

CHARTER OF THE BOARD OF DIRECTORS

This constitutes the Charter of the Board of Directors (the “Board”) of Lepanto Consolidated Mining Company (the “Company”) which sets forth the Board’s purposes, authority, duties and responsibilities, structure and procedures in accordance with Securities and Exchange Commission (“SEC”) Memorandum Circular No. 19, Series of 2016, otherwise known as the Revised Code of Corporate Governance for Publicly Listed Companies issued on November 22, 2016, as well as the Company’s Article of Incorporation (AOI), By-Laws, New Manual on Corporate Governance (MCG), and Policies approved by the Board.

1. Purpose and Authority

The Board is the supreme authority in matters of governance and in managing the business of the Company. Within their authority under the Revised Corporation Code and other applicable laws and the By-laws of the Company (the "By-laws"), the Directors, acting as a Board, must have the fullest powers to regulate the concerns of the Company according to their best judgment.

2. Composition

2.1 The Board shall be composed of nine (9) directors who shall be elected by the stockholders at a regular or special meeting in accordance with the Articles of Incorporation and the By-Laws of the Company.¹

The Board shall be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.²

2.2 The Board shall have two independent directors.

2.3 The Board hereby adopts a board diversity policy to ensure that the Company benefits from a healthy exchange of ideas from a diverse mix of expertise, experience and skills.³

2.3.1 Diversity relates to, among others, business experience, geographic origin, age, gender, and profession.

2.3.2 It is ideal to have at least one woman in the Board of Directors.

¹ Article VI, AOI; Section 1, Article III, By-laws; Section 1.1, Article 1, MCG

² Section 1.2, Article 1, MCG

³ Section 1.4, Article 1, MCG

2.3.3 The Company will periodically assess the expertise, experience, skills and backgrounds of its directors in light of the needs of the Board, including the extent to which the current composition of the Board reflects a diverse mix of knowledge, experience, skills and backgrounds.

3. Term of Office

3.1 Directors shall hold office for a term of one (1) year or until their successors shall have been elected and qualified, in accordance with the By-Laws.⁴

3.2 The Board's independent directors shall serve for a maximum cumulative term of nine years after which the independent director shall be barred from re-election as such in the same company; Provided: that the tenure of independent directors may be extended beyond nine years if so recommended by the Board based on meritorious justification/s, and approved by a majority of the shareholders during the annual shareholders' meeting.

3.3 Any vacancies may be filled by the remaining members of the Board by a majority vote and the Director/s chosen shall serve for the unexpired term of the Directors they replaced.⁵

4. Qualifications and Disqualifications

4.1 A Director or Director-nominee must possess the minimum qualifications set forth in Section 3B of the Guidelines for the Nomination Committee (Annex A).

4.2 No person shall qualify or be eligible for nomination or election as Director if he possesses or is subject to any of the disqualifications set forth in Section 3C and Section 4.1 of the Guidelines for the Nomination Committee (Annex B).

4.3 An Independent Director or Independent Director-nominee must possess the minimum qualifications set forth in Annex A hereof and meet the other independence criteria set forth in the By-Laws, Section 5.2, Article II of the MCG and Section 3A of the Guidelines for the Nomination Committee (Annex C).

⁴ Section 1, Article III, By-laws

⁵ Section 1, Article III, By-laws

- 4.4 The Nomination Committee has the delegated authority to evaluate and determine whether a Director-nominee or Independent Director-nominee has all the qualifications and none of the disqualifications for directorship specified in Annexes A, B and C hereof. In the exercise of such authority, the Nomination Committee shall observe the procedures and safeguards set forth in the Guidelines for the Nomination Committee.
- 4.5 The foregoing qualifications and disqualifications may be amended from time to time to include additional criteria under any amendments to the Company's By-laws, Corporation Code, Securities Regulation Code, Corporate Governance Code, and other relevant laws, rules and regulations.

5. Powers, Duties and Responsibilities

5.1 General Responsibility

The Board shall exercise the corporate powers, conduct the business and control the properties of the Company in accordance with applicable laws, the By-Laws and the MCG. It shall be responsible for fostering the long term success of the Company and securing its sustained competitiveness and profitability consistent with the corporate objectives and long-term best interest of the Company, its stockholders and other stakeholders, as a whole.

5.2 Duties and Responsibilities of the Board

- 5.2.1 The Board members shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and all shareholders.⁶
- 5.2.2 The Board shall oversee the development of and approve the company's business objectives and strategy, and monitor their implementation, in order to sustain the company's long-term viability and strength.⁷
- 5.2.3 The Board shall adopt a succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value.⁸

⁶ Section 2.1, Article 2, MCG

⁷ Section 2.2, Article 2, MCG

⁸ Section 2.4, Article 2, MCG

- 5.2.4 The Board shall align the remuneration of key officers and board members with the long- term interests of the company.⁹
- 5.2.5 The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders.¹⁰
- 5.2.6 The Board shall oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks.¹¹
- 5.2.7 The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.¹²

5.3 Delegation to Board Committees¹³

To aid the Board in discharging its duties and responsibilities and ensuring optimal performance of the Board, the Board shall adopt six (6) committees, namely the Executive Committee, the Corporate Governance Committee, the Audit Committee, the Nomination Committee, Remuneration/Compensation Committee and the Stock Option Committee, whose members shall be appointed by the Board annually during its organizational meeting. The Committees have their respective charters or guidelines that are aligned with their objectives and responsibilities.

- 5.3.1 The Stock Option Committee shall be guided by the Employees' Stock Option Plan approved by the stockholders of the Corporation on April 10, 1968, as amended from time to time by the Board in accordance with the terms of the said Plan.
- 5.3.2 The Board may create special committees of temporary or permanent nature and determine the members' term, composition, compensation, powers, and responsibilities, as it

⁹ Section 2.5, Article 2, MCG

¹⁰ Section 2.10, Article 2, MCG

¹¹ Section 2.11, Article 2, MCG

¹² Section 7.2, Article 7, MCG

¹³ Section 6(a), Article III, By-laws

may deem necessary to support it in the performance of its functions, or aid it in good governance concerns.

- 5.3.3 The Board, as it sees fit, may merge the functions of other SEC-recommended committees with those of any of the committees enumerated above.

5.4 The Chairman of the Board and Chief Executive Officer

The Board shall be headed by a competent and qualified Chairperson who shall also be the Chief Executive Officer, whose roles and responsibilities include, among others, the following:¹⁴

- 5.4.1 Makes certain that the meeting agenda include strategic matters, developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- 5.4.2 Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- 5.4.3 Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- 5.4.4 Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- 5.4.5 Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors;
- 5.4.6 Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on;
- 5.4.7 Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;
- 5.4.8 Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;

¹⁴ Section 2.3, Article 2, MCG

- 5.4.9 Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
- 5.4.10 Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
- 5.4.11 Directs, evaluates and guides the work of the key officers of the corporation;
- 5.4.12 Manages the corporation's resources prudently and ensures a proper balance of the same;
- 5.4.13 Interfaces between the Board and the employees; and
- 5.4.14 Builds the corporate culture and motivates the employees of the corporation; and serves as the link between internal operations and external stakeholders.

5.5 The Corporate Secretary

The Board shall be assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer. The Corporate Secretary has, among others, the following duties and responsibilities:¹⁵

- 5.5.1 Assists the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
- 5.5.2 Safekeeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;
- 5.5.3 Keeps abreast of relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- 5.5.4 Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;

¹⁵ Section 1.5, Article 1, MCG

- 5.5.5 Advises on the establishment of board committees and their terms of reference;
- 5.5.6 Informs members of the Board, in accordance with the by-laws, of the agenda of their regular meetings at least three days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- 5.5.7 Attends all Board meetings, except when justifiable causes prevent him/her from doing so; and
- 5.5.8 Annually attend a training on corporate governance;

6. Compensation of Directors

Each Director shall receive, for his services as such director or member of any Board committee, such reasonable sum as the Board of Directors may fix from time to time for each regular or special meeting of the Board actually attended by him; provided, that nothing herein contained shall be construed to preclude any director from serving the Company in any other capacity and receiving such compensation thereof as may be fixed from time to time by the Board of Directors.¹⁶

7. Assessing Board Performance

- 7.1 The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees.¹⁷
- 7.2 The performance self-assessment shall be conducted following the procedure described in Annex D, as may be amended by the Board from time to time, covering such criteria based on the mandate, functions and responsibilities of the Board, the Board Committees and the individual Directors as provided in the By-Laws, MCG, and Board and Board Committee Charters, as well as other leading principles and practices on good governance.

8. Orientation and Continuing Education¹⁸

¹⁶ Section 5(a), Article III, By-laws

¹⁷ Section 6.1, Article 6, MCG

¹⁸ Section 1.3, Article 1, MCG

- 8.1 First-time directors shall undergo an orientation program covering SEC mandated topics on corporate governance and an introduction to the company's business, Articles of Incorporation, and Code of Conduct.
- 8.2 All directors shall undergo relevant and continuing training for a duration equal to or longer than what is required by law and regulations.

9. Meetings, Quorum and Actions

- 9.1 Regular meetings of the Board of Directors shall be held as follows:
 - 9.1.1 On the third Monday of April of each year, immediately after the annual meeting of the stockholders of the Company, without need of notice.¹⁹
 - 9.1.2 On the third Monday of each month or at such other times as the Board of Directors may prescribe.
- 9.2 Special meetings of the Board of Directors shall be held at the place designated in the call, and may be called by the Chairman or President at any time, or by any three members of the Board, or such special meetings may be held at any time and place without notice by the unanimous written consent of all members of the Board who are then present within the Philippines.²⁰
- 9.3 Notice of special meetings shall be made at least one (1) day before any such meeting, and such notice shall state the objects and purposes thereof.²¹
- 9.4 The directors shall as much as possible attend in person or through tele-/video conferencing all meetings of the Board, including Committees they are members of, and Shareholders' meetings, and actively participate therein. In Board and Committee meetings, directors are encouraged to ask the necessary questions or seek clarifications and explanations.²²
- 9.5 A quorum at any meeting of the Directors shall consist of a majority of the entire membership of the Board. A majority of such quorum shall decide any question that may come before the meeting, save and

¹⁹ Section 2, Article III, By-laws

²⁰ Section 3, Article III, By-laws

²¹ Section 4, Article II, By-laws

²² Section 4.1, Article 4, MCG

except any such matters in which the laws of the Philippines may require the affirmative vote of a greater proportion of the members.²³

- 9.6 Minutes of the Board meetings shall be taken and recorded by the Corporate Secretary. The minutes of every Board meeting must be approved by the Board and following such approval, shall be signed by the chairman and secretary of the meeting.

10. Effectivity and Amendments

- 10.1 This Charter shall take effect when approved by the Board and shall apply prospectively.
- 10.2 This Charter shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by a resolution of the Board.

²³ Section 5, Article III, By-laws

ANNEX A

Under Section 3B of the Guidelines for the Nomination Committee, the following are the qualifications of the members of the Board:

1. He/she shall have at least one (1) share of stock of the Company;
2. He/she shall be at least a college graduate or he/she shall have been engaged or exposed to the business of the Company for at least five (5) years;
3. He/she shall possess integrity/probity; and
4. He/she shall be assiduous (diligent).

ANNEX B

No person shall qualify or be eligible for nomination or election as Director if he possesses or is subject to any of the disqualifications set forth in Section 3C and Section 4.1 of the Guidelines for the Nomination Committee, as follows:

Disqualifications Applicable to All Directors

1. Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;
2. Any person judicially declared to be insolvent;
3. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
4. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

The Nomination Committee will consider the following factors with respect to nominees holding elective or executive positions in other corporations:

1. The nature of the business of the Corporations which he is a director
2. Age of the director;
3. Number of directorships/active memberships and officerships in other corporations or organizations;
4. Possible conflict of interest; and
5. The optimum number of directorships outside the Company shall be related to the capacity of a director to perform his duties diligently in general.

Further to the foregoing qualifications and disqualifications, the following shall be observed:

11. Executive Directors, including the Chairman and CEO, should be "full-time" in the management of the Company's affairs. For the purposes hereof, affiliates or wholly-owned subsidiaries of the Company or corporations controlled by the family of the concerned director shall not be deemed as another corporation.
12. Subject to the foregoing provision, the Company's Directors may be members of as many boards as they may accept or be elected into subject to periodic evaluation by the Nomination Committee.

Temporary Disqualification of Directors

During the tenure of an Independent Director, he may be disqualified and removed as such if found that:

1. He becomes an officer or employee of the Company or of its related companies or substantial shareholder of the Company (owning at least 10% of the outstanding capital stock);
2. His beneficial security ownership exceeds two (2)% of the outstanding capital stock of the Company;
3. Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family member; and
4. Such other disqualifications which the company's MCG Governance provides.

During the tenure of any Director, he may be disqualified or removed as such for:

1. Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
2. Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;
3. Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
4. Being under preventive suspension as an officer or employee of the Company;
5. Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

ANNEX C

Under the MCG, the Board shall ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position. The ideal Independent Director:

1. Is not, or has not been a senior officer or employee of the covered company in the last 5 years preceding his election unless there has been a change in the controlling ownership of the company;
2. Is not, and has not been in the three years immediately preceding the election, a director of the covered company; a director, officer, employee of the covered company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the covered company's substantial shareholders and its related companies;
3. Has not been appointed in the covered company, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three years immediately preceding his election;
4. Is not an owner of more than two percent (2%) of the outstanding shares of the covered company, its subsidiaries, associates, affiliates or related companies;
5. Is not a relative of a director, officer, or substantial shareholder of the covered company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
6. Is not acting as a nominee or representative of any director of the covered company or any of its related companies;
7. Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
8. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the covered company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three years immediately preceding the date of his election;
9. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the covered company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;

10. Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders; and
11. Is not employed as an executive officer of another company where any of the covered company's executives serve as directors.

Under the Guidelines for the Nomination Committee, the qualifications of Independent Directors (defined as a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any corporation) are as follows:

1. Is not a director or officer or substantial stockholder (stockholder owning at least 10% of outstanding shares) of the Company or of its related Companies or any of its substantial shareholders (other than as an Independent director of any of the foregoing);
2. Is not a relative of any director, officer or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders. For this purpose, relatives includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
3. Is not acting as a nominee or representative of a substantial shareholder of the Company, any of its related companies or any of its substantial Shareholders;
4. Has not been employed in any executive capacity by the Company, any of its related companies or by any of its substantial shareholders within the last five (5) years;
5. Is not retained as professional adviser by the Company, any of its related companies or any of its substantial shareholders within the last five (5) years, either personally or through his firm;
6. Has not engaged and does not engage in any transaction with the Company or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial or insignificant.

ANNEX D

PERFORMANCE EVALUATION FORM
 For Members of the Board of Directors
LEPANTO CONSOLIDATED MINING COMPANY
 for the year ____

For each of the following statements, please rate the Board’s performance by checking a number between 1 and 5, with 1 indicating that you strongly disagree, and 5 indicating that you strongly agree, with the statement. Check 0 if the point is not applicable or you do not have enough knowledge or information to rank the Corporation’s board on a particular statement.

	SCORE
Composition and Quality	
Board members have the appropriate qualifications to meet the objectives of the board’s charter, including appropriate financial literacy.	
The board demonstrates integrity, credibility, trustworthiness, active participation, an ability to handle conflict constructively, strong interpersonal skills, and the willingness to address issues proactively.	
The board demonstrates appropriate industry knowledge and includes a diversity of experiences and backgrounds.	
The independent directors meet all applicable independence requirements.	
The board participates in a continuing education program to enhance its members’ understanding of relevant risk, reporting, regulatory, and industry issues.	
The board monitors compliance with corporate governance regulations and guidelines.	
New board members are adequately oriented to educate them on the Corporation’s operations.	
Understanding the business, including Risks	
The board takes into account significant risks that may directly or indirectly affect the Corporation. Examples include: <ul style="list-style-type: none"> • Regulatory and legal requirements • Financing and liquidity needs • Financial exposures • Business continuity 	

<ul style="list-style-type: none"> • Reputation • Strategy execution • Management’s capabilities • Fraud control 	
The board considers, understands, and approves the process implemented by management to effectively identify, assess, and respond to the organization’s key risks.	

	SCORE
Process and Procedures	
The Board adequately monitors financial indicators to determine if the Company performs as projected.	
The board meets regularly.	
The level of communication between the board and relevant parties is appropriate; the board chairman encourages inputs on meeting agenda from board members and management.	
The agenda and related information are circulated in advance of meetings to allow board members sufficient time to study and understand the information.	
Written materials provided to board members are relevant and concise.	
The board respects the line between oversight and management.	
The board maintains adequate minutes of each meeting.	
The board and the compensation committee regularly review management incentive plans to consider whether the incentive process is appropriate.	
Board members come to meetings well prepared.	
Major disclosures are discussed at the Board level.	
Ethics and Compliance	
Board members oversee the process and are notified of communications received from governmental or regulatory agencies related to alleged violations or areas of non-compliance.	
The board oversees management’s procedures for enforcing the Corporation’s Code of Ethics and Business Conduct and other good governance policies.	
The board determines that there is a senior-level person designated to understand relevant legal and regulatory requirements.	
Oversight of the Financial Reporting Process, including Internal Controls	
The board reviews the Corporation’s significant accounting policies.	

The board makes inquiries of the independent auditor, internal auditors, and management on the depth of experience and sufficiency of the organization’s accounting and finance staff.	
The board ensures that management takes action to achieve resolution when there are repeat comments or directives from regulators.	
The board is consulted when management is seeking a second opinion on an accounting or auditing matter.	

	AVERAGE SCORE
Oversight of Audit Functions	
The board, through the Audit Committee, understands the coordination of work between the independent and internal auditors and clearly articulates its expectations of each.	
The board, through the Audit Committee, appropriately considers internal audit reports, management’s responses, and steps toward improvement.	
The board oversees the role of the independent auditor from selection to termination and has an effective process to evaluate the independent auditor’s qualifications and performance.	
The board, through the Audit Committee, considers the independent audit plan and provides recommendations.	
The board, through the Audit Committee, reviews the audit fees paid to the independent auditor.	
The board is consulted when management is seeking a second opinion on an accounting or auditing matter.	
Monitoring Activities	
An annual performance evaluation of the board is conducted and any matters that require follow-up are resolved and presented to the full board.	