassment.
2. For all female employees: All women employed at Benguet Corporation will participate on company time in annual seminars that teach strategies for resisting and preventing sexual harassment. At least a half-day in length, these seminars will be conducted by one or more experienced sexual harassment educators, including one instructor with work experience in the trades.
3. For all employees with supervisory authority over other employees, and all employees working in a managerial capacity: All supervisory personnel will participate in an annual half-

day long training session on sexual discrimination harassment. The HR Manager will introduce the seminar with remarks stressing the potential liability of Benguet Corporation and individual supervisors for sexual harassment and the need to eliminate harassment. Each participant will be informed that they are responsible for knowing the contents of Benguet Corporation's sexual harassment policy and for giving similar presentation at meetings to employees.

4. For all Investigating Officers: The Investigating Officer and their designees, if any, will attend annual full-day training seminars conducted by experienced sexual harassment educators and/or investigators to educate them about the problems of sexual harassment in the workplace and techniques for investigating and stopping it.

J. RESPONSIBILITIES OF SUPERVISORY/MANAGERIAL EMPLOYEES

An effective sexual harassment policy requires the support and model behavior of company personnel in positions of authority. Benguet Corporation's employees who engage in sexual harassment or retaliation or who fail to cooperate with company-sponsored investigations of sexual harassment or retaliation may be severely sanctioned by suspension or dismissal. By the same token, officials who refuse to implement remedial measures, obstruct the remedial efforts of other Benguet Corporation's employees, and/or retaliate against sexual harassment complainants or witnesses may be immediately sanctioned by suspension or dismissal.

V. EXCEPTIONS

Exceptions to the policy must be approved by the President, or in his absence the OIC.

VI. ADMINISTRATION

Human Resources shall administer this policy

VII. EFFECTIVITY

This policy will take effect upon approval date



Republic of the Philippines
Department of Environment and Natural Resources
MINES AND GEOSCIENCES BUREAU
Cordillera Administrative Region



ANNUAL SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAM (ASDMP)

CERTIFICATE OF APPROVAL

No. 2019 - 04 - CAR

The Mines and Geosciences Bureau-CAR, having evaluated the 2019 Annual Social Development and Management Program (ASDMP), hereby grants this Certificate of Approval to **BENGUET CORPORATION (BC)** for its **Acupan Contract Mining Project** located at **Barangay Virac, Municipality of Itogon Province of Benguet** under **Mining Patent No. PC-ACMP-002-CAR** after substantially complying with the requirements as mandated under DENR Administrative Order No. 2010 – 21. The project covers 3 host barangays namely: **Poblacion , Virac and Ampucao.**

This Certificate is being issued subject to the pertinent provisions of the abovementioned DAO and to the following conditions:

1. This Certificate is valid only for the Programs/Projects/Activities (P/P/As) stipulated in the submitted 2019 ASDMP;
2. The budget allocation for this ASDMP amounts to **Four Million Two Hundred Thirty-Three Thousand, Four Hundred Sixty-Two pesos and 42/100 (Php4,233,462.42)** which is equivalent to the 1.5% of the previous years' operating cost as declared in its Affidavit and the remaining balance from the previous ASDMP to implement the P/P/As stipulated in the Program which is broken down as follows:

2018 Operating Cost (Php)	Basis of Allocation	Amount for 2019 ASDMP (Php)	Balance from previous ASDMP (Php)	Total Amount (Php)
282,230,828.12	(75%) Community Development	3,175,096.82	9,389,052.34	12,564,149.16
	(15%) Information, Education Campaign	635,019.36	989,673.16	1,624,692.52
	(10%) Development of Mining Technology and Geosciences	423,346.24	528,193.30	951,539.53
	TOTAL	4,233,462.42	10,906,918.80	15,140,381.22

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Republic of the Philippines
Department of Environment and Natural Resources
MINES AND GEOSCIENCES BUREAU
Cordillera Administrative Region



3. The company shall submit a quarterly report of accomplishments within 15 calendar days after the end of each quarter and annual accomplishment report within 30 calendar days after the end of each calendar year to MGB RO, copy furnished the MGB Central Office (CO);
4. No re-alignment of the approved P/P/As shall be allowed unless approved by the MGB-RO;
5. Non-implementation of the approved ASDMP without justifiable reason/s is subject to the penal provision of DAO 2010-21; and
6. Additional conditions may be imposed to effectively and efficiently implement the approved SDMP should the results of monitoring by the MGB RO or audit by the MGB CO warrant them.

Non-compliance with the above conditions shall be sufficient ground for the cancellation, revocation or termination of this Certificate or suffer the penalty prescribed in the Penal Provisions of RA 7942, The Philippine Mining Act of 1995.

Given this 23rd day of August 2019, at the Mines and Geosciences Bureau-CAR, Baguio City, Philippines.

FAY W. APIL
OIC, Regional Director
MGB-CAR

Conforme:

VALERIANO B. BONGALOS, JR.
OIC, Resident Manager
BC-ACMP



2019 SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAMS (PROGRAMS/PROJECTS/ACTIVITIES)

I. BARANGAY VIRAC (ITOGON, BENGUET)		STAKEHOLDERS INVOLVED	LOCATIONS	STRATEGIES/SPECIFIC ACTIVITIES	EXPECTED OUTPUT
A. SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAM					
I. Human Resources Development and Institutional Building					
a. Project Development Training	BLGU	Virac	Seminars and trainings	capacitate preparation on project proposal making/preparation; enhanced leadership skills to participants	
b. Moral Recovery Training	Community residents	Virac	Seminars and trainings	enhanced and improved self-esteem of the participants	
c. Training on Infant Young Child Feeding Program	BHW/BNS	Virac	Seminars and trainings	Increased motivation of BHW/BNS	
d. Capability building on small and medium enterprises	Community residents	Virac	Evaluation/assessment of proposed beneficiaries	Established income generating source of stakeholders	
e. Alternative Learning System Equipment	TFYD	Virac	Evaluation/assessment of materials and supplies	Improved learning environment	
f. Quarterly Meeting with Barangay Council	BLGU/Comrel/Stakeholders	Virac	Presentation of accomplishment report, meeting and consultation on all PPA's	Updated information on all accomplished PPA's; inquires and concerns settled	
2. Enterprise Development and Networking					
a. Establishment of Nursery (bamboo propagation)	BLGU/Community residents	Virac	Evaluation/assessment of proposed beneficiaries	Established income generating source of stakeholders	
b. Technical Vocational Training	OSY/Community residents	Virac	Training		
3. Assistance to Infrastructures and Support Services					
a. Installation of interlinks at riverside	Community residents	Virac	Repair, improvement, rehabilitation, construction and installation	Improved and safe bridge/passageways and clean canals for the community residents	
b. Rehabilitation of pathwas and canals					
4. Education and Educational Support Program					
a. Child Development Centers Welfare and Development Programs					
	Daycare Workers	Virac Proper, Mill, Camp 5, Camp 3, Camp Swerte & Kias	Effective teaching and learning methods for the daycare children	Increased motivation of the daycare workers	
b. BC High School Scholarship Program	Students	SIHS-Balaitoc	Screening, evaluation and assessment of applicants	Full payment of school fees	
c. Local, Regional and National Competitions	DCC, elementary and high school students	Virac	Talent and skills competition	Enhanced the interest of the school children in skills and talent growth in social awareness commitment and responsibility	

	d. Brigada Eskwela	Elementary schools	Virac	Repair, improvement, rehabilitation and assistance for cleaning materials	Safe, clean and improved learning school	
5. Access to Health Facilities / Services & Professionals						
	a. Community Health Assessment Monitoring Program (CHAMP)	BHW/BNS	Virac	Immunization program and IEC on health and sanitation, family planning	Increased motivation of barangay health workers, improved health conditions of the beneficiaries	
	b. Water, sanitation and hygiene (WASH)	Community residents	Virac	IEC on WASH (improvement of clean water source, pipeline and CRI)	Improved health condition; clean and safe community	
	c. Medical, Dental, Surgical and Optical Missions	Community residents	Virac	Prepare mechanics, conduct information drive, coordination with key players and define their roles, prepare post medical, dental, surgical and optical reports	Medical needs of the beneficiaries provided.	
	d. Food, Nutrition and Wellness Program	Community residents	Virac	talents/skills and health improvement and competition	enhanced the interest of the school children in skills and talents, growth in social awareness commitment and responsibility	
	e. Philhealth Sponsorship Program	Indigent families	Virac	Indorsement of beneficiaries by BLGU through Certificate of Indigency	Availment of Philhealth benefits by the beneficiaries	
6. Protection and Respect to Socio-cultural Values						
	a. Risk Reduction and Life Saving Provisions	BPAT's Lupon	Virac	involvement in times of calamities/disasters	extended help to all affected community residents	
	b. Women Impoverment Program	Members	Virac	Participation and involvement of the community residents to socio-cultural presentations and activities	cultural preservation promoted	
	c. Barangay Grand Canao Celebration	BLGU / Community Residents	Virac	Participation and involvement of the community residents to socio-cultural presentations and activities	cultural preservation promoted	
II. BARANGAY POBLACION, TOGON, BENGUET						
PROGRAMS/PROJECT/ACTIVITIES		STAKEHOLDERS INVOLVED	LOCATIONS	STRATEGIES/SPECIFIC ACTIVITIES	EXPECTED OUTPUT	
A. SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAM						
1. Human Resource Devt. and Institution Bldg.						
	a. Capacity Enhancement Trainings/Seminar for barangay workers and stakeholders	BLGU Officers, Associations	Poblacion	trainings/seminars	enhanced barangay officials and officers of the barangay association	
	b. Quarterly meetings of SDMP Accomplishments	BLGU, ComRel, Stakeholders	Poblacion	Presentation of accomplishment report meeting and consultation on all PPA's	updated information on all accomplished PPA's, inquiries and concerns settled	
	c. Benchmarking	BLGU, ComRel, Stakeholders	Poblacion	Site learning visit to other mining industries	Added knowledge and information regarding responsible mining	
2. Enterprise Development and Networking						
	a. Livelihood Program will depend on the submission of Project Proposals	associations, organizations, stakkeh olders	Poblacion	evaluation/assessment of proposed beneficiaries	established income generating source of stakeholders	

3. Education and Education Support Program								
	a. Child development Centers Welfare and Development Programs	CDW	Poblacion	effective teaching and learning methods for the daycare children	increased motivation of the daycare workers			
	b. BC High School / College Scholarship Program	scholars	Poblacion	screening, evaluation and assessment of applicants	full payment of school fees			
	c. Equipment & learning materials for 5 schools	students	Poblacion	repair, improvement, rehabilitation and assistance for cleaning materials	safe, clean and improved learning school			
	d. Local, regional and national competitions	DCC, elementary pupils and high school students	Poblacion	talent and skills competition	enhanced the interest of the school children in skills and talents growth in social awareness commitment and responsibility			
4. Health Services, Health Facilities and Health Professionals								
	a. Community Health/Project Assessment/Monitoring Program (CHAMP)	BLGU, Combel, Brgy. Workers	Poblacion	immunization program & IEC on health and sanitation, family planning	increased motivation of brgy health workers, improved health conditions of the beneficiaries			
	b. Philhealth Sponsorship Program	indigent families	Poblacion	indorsement of beneficiaries by the BLGU through Certificate of Indigency	availment of Philhealth benefits by the beneficiaries			
	c. Water sanitation and hygiene (WASH) (all programs covering water, health and sanitation)	school children, residents	Poblacion	IEC on WASH (improvement of health, clean water source, pipeline, CR)	improved health conditions, clean and safe community			
5. Protection and Respect to Socio-Cultural Values								
	a. Risk reduction and Life Saving Provision	Womens, BPAT's	Poblacion	Barangay workers involvement and participation in times of calamities/disaster; socio-cultural presentation and activities and In support for security measures program	extended help to all affected community residents; cultural preservations are promoted; settled grievances and misunderstandings; peace and order is achieved			
	b. Socio-cultural activities	community residents	Poblacion	barangay foundation day celebration and participation and involvement of the community residents to socio-cultural presentation and activities	cultural preservations promoted			
III. BARANGAY AMPUCAO, ITOGON, BENGUET								
PROGRAMS/PROJECT/ACTIVITIES		STAKEHOLDERS INVOLVED	LOCATIONS	STRATEGIES/SPECIFIC ACTIVITIES	EXPECTED OUTPUT			
A. SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAM								
1. Enterprise Development and Networking								
	a. Establishment of Nursery with Bamboo Propagation and Skills Training	associations, organization, stakeholders	Ampucao	trainings and seminars; evaluation/assessment of proposed beneficiaries	established generating income source of beneficiaries			
2. Assistance to Infra and Support Services								
	a. Repair of Ampucao Senior Citizen's Office	members	Ampucao					
	b. Improvement/repair of multi-purpose building of Sitio Lolita	community residents	Ampucao					
	c. Improvement of foot trail at Sitio Daycong, Dalicno	community residents	Ampucao	repair, improvement, rehabilitation, construction, conserving and installation	improve Senior Citizen's office, safe road, foot trail and pathway			

	d. Installation of Pathway Railings at Sitio Ud-udan	community residents	Ampucao			
	e. Installation of Pathway Railings at Sitio Ud-udan	community residents	Ampucao			
B. INFORMATION, EDUCATION, COMMUNICATION						
	1. IEC drive to stakeholders engagement	Host and neighboring barangays	BC, host and neighboring barangays, Religious groups, NGO's, MGB-CAR, LGUs, ComRel	house to house visitation on health sanitation, meetings/discussions on issues and concerns / SIA on SDMP	updated information on SDMP and the mining operation; improved health condition; strengthened good and congruent relationship within the community. PPA's will be sustained; safe and protected team.	
	2. SDMP Monitoring and Evaluation and the provision of the PPE's for the Monitoring Team					
	3. Media / ad placements; press releases, and promotional programs/activities					
C. ADVANCE MINING TECHNOLOGY AND GEOSCIENCES (DMTG)						
	LOCATION	STAKEHOLDERS INVOLVE	SPECIFIC ACTIVITY	EXPECTED RESULTS/OUTCOME OF THE P/P/A		
	1. Benguet Corp College Scholarship Program	Barangay aide	Indigent highschool and college students	Full payment of school fees and monthly allowance	achieved good and passing grades; new graduates; increase motivation of the monitoring team; safe and protected team; fast and better communication; increased knowledge in mining related studies and other social awareness and practices.	
	2. Equipment capital outlay for research and IEC activities	BC, MGB-CAR, Host Barangay	Monitoring Team (MGB-CAR, LGU, ComRel)	communication/mobilization allowance/office equipment for research		
	3. Research and advance studies (provision of tab for drone) on mining technology, symposium, convention, forum, mine visit	MGB-CAR, ComRel	BC Employees, MGB-CAR, LGU	SIA on SDMP/PMSEA attendance/mine visits, ecorforum workshops		