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## The Philodrill Corporation OV

**PSE Disclosure Form CGR-1 - Compliance Report on Corporate Governance**  
*Reference: Corporate Governance Guidelines for Companies Listed on the Philippine Stock Exchange*

<b>For the year ended</b>	Dec 31, 2016
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### Description of the Disclosure

Corporate Governance Guidelines for Listed Companies for the year ended December 31, 2016.

### Filed on behalf by:

<b>Name</b>	Josephine Ilas
<b>Designation</b>	Assistant Corporate Secretary



**THE PHILIPPINE STOCK  
EXCHANGE, INC.**

**Corporate Governance Guidelines  
for  
Listed Companies  
Disclosure Template**

	COMPLY	EXPLAIN
<b>Guideline No. 1: DEVELOPS AND EXECUTES A SOUND BUSINESS STRATEGY</b>		
1.1 Have a clearly defined vision, mission and core values.	Yes	The Company has its vision, mission and core values which are clearly stated in its annual reports and Company website <a href="http://www.philodrill.com">http://www.philodrill.com</a>
1.2 Have a well developed business strategy.	Yes	The Company annually utilizes its December Board meetings for evaluation of past year's performance and discussion/formulation of business strategy for the succeeding years.
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	The business plans developed include strategy and benchmarks to determine achievement of goals against given set objectives.
1.4 Have its board continually engaged in discussions of strategic business issues.	Yes	The Board meets regularly at least once a month to discuss strategic business issues.
<b>Guideline No. 2: ESTABLISHES A WELL-STRUCTURED AND FUNCTIONING BOARD</b>		
2.1. Have a board composed of directors of proven competence and integrity.	Yes	The qualifications of the Company's directors are compliant with the criteria set by the Corporation Code, the Securities Regulation Code, and the Company's Revised Corporate Governance Manual. The qualifications of each director are set forth in the Company's SEC Form 17-A and SEC Form 20-IS sent to stockholders annually.
2.2. Be led by a chairman who shall ensure that the board functions in an effective and collegial manner.	Yes	The Board is led by a Chairman whose experience and qualifications ensure that the Board functions in an effective and collegial manner.
2.3 Have at least three (3) or thirty percent (30%) of its directors as independent directors.	No	The Company has two (2) independent directors which constitute more than 20% of the Board, as required under the Revised Code of Corporate Governance, SEC Memo Circular No. 6, S. 2009.
2.4 Have in place written manuals, guidelines and issuances that outline procedures and processes.	Yes	The Company is currently revising its Manual on Corporate Governance to comply with regulatory requirements and current developments in Corporate Governance (for

		submission on or before May 30, 2017) and Company SOP Handbook.
2.5	Have Audit, Risk, Governance and Nomination & Election Committees of the board.	Yes The Board has constituted an Audit Committee (Audit, Risk and Governance), a Nomination & Election committee and a Compensation & Remuneration Committee headed by independent directors.
2.6	Have its Chairman and CEO positions held separately by individuals who are not related to each other.	No The position of Chairman and CEO is currently held by Mr. Alfredo C. Ramos after the retirement of the former President. Nonetheless, proper checks and balances were laid down to ensure that the Board gets the benefits of independent views and perspective.
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 The Company has a director nomination and election process that is implemented every annual general meeting (AGM) which ensures that all shareholders are given the opportunity to nominate and elect directors individually based on the number of shares voted.
2.8	Have in place a formal board and director development program.	Yes The directors have attended seminars on Corporate Governance and risk management. The Company is likewise in the process of adopting a policy on training of Directors, including orientation program for first-time Directors and relevant annual continuing training for all Directors.
2.9	Have a corporate secretary.	Yes The Company has a corporate secretary who effectively attends to and assists the Board regarding relevant concerns of the Company.
2.10	Have no shareholder agreements, by-laws provisions, or other arrangements that constrains the directors' ability to vote independently.	Yes The Company has no shareholder agreements, by-laws provisions, or other arrangements which constrain its directors' independent voting.
<b>Guideline No. 3: 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 Audit Committee constituted by the Board oversees the internal audit of the Company and the Audit Committee reports to the Board.
3.2	Have a comprehensive enterprise-wide compliance program that is annually	Yes The Company has its Revised Manual on

	reviewed.		Corporate Governance and the Annual Corporate Governance Report that ensures the internal control system of the company is in place.
3.3	Institutionalize quality service programs for the internal audit function.	Yes	The Audit Committee sets the internal auditing guidelines and procedures based on existing auditing standards which provide an independent evaluation of the internal control mechanisms of the Company.
3.4	Have in place a mechanism that allows employees, suppliers and other stakeholders to raise valid issues.	Yes	Regular staff meetings are held to enable employees to voice their issues and concerns to Management. Stakeholders can raise valid issues during AGMs. The Company has no suppliers as it undertakes its projects through joint venture consortia which prescribe rules and procedure for procurement.
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 Company's Financial Statements are also endorsed by the Audit Committee and the Internal Auditor to the Board for approval.
<b>Guideline No. 4: RECOGNIZES AND MANAGES ITS ENTERPRISE RISKS</b>			
4.1	Have its board oversee the company's risk management function.	Yes	The Board oversees the Company's risk management function.
4.2	Have a formal risk management policy that guides the company's risk management and compliance processes and procedures.	Yes	Uploaded in the Company's website, <a href="http://www.philodrill.com">www.philodrill.com</a> under Corporate Governance, Risk Management System.
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.	Yes	We have adopted the COSO Framework effective January 2011.
4.4	Have a unit at the management level, headed by a Risk Management Officer (RMO).	Yes	The Company's Treasurer & VP-Administration is responsible for risk management functions.
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.	Yes	The required disclosures regarding operating risks and how these risks are managed by the Company through its Board are fully disclosed in the Notes to Financial Statements included in the Company's Annual Reports and Quarterly Reports. The Company's Risk

		Management System is likewise uploaded at <a href="http://www.philodrill.com">www.philodrill.com</a>
4.6	Seek external technical support in risk management when such competence is not available internally.	Yes The external auditor has available risk management services that may be engaged by the Company if needed.
<b>Guideline No. 5: 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 The Audit Committee approves any non-audit services that may be rendered by the external auditor and ensures that the non-audit fees do not outweigh the fees earned from the external audit.
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 SyCip Gorres Velayo & Co. is the Company's external auditor and it is already of proven credibility and competence in understanding complex related party transactions, its counterparties, and valuations of such transactions.
5.3	Ensure that the external auditor has adequate quality control procedures.	Yes Prior to any audit, the Company's external auditor briefs the Company on its audit procedures and controls.
5.4	Disclose relevant information on the external auditors.	Yes The Company discloses relevant information regarding its external auditors on its Audited Financial Statements and SEC Form 20-IS.
5.5	Ensures that the external audit firm is selected on the basis of a fair and transparent tender process.	Yes The election of external auditor is done during AGMs and all stockholders have the right to nominate and vote for the external auditor of their choice.
5.6	Have its audit committee conduct regular meetings and dialogues with the external audit team without anyone from management present.	Yes The audit committee regularly meets with the external audit team.
5.7	Have the financial reports attested to by the Chief Executive Officer and Chief Financial Officer.	Yes The Company has a statement by the Board describing their responsibilities in reviewing the Company's financial reports including the approval of the financial statements for the previous year. The statement is contained in the Company's Audited Financial Statements and is attested by the Chairman, the CEO and the CFO.
5.8	Have a policy of rotating the lead audit partner every five years.	Yes The Company adopts the practice of rotating

		the lead audit partner every five (5) years in compliance with SRC Rule 68 paragraph 3(b)(iv) (Rotation of External auditors).
<b>Guideline No. 6: 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 The Company’s By-Laws, SEC Form 20-1S, and proxy forms specifically state that each shareholder is entitled to one vote per share held.
6.2	Ensure that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Yes The Company has only one class of shares – common shares – with each share entitled to one vote, and are treated equally with respect to subscription rights and transfer rights.
6.3	Have an effective, secure and efficient voting system.	Yes Voting during AGMs is usually done viva voce or by the raising of hands, unless voting by ballot is specifically requested. The Company has ballots and ballot boxes ready for use every AGM.
6.4	Have effective shareholder voting mechanisms such as super majority or “majority of minority” requirements to protect minority shareholders against actions of controlling shareholders.	Yes The Company follows the provisions of the Corporation Code on shareholder voting.
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.	Yes The Company consistently observes the 30-day prior notice rule as provided in its By-Laws. The Notice includes the date, time, place and agenda for the meeting together with all the necessary materials on corporate matters that will be discussed during the AGM.
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 The Company respects the right of shareholders to call for a special stockholders’ meeting either upon request with the Company or the SEC. Shareholders may submit any proposal for consideration at any stockholders’ meeting. The external auditor and other resource persons of the Company are required to attend all stockholders’ meetings and this so stated in the Company’s SEC Form 20-IS.
6.7	Ensure that all relevant questions during the AGM are answered.	Yes An open forum is part of the AGM’s agenda

		and is conducted during AGMs to allow shareholders to ask questions and raise issues and the Company or its resource persons to answer them.
6.8	Have clearly articulated and enforceable policies with respect to treatment of minority shareholders.	Yes The Company complies with all minority protection requirements of the Corporation Code, Securities Regulation Code and the Revised Code on Corporate Governance.
6.9	Avoid anti-takeover measures or similar devices that may entrench management or the existing controlling shareholder group.	Yes The Company's Articles of Incorporation (Aol) do not include any anti-takeover provisions. However, while the Aol contains a denial of pre-emptive subscription right, the company is subject to compliance with the PSE requirement that majority of the minority stakeholders waive the requirement for a stock rights offering in case of a private placement of shares.
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 Detailed breakdown of shareholdings are provided in all PSE/SEC reportorial requirements submitted by the Company. See the Company's Quarterly Public Ownership Report and Top 100 Shareholders. Any change in the shareholdings of Directors, Officers and substantial shareholders are likewise reported under SEC Form 23-B and may be viewed in the Company's website.
6.11	Have a communications strategy to promote effective communication with shareholders.	Yes All regular reports and notices of the Company are disclosed with the PSE/SEC and posted in the Company's website: <a href="http://www.philodrill.com">www.philodrill.com</a>
6.12	Have at least thirty percent (30%) public float to increase liquidity in the market.	Yes As of December 31, 2016 the Company's public float is 47.69%.
6.13	Have a transparent dividend policy.	Yes The Company has no fixed dividend policy but endeavors to declare and pay dividends based on availability of retained earnings.
<b>Guideline No. 7: ADOPTS AND IMPLEMENTS AN INTERNATIONALLY-ACCEPTED DISCLOSURE AND TRANSPARENCY REGIME</b>		
7.1	Have written policies and procedures designed to ensure compliance with the PSE and SEC disclosure rules, as well as other disclosure requirements	Yes The Company has written policies and procedures for ensuring compliance with the



	under existing laws and regulations.		disclosure rules of the PSE and SEC. These are contained in the Company's Revised Corporate Governance Manual
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.	Yes	There have been no shareholders' agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the Company to date.
7.3	Disclose its director and executive compensation policy.	Yes	Directors only receive per diem to cover the expenses for their attendance in board meetings and this is fully disclosed by the Company to its shareholders through its SEC Form 17-A and SEC Form 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	The Company sufficiently discloses these kinds of information on its SEC Form 17-A, SEC Form 20-IS and Quarterly Public Ownership Report.
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	The Company timely discloses its financial reports to the PSE/SEC. See the Company's SEC Form 17-A, SEC Form 17-Q, SEC Form 20-IS and Audited Financial Statements.
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	The Company's Corporate Governance Manual is currently being revised in accordance with the guidelines of SEC Memo Circular No. 19, series of 2016. Once adopted, the Manual shall be uploaded on the Company's website and any change/s to the Annual Corporate Governance Report is likewise posted on the Company's website.
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	All materials required for any stockholders' meeting, including notice, agenda, information statement, annual report/quarterly report, audited financial statements and proxy forms, are sent by mail or delivered by courier service to stockholders 30 days prior to the date of any stockholders' meeting.
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	Yes	Directors and Officers are required by the Company to immediately report their transactions of Company shares. See the

market (e.g share buy-back program).		Company's SEC Form 23-B filings. Advisement letter on the changes in the ACGR are also filed with the SEC and uploaded in the website reflecting the changes in the shareholdings of Directors and Officers. The Company has no share buy-back program to date.
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.	Yes	The Company's annual report contains a discussion on the risks of investing in the Company, as well as the identity of controlling shareholders, degree of ownership concentration, and cross-holdings among affiliates. There is no imbalance between the controlling shareholders' voting power and overall equity position in the Company.
<b>Guideline No. 8: 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 the community, environment and other key stakeholder groups.	Yes	A comprehensive discussion of employee policies, functions and other conditions of employment are provided in the Employees' Handbook given to all employees. See also the Company's Corporate Governance Policies in its website <a href="http://www.philodrill.com">http://www.philodrill.com</a>
8.2 Have in place a workplace development program.	Yes	Employees are encouraged to undergo further training and development. Availment of training programs is initiated either by the Company (for programs related to the Company's core business) or by employees (for all other programs). See Policies on Training, Health, Safety and Welfare of Employees in the website <a href="http://www.philodrill.com">http://www.philodrill.com</a>
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.	Yes	The Company's current employment benefits offer long-term incentives to employees, including an incentive based on the appreciation of the Company's stock price.
8.4 Have in place a community involvement program.	Yes	The Company's projects incorporate and support community involvement programs in the relevant project areas.

8.5	Have in place an environment-related program.	Yes	The Company observes all environmental laws and regulations applicable to the conduct of its business and projects. Communications and actions on environmental issues relating to oil exploration and production are done by the Company itself or through a consortium.
8.6	Have clear policies that guide the company in its dealing with its suppliers, customers, creditors, analysts, market intermediaries and other market participants.	Yes	See the Company's Revised Corporate Governance Manual and Code of Business Conduct and Ethics.
<b>Guideline No. 9: 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	All related transactions including the name, relationship, policy, nature and extent, amount, rationale, and Board action on related party transactions are disclosed in the Company's annual/quarterly reports filed with the PSE/SEC. See Company Policy on Related Party Transactions
9.2	Clearly define the thresholds for disclosure and approval for RPTs and categorize such transactions according to those that are considered <i>de minimis</i> 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	The guidelines to be observed in RPTs are set by the Board of Directors through the Audit Committee. See Company Policy on Related Party Transactions
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	Where it is required under the Corporation Code to submit corporate matters to stockholders for approval and such matters are RPTs, the related parties involved voluntarily inhibit themselves from voting on the matter. Similarly, at the Board level, directors voluntarily inhibit themselves from voting on RPTs where they are the parties involved.
9.4	Have its independent directors or audit committee play an important role in reviewing significant RPTs.	Yes	Independent directors directly handle the examination and evaluation of RPTs and the Audit Committee submits the same to the Board for approval.
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	See the Company's Notes to Financial Statements in its Audited Financial

		Statements and Annual Reports.
9.6	Have a clear policy in dealing with material non-public information by company insiders.	Yes See the Company's Revised Corporate Governance Manual
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 All material transactions with affiliates of the controlling shareholders, directors or management are duly and timely disclosed to the PSE and SEC, as required under the Revised Disclosure Rules.
<b>Guideline No. 10: 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 conduct expected from company personnel.	Yes A Code of Ethics has been developed and formulated based on the exigencies of the business. See Corporate Governance Policies at <a href="http://www.philodrill.com">http://www.philodrill.com</a>
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 See the Company's Revised Corporate Governance Manual.
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 See the Company's Revised Corporate Governance Manual.
10.4	Have clear and stringent policies and procedures on curbing and penalizing company or employee involvement in offering, paying and receiving bribes.	Yes See the Company's Revised Corporate Governance Manual and Company SOP Handbook.
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 has a Compliance Officer who is responsible for ensuring compliance with all relevant laws, rules, and regulation, as well as all regulatory requirements.
10.6	Respect intellectual property rights.	Yes The Company only uses licensed software programs.
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.	Yes See the Company's Revised Corporate Governance Manual.

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

Done on March 28, 2017 in Mandaluyong City.



**HONORIO A. POBLADOR III**  
Independent Director



**ALFREDO C. RAMOS**  
Chairman & President  
ASA 2/14 gl