



# THE PHILIPPINE STOCK EXCHANGE, INC.

Corporate Governance Guidelines

For

Listed Companies

Disclosure Template

Nihao Mineral Resources International, Inc.

|  | COMPLY | EXPLAIN  |
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| <b>Guideline No. 1:<br/>DEVELOPS AND EXECUTES ASOUND BUSINESS STRATEGY</b>   |        |  |
| 1.1 Have a clearly defined vision, mission and core values.  | Yes    | "The company's vision is to become a leading nickel mining and processing company in the Philippines. Furthermore, NIHAO strives to become the leading strategic partner of foreign companies willing to invest in the vast potential of the nickel mining industry in the Philippines"<br><br>The board of directors meet to discuss and strategize on company directions, need, policies on selection, financing and eventually, decision to acquire projects. |
| Have a well developed business strategy.   | Yes    |  |
| 1.3 Have a strategy execution process that facilitates effective performance management, and is attuned to the company's business environment, management style and culture. | Yes    |  |
| 1.4 Have its board continually engaged in discussions of strategic business issues.  | Yes    |  |
| <b>Guideline No. 2:<br/>ESTABLISHES A WELL-STRUCTURED AND FUNCTIONING BOARD</b>  |        |  |
| 2.1 Have a board composed of directors of proven competence and integrity.   | Yes    | The directors are pre-qualified to determine their qualifications, competence and integrity.   |
| 2.2 Be lead by a chairman who shall ensure that the board functions in an effective and collegial manner.  | Yes    | The Chairman has a vast experience in the corporate and management environment and is fully equipped with the knowledge and experience to lead the board of directors in an effective and collegial manner.  |
| 2.3 Have at least three (3) of thirty percent (30%) of its directors as independent directors.   | No     | The Company has two (2) independent directors in compliance with Rule 38(7)(A) of the Amended Implementing Rules and   |

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|     |  | Regulations of the Securities Regulation Code.  |
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| 2.4 | Have in place written manuals, guidelines and issuances that outline procedures and processes.   | Yes<br>In June 2013, the Company implemented its Amended Corporate Governance Manual and Code of Business Conduct and Ethics. These are the governing manuals on the Company's procedures and processes complementary to its Articles of Incorporation and by-laws as well as the Code of Corporate Governance implemented by the Securities and Exchange Commission. |
| 2.5 | Have Audit, Risk, Governance and Nomination & Election Committees of the board.  | Yes<br>The Company has its Audit, Governance, Nomination and Election and Compensation Committee, which are the committees mandated to be established by its Manual of Corporate Governance.  |
| 2.6 | Have its Chairman and CEO positions held separately by individuals who are not related to each other.  | No<br>The Chairman and CEO positions are held by a single individual.   |
| 2.7 | Have a director nomination and election process that ensures that all shareholders are given the opportunity to nominate and elect directors individually based on the number of shares voted. | Yes<br>The Manual of Corporate Governance as well the Company's By-laws provide for the functions, powers and authorities of the Nomination Committee. Any shareholder is allowed to nominate under the Corporation's nomination and election process.  |
| 2.8 | Have in place a formal board and director development program.   | No.<br>Since most of the directors are also directors of publicly listed companies, they have had the opportunity to attend seminar on corporate governance. On November 11, 2015, the Company complied with the SEC mandated annual seminars for members of the board of directors.  |
| 2.9 | Have a corporate secretary.  | Yes<br>Atty. Arsenio C. Cabrera, Jr. is the current Corporate Secretary   |



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| 2.10   | Have no shareholder agreements, by-laws provisions, or other arrangements that constrains the directors' ability to vote independently.  | Yes | The directors have the independence to vote according to their own will. There are no shareholder agreements, bylaws provisions, or other arrangements that constrains the directors' ability to vote independently.  |
| <b>Guideline No. 3:<br/>MAINTAINS A ROBUST INTERNAL AUDIT AND CONTROL SYSTEM</b> |  |     |   |
| 3.1  | Establish the internal audit function as a separate unit in the company which would be overseen at the Board level.  | Yes | The internal audit functions are assumed by an internal accountant whose reports are studied, verified and approved by the Audit Committee. The Company is in the process of establishing an internal Audit Group that will conduct internal audit for the company.             |
| 3.2  | Have a comprehensive enterprise-wide compliance program that is annually   | No  | The company is in the process of putting in a place a compliance program for purposes of improving its internal audit and control system reviewed.  |
| 3.3  | Institutionalize quality service programs for the internal audit function.   | No  | The internal audit function of the Company is delegated to an internal accountant who does simple audit on the Company's operating expenses. The Company is in the process of putting in place quality service programs aimed to improve its internal audit and control system. |
| 3.4  | Have in place a mechanism that allows employees, suppliers and other stakeholders to raise valid issues.   | No  | The Company has an informal mechanism in place but is in the process of putting in place a formal mechanism that allows employees, suppliers and other stakeholders to raise valid issues.  |
| 3.5  | Have the Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively. | Yes | The Statement of Management Responsibility attached to the company's Audited Financial Statement (AFS) are  |



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|  |   | signed, as required, by the CEO Treasurer and CFO after endorsement by the Audit Committee to the Board of Directors. The AFS are likewise signed by the External Auditor. |
| <b>Guideline No. 4:<br/>RECOGNIZES AND MANAGES ITS ENTERPRISE RISKS</b>  |   |  |
| 4.1  | Have its board oversee the company's risk management function.  | Yes  |
| 4.2  | Have a formal risk management policy that guides the company's risk management and compliance processes and procedures.   | Yes  |
| 4.3  | Design and undertake its Enterprise Risk Management (ERM) activities on the basis of, or in accordance with, internationally recognized frameworks such as but not limited to, COSO, (The Committee of Sponsoring Organizations of the Treadway Commission) I and II. | No   |
| 4.4  | Have a unit at the management level, headed by a Risk Management Officer (RMO).   | No   |
| 4.5  | Disclose sufficient information about its risk management procedures and processes as well as the key risks the company is currently facing including how these are being managed.  | No   |
| 4.6  | Seek external technical support in risk management when such competence is not available internally.  | Yes  |
| <b>Guideline No. 5:<br/>ENSURES THE INTEGRITY OF FINANCIAL REPORTS AS WELL AS ITS EXTERNAL AUDITING FUNCTION</b> |   |  |
| 5.1  | Have the board Audit Committee approve all non-audit services conducted by the external auditor. The Committee should ensure that the non-audit fees do not outweigh the fees earned from the external audit.   | Yes  |
| 5.2  | Ensure that the external auditor is credible, competent, and should have the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.   | Yes  |
| 5.3  | Ensure that the external auditor has adequate quality control procedures.   | Yes  |





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| 5.4   | Disclose relevant information on the external auditors.   | Yes | All relevant information are disclosed to the External Auditors.   |
| 5.5   | Ensures that the external audit firm is selected on the basis of a fair and transparent tender process.   | Yes | The selection of the External Auditor is approved by the shareholders. The Company receives proposals from various firms for purposes of comparative selection.  |
| 5.6   | Have its audit committee conduct regular meetings and dialogues with the external   | No  | The meeting and dialogues are delegated to the internal accountant who does the coordination with the External Auditors. Before the issuance of the Annual Audited Financial Statement, The Audit Committee holds meetings with the External Auditor to discuss any issues that may have arisen from the conduct of audit team without anyone from management present. |
| 5.7   | Have the financial reports attested to by the Chief Executive Officer and Chief Financial Officer.  | Yes | Complied as per requirements.  |
| 5.8   | Have a policy of rotating the lead audit partner every five years.  | Yes | The Company complies with rules on rotation of lead audit partners.  |
| <b>Guideline No. 6:<br/>RESPECTS AND PROTECTS THE RIGHTS OF ITS SHAREHOLDERS, PARTICULARLY THOSE THAT BELONG TO THE MINORITY OR NON-CONTROLLING GROUP</b> |   |     |  |
| 6.1   | Adopt the principle of "one share, one vote".   | Yes | This principle are mandated by-laws of the Corporation.  |
| 6.2   | Ensure that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.  | Yes |  |
| 6.3   | Have an effective, secure and efficient voting system.  | Yes | The Company's Corporate Secretary ensures that an efficient voting system is observed during stockholders' meetings with the assistance of the company's internal accountant and transfer agent.   |
| 6.4   | Have effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.   | Yes | The Company complies with the requirements of supermajority or majority of minority whenever required.   |
| 6.5   | Provide all shareholders with the notice and agenda of the annual general meeting (AGM) at least thirty (30) days before a regular meeting and twenty (20) days before a special meeting. | No  | The Company complies with the minimum requirements of Rule 20 of the Revised Securities Code. The rules on notice and agenda, per the SRC, are different from the  |



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|  |  | 30-days and 20 days notice mentioned herein.  |
| 6.6  | Allow shareholders to call a special shareholders meeting, submit a proposal for consideration at the AGM or the special meeting, and ensure the attendance of the external auditor and other relevant individuals to answer shareholder questions in such meetings. | Yes<br>The by-laws allows for a calling of shareholders' meeting by shareholders. However, this has not yet been tested as none has happened in the past. The external auditors have been consistently in attendance at the Company's stockholders' meetings. |
| 6.7  | Ensure that all relevant questions during the AGM are answered.  | Yes<br>After the agenda is discussed, the floor is opened for questions from the shareholders.  |
| 6.8  | Have clearly articulated and enforceable policies with respect to treatment of minority shareholders.  | Yes<br>The company complies with relevant laws and rules on the protection of minority shareholders. These laws and rules are deemed written in the Company's policies.   |
| 6.9  | Avoid anti-takeover measures or similar devices that may entrench management or the existing controlling shareholder group.  | N A<br>The Company has no anti-takeover policies.   |
| 6.10   | Provide all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.   | Yes<br>The Company regularly complies with the submission requirements of public ownership reports, beneficial ownership reports, etc.  |
| 6.11   | Have a communications strategy to promote effective communication with shareholders.   | Yes<br>The Company communicates with its shareholders through the facilities of the Philippine Stock Exchange by making the proper disclosures as well as by having open discussions with them during annual and special stockholders' meetings.              |
| 6.12   | Have at least thirty percent (30%) public float to increase liquidity in the market.   | Yes<br>The Company is compliant with the minimum public float required by law/PSE With 45.23% as of December 31,2015  |
| 6.13   | Have a transparent dividend policy.  | Yes<br>Disclosure on directors and executive compensation are included in the Annual Reports and 20-IS  |
| <b>Guideline No. 7:<br/>ADOPTS AND IMPLEMENTS AN INTERNATIONALLY-ACCEPTED DISCLOSURE</b> |  |   |



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| 7.1<br>7.1<br>7.1<br>7.1   | Have written policies and procedures designed to ensure compliance with the PSE and SEC disclosure rules, as well as other disclosure requirements under existing laws and regulations.  | No<br>The Company adopts the disclosure rules of the Securities and Exchange Commission and Philippine Stock Exchange.      |
| 7.2  | Disclose the existence, justification, and details on shareholders agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.   | N.A.<br>There is nothing to disclose on these matters.  |
| 7.3  | Disclose its director and executive compensation policy.   | Yes<br>Disclosure on directors and executive compensation are included in the Annual Report and 20-IS.                      |
| 7.4  | Disclose names of groups or individuals who hold 5% or more ownership interest in the company, significant cross-shareholding relationship and cross guarantees, as well as the nature of the company's other companies if it belongs to a corporate group.  | Yes<br>As reported in the Company's public ownership reports.   |
| 7.5  | Disclose annual and quarterly consolidated reports, cash flow statements and special audit revisions. Consolidated financial statements shall be published within 90 days from the end of the financial year, while interim reports shall be published within 45 days from the end of the reporting period.  | Yes<br>Complied as per requirements.  |
| 7.6  | Disclose to shareholders and the Exchange any changes to its corporate governance manual and practices, and the extent to which such practices conform to the SEC and PSE CG guidelines.   | Yes<br>Complied as per regulations.   |
| 7.7  | Publish and/or deliver to its shareholders in a timely fashion all information and materials relevant to corporate actions that require shareholder approval.  | Yes<br>Complied as per the requirements on disclosures.   |
| 7.8  | Disclose the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This shall also include the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).  | Yes<br>As reported in the beneficial ownership reports and trading reports of directors.                                    |
| 7.9  | Disclose in its annual report the principal risks to minority shareholders associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company. | No<br>The Company is not in a position to ascertain any risk to minority shareholders as a result of the mentioned matters. |
| <b>Guideline No. 8:</b>  |  |   |
| <b>RESPECTS AND PROTECTS THE RIGHTS AND INTERESTS OF EMPLOYEES, COMMUNITY, ENVIRONMENT, AND OTHER STAKEHOLDERS</b> |  |   |
| 8.1  | Establish and disclose a clear policy statement that articulates the company's recognition and protection of the rights and interests of key stakeholders specifically its employees, suppliers & customers, creditors, as well as the community, environment and other key stakeholder groups.  | Yes<br>The Corporate Governance Manual provides for the protection of the Company's stakeholders.                           |





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| 8.2 | Have in place a workplace development program.  | No  | The Company has no workplace development program in place.   |
| 8.3 | Have in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders. | No  | The Company has no employee stock option plan in place.  |
| 8.4 | Have in place a community involvement program.  | Yes | <p>Created and implemented as social development and management program whose objective are:</p> <ol style="list-style-type: none"> <li>1. Community empowerment;</li> <li>2. To meet the minimum basic needs of the mining communities and enhance human welfare;</li> <li>3. To assist in the establishment of a self-sustained livelihood projects;</li> <li>4. To provide construction materials and ensure availability of heavy equipment for various local social infrastructure projects;</li> <li>5. To assist in the preservation and protection of the communities' socio-cultural values.</li> </ol> <p>Examples of actual programs that are to be implemented are as follows:</p> <ol style="list-style-type: none"> <li>1. Skills training on driving and heavy equipment operation.</li> <li>2. Training &amp; micro-financing on mushroom production</li> <li>3. Training &amp; micro-financing on handicraft making</li> <li>4. Training &amp; micro-financing on baking and pastry</li> <li>5. Training and micro-financing production</li> <li>6. Training on entrepreneurship</li> <li>7. Training on fish production</li> <li>8. Furniture making ( micro-financing)</li> <li>9. Hollow blocks making ( micro-</li> </ol> |



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|  |     | financing)<br>10. Micro-financing feeds<br>11. Construction of drainage, canal<br>12. Maintenance of river flood control<br>13. Improvement of day care center<br>14. Construction of small bridge<br>15. Improvement of day care center<br>16. Salary subsidy of daycare teachers<br>17. Scholarship grants<br>18. Provision of school supplies<br>19. Assistance to school activities<br>20. Completion and provision of water system facility<br>21. Medical, Dental Mission<br>22. Establishment of a Botika ng Barangay<br>23. Assistance to sports<br>24. Vegetable gardening<br>25. Provision of health instruments/apparatus |
| 8.5 Have in place an environment-related program.  | Yes | The company has set strategies to limit and control environmental impact of our mining operations as well as comply with all laws and regulations pertaining to reforestation and rehabilitation. The monitoring and reporting of environmental compliance to relevant government agencies.<br><br>Strategies to limit and control the impact on the environment include mitigation of soil erosion, citation, loss of vegetation, noise pollution, proper solid waste management, etc.  |
| 8.6 Have clear policies that guide the company in its dealing with its suppliers, customers, creditors, analysts, market intermediaries and other market participants. | No  | The company is in the process of preparing its Operations Manual and Internal Controls Systems which will provide for some of such policies.   |



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| <b>Guideline No. 9:<br/>DOES NOT ENGAGE IN ABUSIVE RELATED-PARTY TRANSACTIONS AND INSIDER TRADING</b> |  |   |
| 9.1   | Develop and disclose a policy governing the company's transactions with related Parties.   | Yes<br><br>The Company's Corporate Governance Manual contains rules and procedures governing related party transactions. Likewise, related party transactions are disclosed to the external auditors and reported in the financial statement. All private placement with directors and/or related parties are disclosed and approved by the required parties and stockholders, including the majority of the minority shareholders. |
| 9.2   | Clearly define the thresholds for disclosure and approval for RPTs and categorize such transactions according to those that are considered de minimis or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPT within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval. | Yes   |
| 9.3   | Establish a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions in shareholders meetings.  | Yes   |
| 9.4   | Have its independent directors or audit committee play an important role in reviewing significant RPTs.  | Yes   |
| 9.5   | Be transparent and consistent in reporting its RPTs. A summary of such transactions shall be published in the company's annual report.   | Yes   |
| 9.6   | Have a clear policy in dealing with material non-public information by company insiders.   | Yes<br>Non-public and confidential matters are strictly kept confidential by company insiders.  |
| 9.7   | Have a clear policy and practice of full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management.  | Yes<br>Complied as per the requirements on disclosures.   |
| <b>Guideline No. 10:<br/>DEVELOPS AND NURTURES A CULTURE OF ETHICS, COMPLIANCE, &amp; ENFORCEMENT</b> |  |   |
| 10.1  | Formally adopt a code of ethics and proper conduct that guides individual behavior and decision making, clarify responsibilities, and inform other stakeholders on the   | Yes<br>The company has a Code of Business Conduct and Ethics in place.  |

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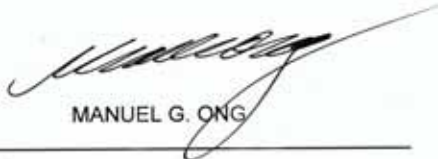
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|      | conduct expected from company personnel.   |     |  |
| 10.2 | Have a formal comprehensive compliance program covering compliance with laws and relevant regulations. The program should include appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.   | Yes | The company's has its directors and officers attend annual seminars mandated by the SEC.   |
| 10.3 | Not seek exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. Should it do so, it has to disclose the reason for such action as well present the specific steps being taken to finally comply with the applicable law, rule or regulation. | Yes | The Company complies with SEC and PSE mandated requirements.   |
| 10.4 | Have clear and stringent policies and procedures on curbing and penalizing company or employee involvement in offering, paying and receiving bribes.   | Yes | The Company Code of Business Conduct and Ethics provides, in a limited sense, for employees' conduct in business dealings, gift giving and courtesies.   |
| 10.5 | Have a designated officer responsible for ensuring compliance with all relevant laws, rules, and regulation, as well as all regulatory requirements.   | Yes | The Company's Compliance Officer, monitors compliance by the corporation rules and regulations of regulatory agencies and , if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary actions on the responsible parties and the adoption of measures to prevent a repetition of the violation. |
| 10.6 | Respect intellectual property rights.  | Yes | The Company complies with laws including those pertaining to intellectual property rights.   |
| 10.7 | Establish and commit itself to an alternative dispute resolution system so that conflicts and difference with counterparties, particularly with shareholders and other key stakeholders, would be settled in a fair and expeditious manner.  | N A | The Corporate Governance Manual provides for the establishment of an alternative dispute resolution system in the Corporation that can amicably settle conflicts or difference between the Corporation and its shareholders, and the Corporation and third parties, including the regulatory authorities.  |

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This is to certify that the undersigned reviewed the contents of this document and to the best of my knowledge and belief, the information contained set forth in this document is true, complete and correct.

Done this      day of March 2016 in Mandaluyong City.



MANUEL G. ONG

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Independent director



ANTONIO VICTORIANO F. GREGORIO III

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Director, President, or Authorized Representative