

**THE PHILODRILL CORPORATION**  
**REVISED MANUAL ON CORPORATE GOVERNANCE**  
**(May 2017)**

**THE PHILODRILL BOARD'S GOVERNANCE RESPONSIBILITIES**

1. The Philodrill Corporation is headed by a competent, working Board to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.
2. The fiduciary roles, responsibilities and accountabilities of the Philodrill Board as provided under the law, the Company's articles and by-laws, and other legal pronouncements and guidelines are clearly made known to all Directors as well as to stockholders and other stakeholders.
3. The Board Committees are set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established are contained in a Committee Charter available for public viewing in the Company's website.
4. To show full commitment to the Company, the Directors devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the Corporation's business.
5. The Philodrill Board endeavour to exercise objective and independent judgment on all corporate affairs.
6. The best measure of the Board's effectiveness is through an assessment process. The Board carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.
7. Members of the Philodrill Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

**DISCLOSURE AND TRANSPARENCY**

8. The Company shall establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

9. The Company shall establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.
10. The Company shall ensure that material and reportable non-financial and sustainability issues are disclosed.
11. The Company will maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

## **INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK**

12. To ensure the integrity, transparency and proper governance in the conduct of its affairs, the Company will have a strong and effective internal control system and enterprise risk management framework.

## **CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS**

13. The Company treats all shareholders fairly and equitably, and also recognizes, protects and facilitates the exercise of their rights.

## **DUTIES TO STAKEHOLDERS**

14. The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders will have the opportunity to obtain prompt effective redress for the violation of their rights.
15. A mechanism for employee participation will be developed to create a symbiotic environment, realize the Company's goals and participate in its corporate governance processes.
16. The Company will be socially responsible in all its dealings with the communities where it operates. It will ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

## **THE BOARD'S GOVERNANCE RESPONSIBILITIES**

### **1. ESTABLISHING A COMPETENT BOARD**

**1.1** The Philodrill Board is composed of directors with a collective working knowledge, experience or expertise that is relevant to the Company's industry/sector. The Board is a mix of industry experts that have run the Oil & Gas business for decades and well educated young blood that provides the Board with a more aggressive perspective, with calculated risks. The Board always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

**1.2** The Board is composed of a majority of non-executive directors, seven (7) out of nine (9) are non-executives, including the two (2) Independent 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.

**1.3** The Company has adopted a policy on the training of Directors, including an orientation program for first-time Directors and relevant annual continuing training for all Directors.

The Philodrill Corporation ensures that all directors are properly oriented upon joining the board. New members of the Board are appropriately apprised of their duties and responsibilities, before beginning their directorships. Trainings are conducted to cater to the specific needs of the Company and the individual Directors and aid any new director in effectively performing his or her functions.

Philodrill strongly believes in continuous learning. Training and Development is given utmost importance in the Company across all levels. The Board of Directors, the highest level in the organizational structure, requires training and development too. Directors need to update themselves in order to provide best services to the company.

**1.4** The Board shall have a policy on board diversity to avoid groupthink and ensure that optimal decision-making is achieved.

**1.5** The Board ensures that it is assisted in its duties by a Corporate Secretary. The Corporate Secretary is not be a member of the Board of Directors and shall annually attend a training on Corporate Governance.

The Corporate Secretary has, among others, the following duties and responsibilities:

- a. 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;

b. Safe keeps 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;

c. Keeps abreast on 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;

d. 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;

e. Advises on the establishment of board committees and their terms of reference;

f. Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working 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;

g. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;

h. Performs required administrative functions;

i. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and

j. Performs such other duties and responsibilities as may be provided by the SEC.

**1.6** The Board shall ensure that it is assisted in its duties by a Compliance Officer, who shall have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation. The Compliance Officer is not a member of the Board of Directors and shall annually attend a training on Corporate Governance.

The Compliance Officer is a member of the Company's management team in charge of the compliance function. Similar to the Corporate Secretary, he/she is primarily liable to the corporation and its shareholders, and not to the Chairman or

President of the Company. He/she has, among others, the following duties and responsibilities:

- a. Ensures proper onboarding of new directors (i.e., orientation on the Company's business, charter, articles of incorporation and by-laws, among others);
- b. Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- c. Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- d. Ensures the integrity and accuracy of all documentary submissions to regulators;
- e. Appears before the SEC when summoned in relation to compliance with this Code;
- f. Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- g. Identifies possible areas of compliance issues and works towards the resolution of the same;
- h. Ensures the attendance of board members and key officers to relevant trainings; and
- i. Performs such other duties and responsibilities as may be provided by the SEC.

## **2. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD**

**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.

**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.

**2.3** The Board is headed by a competent and qualified Chairperson.

The roles and responsibilities of the Chairman include, among others, the following:

- a. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- b. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- e. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- f. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

**2.4** The Board is responsible for ensuring and adopting an effective succession planning program for Directors, key Officers and Management to ensure growth and a continued increase in the shareholders' value. This shall include adopting a policy on the retirement age for key officers as part of management succession and to promote dynamism in the corporation.

**2.5** The Board shall align the remuneration of key Officers and Board members with the long-term interests of the Company. Furthermore, no Director shall participate in discussions or deliberations involving his own remuneration.

For employees in control functions (e.g., risk, compliance and internal audit), their remuneration is determined independent of any business line being overseen, and performance measures are based principally on the achievement of their objectives so as not to compromise their independence.

**2.6** The Board shall have and disclose in its Manual on Corporate Governance a formal and transparent board nomination and election policy that shall include how it accepts nominations from minority shareholders and reviews nominated candidates. The policy shall also include an assessment of the effectiveness of the Board's

processes and procedures in the nomination, election, or replacement of a director. In addition, its process of identifying the quality of directors shall be aligned with the strategic direction of the Company.

The nomination and election process also includes the review and evaluation of the qualifications of all persons nominated to the Board, including whether candidates: (1) possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and in light of the entity's business and risk profile; (2) have a record of integrity and good repute; (3) have sufficient time to carry out their responsibilities; and (4) have the ability to promote a smooth interaction between board members.

The following may be considered as grounds for the permanent disqualification of a director:

- a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that: (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust Company, investment house or as an affiliated person of any of them;
- b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC, Bangko Sentral ng Pilipinas (BSP) or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust Company, investment house, or investment Company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or wilfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if (a) such person is the subject of an order of the SEC, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or under any rule or regulation issued by the Commission or BSP; (b) such person has otherwise been restrained to engage in any activity involving securities and banking; or (c) such person is the subject of an effective order of a self-regulatory organization suspending or expelling him

from membership, participation or association with a member or participant of the organization;

c. Any person convicted by final judgment or order by a court, or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

d. Any person who has been adjudged by final judgment or order of the SEC, BSP, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counselled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law, rule, regulation or order administered by the SEC or BSP;

e. Any person judicially declared as insolvent;

f. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated previously;

g. Conviction by final judgment of an offense punishable by imprisonment for more than six years, or a violation of the Corporation Code committed within five years prior to the date of his election or appointment; and

h. Other grounds as the SEC may provide.

In addition, the following may be grounds for temporary disqualification of a Director:

a. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any 12-month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;

b. Dismissal or termination for cause as director of any publicly-listed Company, public Company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;

c. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its

subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with; and

d. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

**2.7** The Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy shall include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy shall encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations.

**2.8** The Board is primarily responsible for approving the selection and assessing the performance of the Management led by the President/Chief Executive Officer (CEO), and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).

The Board is responsible in appointing a competent management team at all times, monitor and assess the performance of the management team based on established performance standards that are consistent with the Company's strategic objectives, and conduct a regular review of the Company's policies with the management team. In the selection process, fit and proper standards are to be applied on key personnel and due consideration is given to integrity, technical expertise and experience in the Oil & Gas industry.

**2.9** The Board will establish an effective performance management framework that will ensure that the Management, including the Chief Executive Officer, and personnel's performance is at par with the standards set by the Board and Senior Management.

The results of performance evaluation shall be linked to other human resource activities such as training and development, remuneration, and succession planning. These shall likewise form part of the assessment of the continuing fitness and propriety of management.

**2.10** The Board ensures 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. The Board shall also approve the Internal Audit Charter.

The Board's oversight responsibility may include overseeing the implementation of the key control functions, such as risk management, compliance and internal audit, and reviewing the corporation's human resource policies, conflict of interest situations, compensation program for employees and management succession plan.

**2.11** The Board oversees that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

**2.12** The Board shall have a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter shall serve as a guide to the directors in the performance of their functions and shall be publicly available and posted on the Company's website.

### **3. ESTABLISHING BOARD COMMITTEES**

**3.1** The Board shall establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.

**3.2** The Board shall establish an Audit Committee to enhance its oversight capability over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The committee shall be composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman, shall be independent. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairman of the Audit Committee shall not be the chairman of the Board or of any other committees.

The Audit Committee has the following duties and responsibilities, among others:

- a. Recommends the approval the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- b. Through the Internal Auditor (IA), monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks

and balances shall be in place in order to (a) safeguard the Company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the Company's financial data, and (d) ensure compliance with applicable laws and regulations;

c. Oversees the Internal Audit, and recommends the appointment and/or grounds for approval of an Internal Auditor. The Audit Committee shall also approve the terms and conditions for outsourcing internal audit services;

d. Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he shall directly report to the Audit Committee;

e. Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;

f. Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

g. Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;

h. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:

- Any change/s in accounting policies and practices
- Areas where a significant amount of judgment has been exercised
- Significant adjustments resulting from the audit
- Going concern assumptions
- Compliance with accounting standards
- Compliance with tax, legal and regulatory requirements

i. Reviews the disposition of the recommendations in the External Auditor's management letter;

j. Performs oversight functions over the corporation's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

k. Coordinates, monitors and facilitates compliance with laws, rules and regulations;

l. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders; and

m. In case the Company does not have a Board Risk Oversight Committee and/or Related Party Transactions Committee, performs the functions of said committees as provided under Recommendations 3.4 and 3.5.

The Audit Committee meets with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meets with the head of the internal audit.

**3.3** The Board will establish a Corporate Governance Committee that shall be tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee. It shall be composed of at least three members, all of whom shall be independent directors, including the Chairman.

The Corporate Governance Committee (CG Committee) is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:

a. Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;

b. Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;

- c. Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d. Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- e. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Proposes and plans relevant trainings for the members of the Board;
- g. Determines the nomination and election process for the Company's directors and has the special duty of defining the general profile of board members that the Company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- h. Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.

**3.4** The Audit Committee shall be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness. Based on the needs of the operations, the Board may establish a separate Board Risk Oversight Committee (BROC). The BROC should be composed of at least three members, the majority of whom should be independent directors, including the Chairman. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

**3.5** All established committees shall be required to have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters shall provide the standards for evaluating the performance of the Committees. It shall also be fully disclosed on the Company's website.

#### **4. FOSTERING COMMITMENT**

**4.1** The directors shall attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission, except

when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the director shall review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

The absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his/her incumbency is a ground for disqualification in the succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events.

**4.2** The non-executive directors of the Board may concurrently serve as directors to a maximum of five publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the Company.

**4.3** A director shall notify the Board where he/she is an incumbent director before accepting a directorship in another Company.

## **5. REINFORCING BOARD INDEPENDENCE**

**5.1** The Board shall have at least two (2) independent directors, or such number as to constitute at least 20% of the members of the Board, whichever is higher.

**5.2** 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.

An Independent Director refers to a person who, ideally:

- a. Is not, or has not been a senior officer or employee of the covered Company unless there has been a change in the controlling ownership of the Company;
- b. 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;
- c. 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;

d. 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;

e. 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;

f. Is not acting as a nominee or representative of any director of the covered Company or any of its related companies;

g. 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;

h. 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;

i. 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;

j. 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

k. Is not employed as an executive officer of another Company where any of the covered Company's executives serve as directors.

Related companies, as used in this section, refer to (a) the covered entity's holding/parent Company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent Company.

**5.3** The Board's independent directors shall serve for a maximum cumulative term of nine years. After which, the independent director shall be perpetually barred from re-election as such in the same Company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a Company wants to retain an independent director who has served for nine years, the Board shall provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

**5.4** The positions of Chairman of the Board and Chief Executive Officer may be held by separate individuals and each position shall have clearly define responsibilities.

The CEO has the following roles and responsibilities, among others:

- a. Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;
- b. Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- c. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
- d. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
- e. Directs, evaluates and guides the work of the key officers of the corporation;
- f. Manages the corporation's resources prudently and ensures a proper balance of the same;
- g. Provides the Board with timely information and interfaces between the Board and the employees;
- h. Builds the corporate culture and motivates the employees of the corporation; and
- i. Serves as the link between internal operations and external stakeholders.

**5.5** A director with a material interest in any transaction affecting the corporation shall abstain from taking part in the deliberations for the same.

**5.6** The non-executive directors (NEDs) shall have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation. The meetings shall be chaired by the lead independent director.

## **6. ASSESSING BOARD PERFORMANCE**

**6.1** The Board conducts annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. The Board may consider engaging an external facilitator to support the assessment. The assessment shall be supported by an external facilitator.

**6.2** The Board adopts a system to determine the performance of the Board, the individual directors, committees and such system shall allow for a feedback mechanism from the shareholders.

## **7. STRENGTHENING BOARD ETHICS**

**7.1** The Board shall adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behaviour, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code shall be properly disseminated to the Board, senior management and employees. It shall also be disclosed and made available to the public through the Company website.

**7.2** The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

## **DISCLOSURE AND TRANSPARENCY**

### **8. ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES**

**8.1** The Board implements corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a Company's financial condition, results and business operations.

**8.2** The Company shall have a policy requiring all directors and officers to disclose/report to the Company any dealings in the Company's shares within ten days, in accordance with the requirements of the SRC.

**8.3** The Board shall fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.

**8.4** The Company maintains clear policies and procedures for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report. The Company shall disclose the remuneration including termination and retirement provisions.

**8.5** The Company shall disclose its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance. The material or significant RPTs reviewed and approved during the year shall be disclosed in its Annual Corporate Governance Report.

**8.6** The Company shall make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board may appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.

**8.7** The Company's corporate governance policies, programs and procedures shall be contained in its Manual on Corporate Governance, which shall be submitted to the regulators and posted on the Company's website.

## **9. STRENGTHENING THE EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY**

**9.1** The Audit Committee shall have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor shall be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. For removal of the external auditor, the reasons for removal or change shall be disclosed to the regulators and the public through the Company website and required disclosures.

**9.2** The Audit Committee Charter shall include the Audit Committee's responsibility on assessing the integrity and independence of external auditors and

exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Charter shall also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.

**9.3** The Company shall disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. The Audit Committee shall be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.

## **10. INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING**

**10.1** The Board shall have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. Companies shall adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.

## **11. PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION**

**11.1** The Company shall include media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.

## **INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK**

### **12. STRENGTHENING THE INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK**

**12.1** The Company shall have an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, taking into account its size, risk profile and complexity of operations.

**12.2** The Company shall have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the Company's operations.

Independent Audit shall provide a systematic, disciplined approach to evaluating and improving the effectiveness of the Company's governance, risk management and control functions. The following are the functions of the internal audit, among others:

- a. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- b. Performs regular and special audit as contained in the annual audit plan and/or based on the Company's risk assessment;
- c. Performs consulting and advisory services related to governance and control as appropriate for the organization;
- d. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- e. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Company;
- f. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- g. Evaluates specific operations at the request of the Board or Management, as appropriate; and
- h. Monitors and evaluates governance processes.

**12.3** A Chief Audit Officer (CAO) shall be appointed by the Board. The CAO shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.

The CAO shall directly report to the Audit Committee and administratively to the President. The following are the responsibilities of the CAO, among others:

- a. Periodically reviews the internal audit charter and presents it to senior management and the Board Audit Committee for approval;
- b. Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;

- c. Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
- d. Spearheads the performance of the internal audit activity to ensure it adds value to the organization;
- e. Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- f. Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

**12.4** The Company shall have a separate risk management function to identify, assess and monitor key risk exposures.

The risk management function involves the following activities, among others:

- a. Defining a risk management strategy;
- b. Identifying and analyzing key risks exposure relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization's strategic objectives;
- c. Evaluating and categorizing each identified risk using the Company's predefined risk categories and parameters;
- d. Establishing a risk register with clearly defined, prioritized and residual risks;
- e. Developing a risk mitigation plan for the most important risks to the Company, as defined by the risk management strategy;
- f. Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Board Risk Oversight Committee; and
- g. Monitoring and evaluating the effectiveness of the organization's risk management processes.

**12.5** In managing the Company's Risk Management System, the Company shall have a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his responsibilities.

The CRO has the following functions, among others:

- a. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- b. Communicates the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;
- c. Collaborates with the CEO in updating and making recommendations to the Board Risk Oversight Committee;
- d. Suggests ERM policies and related guidance, as may be needed; and
- e. Provides insights on the following:
  - Risk management processes are performing as intended;
  - Risk measures reported are continuously reviewed by risk owners for effectiveness; and
  - Established risk policies and procedures are being complied with.

There shall be clear communication between the BROOC and the CRO.

## **CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS**

### **13. PROMOTING SHAREHOLDER RIGHTS**

**13.1** The Board recognizes and ensures that the following basic shareholder rights are protected:

a. Voting Right

- Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- Cumulative voting shall be used in the election of directors.
- A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

#### b. Power of Inspection

All shareholders shall be allowed, upon prior written notice and during regular business hours, to inspect corporate books and records including the minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

#### c. Right to Information

- The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes and must be communicated to the Corporate Secretary on time.
- The minority shareholders shall have access to any and all information relating to matters for which the Management is accountable for, and to those relating to matters for which the Management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

#### d. Right to Dividends

- Shareholders shall have the right to receive dividends upon determination of the Board.
- The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: (i) when justified by definite corporate expansion projects or programs approved by the Board; or, (ii) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or, (iii) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

#### e. Appraisal Right

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for

under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

f. Right to propose holding of meetings

Shareholders have the right to propose the holding of meetings and inclusion of items in the agenda, subject to minimum stockholding requirements as may be determined by the Board.

g. Right to nominate Candidates

Shareholders are given the opportunity to nominate candidates, subject to the pre-qualification requirements and procedures of the Nominations Committee

It is the duty of the Board to promote shareholders' rights, remove impediments to the exercise of shareholders' rights, and provide an adequate avenue for them to seek timely redress for breach of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Company. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of the right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

Shareholders are encouraged to participate on fundamental corporate changes such as: (1) amendments to the Articles of Incorporation and By-Laws of the Company; (2) the authorization on the increase in authorized capital stock; and (3) extraordinary

transactions, including the transfer of all or substantially all assets that in effect result in the sale of the Company.

**13.2** The Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 30 days before the meeting. The Notice is also posted on the Company's website [www.philodrill.com](http://www.philodrill.com)

**13.3** The Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be available on the Company website within five business days from the end of the meeting.

**13.4** The Board shall make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner. This shall be included in the Company's Manual on Corporate Governance.

**13.5** The Board shall establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO shall be present at every shareholders' meeting.

## **DUTIES TO STAKEHOLDERS**

### **14. RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDER'S RIGHTS**

**14.1** The Board shall identify the Company's various stakeholders and promote cooperation between them and the Company in creating wealth, growth and sustainability.

**14.2** The Board shall establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.

**14.3** The Board shall adopt a transparent framework and process that allow stakeholders to communicate with the Company and to obtain redress for the violation of their rights.

### **15. ENCOURAGING EMPLOYEES' PARTICIPATION**

**15.1** The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and in its governance. The Board shall establish policies and programs covering, among others, the following: (1) health, safety and welfare; (2) training and development; and (3)

reward/compensation for employees, encourages employees to perform better and motivates them to take a more dynamic role in the corporation.

**15.2** The Board shall set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. Further, the Board shall disseminate the policy and program to employees across the organization through trainings to embed them in the Company's culture.

**15.3** The Board shall establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

## **16. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY**

**16.1** The Company shall recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Company to grow its business, while contributing to the advancement of the society where it operates.

*The foregoing Manual on Corporate Governance has been adopted by the Company, May 2017.*



**ALFREDO C. RAMOS**  
Chairman of the Board



**ADRIAN S. ARIAS**  
Compliance Officer

## **ANNEXES**

### **I. Corporate Governance Policies**

- a. Policy on Training of Directors
- b. Diversity Policy
- c. Related Party Transactions
- d. Risk Management Policy
- e. Whistle Blower Policy
- f. Conflict of Interest Policy
- g. Insider Trading Policy
- h. Policy on Health, Safety, Training and Welfare of Employees
- i. Code of Ethics

### **II. Committee Charters**

- a. Audit Committee
- b. Compensation and Remuneration Committee

## **POLICY ON TRAINING OF DIRECTORS**

The Philodrill Corporation (OV) strongly believes in continuous learning. Training and Development is given utmost importance in the Company across all levels. The Board of Directors, the highest level in the organizational structure, requires training and development too. Directors need to update themselves in order to provide best services to the company.

### **I. Objective and Eligibility**

The Training Policy aims at providing Orientation & Familiarization Programs for newly appointed Directors and also to further strengthen the competence, skills and capabilities of Board level functioning at OV. It aims at enforcing leadership qualities and providing a platform to share the knowledge, skills and experience gained by the Directors.

### **II. Program Coverage, Frequency, Duration and Framework**

Different HR and Admin interventions/programs will consider target group as per following category:

1. Newly appointed Directors
2. Existing Directors (Executive, Non-executive and Independent)
  - 2.1 Orientation for Newly Appointed Board Members

The Company will arrange familiarization program at the Corporate Office or at a location as per the convenience of newly appointed Directors within 3 months of their appointment. Orientation will be imparted in a form of structured presentation on different topics important to the role and responsibilities of their position. Although endeavor will be to cover all newly inducted Directors, the emphasis will be on Independent Directors.

The Corporate Governance Committee, through the Office of the Corporate Secretary with the help of HR and Admin Department will organize this orientation, in an eight (8) hours module program. Module will be based upon the topics listed below or as per the latest regulatory requirements of the Securities and Exchange Commission from time to time.

2.1.1 Topics for the Induction Training Program may include the following:

- Overall view of the Company
- Details of the Organization Structure
- Business of the Company, its issues, its overall performance etc.
- Risk management
- Developments in Corporate Governance in the context of applicable guidelines;
- Insights into international best practices in the functioning of Boards and its Committees;

- Key duties and liabilities of a Director;
- Code of Conduct

2.1.2 Site visit to have first-hand knowledge of the operations of the Platform(s). This will be organized by the Exploration Department in coordination with Legal and Admin Departments.

## 2.2 For Existing Board Members:

The endeavor will be to provide annual training program, as per the convenience of Board members, for a minimum period of four (4) hours. The annual continuing training program shall ensure that the Directors are continuously informed of the developments in business and regulatory environments, including emerging risks relevant to the Company, including audit, internal controls, risk management, sustainability and strategy.

2.2.1 Director's Workshop in the areas of Leadership, Strategy, Corporate Governance, Risk Management etc. will be designed and conducted with the help of suitable experts.

### 2.2.2 Nomination to specialized programs

HR in coordination with Corporate Secretary would identify and nominate Directors to specialized training programs conducted by reputed agencies/institutes.

## 2.3 Other initiatives

Also, various interaction with Industry experts and experts from reputed consulting agencies will be organized which shall guide the Directors on myriad of subjects ranging from Performance Management, Motivation and Retention, Negotiation, Competition Law, Sustainability, CSR, Business plan, challenges of the upstream industry, etc., as and when required.

In relation to independent Directors, need based training shall be provided on various matters.

The company will look at the various training requirements of the Directors based on input received as also training available through seminars, conferences etc, to update the directors on various aspects, which will help in better functioning as Directors of the company.

The company may engage specialists in various areas to provide information on various topics of interest. These presentations shall be before or after the Meeting of the Board of Directors.

## **III. Budget**

All expenditure incurred on Training Programs for Board Members with respect to honorarium, transport, boarding and lodging, course material, hospitality and venue will be borne by the office of the Corporate Secretary.

#### **IV. Process Owner**

The process owner for implementation of the above Policy will be the Corporate Governance Committee together with the Corporate Secretary.

## **THE DIVERSITY POLICY**

### **Policy Statement**

Philodrill recognises the benefits of having a diverse Management team and sees increasing diversity at senior levels as an essential element in maintaining an effective Board. Our policy is to ensure that there is broad experience and diversity on the Philodrill Board. Diversity embraces knowledge and understanding of relevant diverse geographies, peoples and their backgrounds including race, disability, gender, sexual orientation, religion, belief and age, as well as culture, personality and work-style. Appointments to the Board should be made in the context of complementing and expanding the skills, knowledge and experience of the Board as a whole.

The Nominations Committee reviews and assesses Board composition on behalf of the Board and recommends the appointment of new directors. The Committee also oversees the conduct of the annual review of board effectiveness.

In reviewing Board composition, the Nominations Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to maintain an appropriate range and balance of skills, experience and background on the Board.

In identifying suitable candidates for appointment to the Board, the Nominations Committee will consider candidates against objective criteria with due regard for the benefits of diversity on the Board.

As part of the annual performance evaluation of the effectiveness of the Board, Committees and individual directors, the Nominations Committee will consider the balance of skills, experience, independence and knowledge of the O&G industry, and the diversity representation of the Board.

## RELATED PARTY TRANSACTION POLICY

### Policy

Related Party Transactions, which are limited to those described in this policy, shall be subject to the approval or ratification by the Audit Committee in accordance with this Policy.

### Background

Philodrill's Conflict of Interest Policy, which applies to the Directors, Management and all employees, provides that conflicts of interest should be avoided. Certain transactions, however, may be undertaken subject to the approval by the Board of Directors (or a duly constituted committee thereof) and Philodrill's disclosure policy and procedure. Furthermore, SRC Rule 68.1 requires certain transactions between the issuer and certain related persons to be disclosed in the Corporation's filings with the SEC. This Policy is intended to provide guidance and direction on Related Party Transactions.

### Definition

A "***Related Party Transaction***" is any transaction directly or indirectly involving:

- Individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company;
- associates; and
- Individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

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***"Close members of the family"*** of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

1. that person's children and spouse or domestic partner;
2. children of that person's spouse or domestic partner; and
3. dependents of that person or that person's spouse or domestic partner.

***"Fair and at arm's length"*** term refers to transactions in an open and unrestricted market and between willing parties who are knowledgeable, informed, and who act independently of and without regard to any relationship with each other.

### Review and Approval of Related Party Transactions

In accordance with Securities Regulation Code (SRC) Rule 68, details of the Company's Related Party Transactions shall be disclosed in the Company's Annual Financial Statements.

All proposed Related Party Transactions will be disclosed to the Audit Committee of the Board and all transactions will be reviewed and approved by the Committee to ensure that a conflict of interest does not exist or that an improper assessment of such transaction is not made and that all information necessary is properly documented.

The Audit Committee will be provided with the details of each new, existing or proposed Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, and the benefits to the Company and to the relevant Related Party. In determining whether to approve a Related Party Transaction, the Audit Committee will consider, the following factors to the extent relevant to the Related Party Transaction:

- whether the terms of the Related Party Transaction are fair, on “arm’s length” terms, and in the best interest of the Corporation and its shareholders, as a whole;
- whether there are business reasons for the Company to enter into the Related Party Transaction;
- whether the Related Party Transaction would impair the independence of an outside director; and
- whether the Related Party Transaction would present an improper conflict of interests for any director or executive officer of the Company, taking into account the size of the transaction, the overall financial position of the director, executive officer or Related Party, the direct or indirect nature of the director's, executive officer's or Related Party's interest in the transaction and the ongoing nature of any proposed relationship, and any other factors the Committee deems relevant.

Any member of the Audit Committee who has an interest in the transaction under discussion will abstain from voting on the approval of the Related Party Transaction, but may, if so requested by the Chairperson of the Committee, participate in some or all of the Committee's discussions of the Related Party Transaction. Upon completion of its review of the transaction, the Audit Committee may determine to permit or to prohibit the Related Party Transaction.

A Related Party Transaction entered into without pre-approval of the Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

## **RISK MANAGEMENT POLICY**

### **General Policy Statement**

Philodrill is a petroleum exploration and production company, with a diversified portfolio of assets. We provide services that consistently meet customer requirements and expectations. Our right to operate and our reputation as a publicly-listed company wholly depends upon our adherence to the prevailing laws, regulations and technical & industry standards.

In addition to the prevailing laws, regulations and technical & industry standards, Philodrill's management has a focused obligation to manage the risks inherent to its business. This, coupled with individual leadership and accountability empowers the Company to operate profitably while promoting its Risk Management Policy.

The Board and Management is committed to ensuring that it plans, performs the business activities diligently and ensures that the risks inherent in the business are identified and then avoided or kept as low as reasonably practicable.

Management will strive to identify and manage the risks inherent in the business and will continuously seek to improve its risk management performance so that it can protect its stakeholders, the environment, its assets and reputation.

### **Policy Strategies**

To ensure the implementation of this policy we will:

- Comply with all prevailing laws, regulations and standards while aspiring to higher standards.
- Ensure adequate risk management is undertaken for all business activities.
- Delay or stop activities where risk identification has not been undertaken.
- Ensure that all activities are conducted in a safe and efficient manner and risks are avoided or are kept as low as reasonably practicable.
- Apply best industry standards where laws and regulations do not exist.
- Ensure that all employees and contractors are trained and suitably supervised so that they can perform their jobs efficiently.
- Ensure that procedures are in place to identify, assess and control workplace hazards.
- Use due influence to promote this policy in non-operated ventures.
- Promote the Company's values and culture so that all its employees will act in accordance with this policy.

## **Application**

The Management is accountable to the Board of Directors for ensuring that this policy is implemented. This policy will reviewed on a yearly basis.

This Policy applies to all employees, contractors and joint venturers engaged in activities under Philodrill's operational control.

## **Credit Risk Policy**

Credit Risk is the possibility of loss for the Company if its receivable counterparties fail to discharge their contractual obligations. With respect to credit risks arising from the other financial assets of the Company, which comprise of cash in banks, cash equivalents and available-for-sale (AFS) financial assets, the Company's exposure to credit risk could arise from default of the counterparty.

To mitigate such risk, the Company trades only with recognized, creditworthy third parties. However, the Company's credit risk exposure is concentrated on a few counterparties which is inherent in the oil exploration and production business.

## **Liquidity Risk Policy**

Liquidity risk is the risk that the Company becomes unable to meet its payment obligations when they fall due under normal and stress circumstances. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and operating cash flows.

The Company addresses liquidity concerns primarily through cash flows from operations and short-term borrowings.

## **Market Risk Policy**

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates and interest rates.

### *a. Foreign Currency Risk*

Foreign currency risk is the risk that the value for the Company's financial instruments diminishes due to unfavorable changes in foreign exchange rates.

The Company's transactional currency exposures arise from sales in currencies other than its functional currency. Its entire share in petroleum operations in revenue is denominated in US Dollars, exposing it to foreign exchange risk arising from its US Dollar-denominated receivables and cash equivalents.

Foreign currency risk has no other impact on the Company's equity other than the profit or loss.

*b. Equity Price Risk*

Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the prices of equity indices and the value of individual stocks. The Company is exposed to equity securities price risk exists because of investments held by the Company, which are classified in its statement of financial position as AFS financial assets.

The impact of equity price risk on the Company's equity excludes the impact on transactions affecting profit or loss.

**Commodity Price Risk**

The Company's petroleum revenues are based on international commodity quotations (i.e. primarily on the average Dubai oil prices) over which the Company has no significant influence or control. This exposes the Company's results of operations to commodity price volatilities that may significantly impact its cash inflows.

However, the Company is exerting its efforts in reducing operating costs in order to counteract any decrease in commodity price.

**Production Risk**

The Company's crude oil production from the Galoc, Nido, Matinloc and North Matinloc fields may experience decline that are due to normal reserve depletion, production shutdown, adverse weather condition and problems relating to availability of vessels.

To reduce operating costs, improve Galoc system uptime to around 97%, and enhance the overall economic viability of the Galoc field and provide a good basis for the consortium to push through with further development and exploration work in the Galoc area, the SC14C-1 consortium has upgraded the mooring and riser system (M&RS) of the FPSO which basically involves the installation of a revolving external turret on the bow of the FPSO. The newly installed turret would practically eliminate the need for the risk and costly disconnection of the M&RS during adverse weather conditions and its subsequent reconnection which in the past had resulted in expensive damage and prolonged operating downtimes.

Generally, the Company maintains a capital base to cover all risks inherent in the business, with the primary objective of optimizing the use and earnings potential of its resources to ensure that it is able to comply with externally imposed (legal or contractual) capital requirements, if any, and considering changes in economic conditions and the risk characteristics of its activities.

## WHISTLE BLOWER POLICY

This policy is intended to encourage directors, officers, employees and outsiders to report suspected or actual occurrence(s) of illegal, unethical or inappropriate events (behaviors or practices).

1. The Whistleblower may promptly report the suspected or actual event to his/her supervisor or, if the Whistleblower is an outsider, to the Company's Legal Counsel.
2. If the Whistleblower would be uncomfortable or otherwise reluctant to report to his/her supervisor, then the Whistleblower may report the event to the next highest level of management, including to an appropriate Board committee or member.
3. The Whistleblower can report the event with his/her identity disclosed or anonymously.
4. The Whistleblower shall receive no retaliation or retribution from the Company for a report that was provided in good faith (i.e. that was not done primarily with malice to damage another or the organization).
5. A Whistleblower who makes a report in bad faith may be subject to discipline, including termination from employment and/or removal from the Board or other legal means to protect the reputation of the Company, its employees and Board members.
6. Crimes against person or property, such as assault, rape, burglary, etc., should immediately be reported to local enforcement personnel.
7. Supervisors, managers and/or Board members who receive the reports must promptly act to investigate and /or resolve the issue.
8. The Whistleblower shall receive a feedback report within fifteen (15) business days of the initial report, regarding the investigation, disposition or resolution of the issue.
9. If the investigation of a report that was done in good faith and investigated by internal personnel is not to the Whistleblower's satisfaction, then he/she has the right to report the event to the appropriate legal or investigative agency.
10. The identity of the Whistleblower, if known, shall remain confidential to those persons directly involved in applying this policy, unless the issue requires

investigation by law enforcement, in which case employees and/or directors of the Company may be subject to subpoena.

## CONFLICT OF INTEREST POLICY

### Policy Statement

All members of the Board and persons employed by **THE PHILODRILL CORPORATION** (the “Company”) owe a duty of fidelity to the Company. Directors and employees must never place themselves in a position where their self-interest may conflict with this duty.

There exists between the Company and its directors and employees a fiduciary duty which carries with it a broad duty of loyalty and fidelity. The directors and employees have the responsibility of administering the affairs of the Company honestly and prudently, and exercising their best care, skill and judgment for the benefit of the Company and its stakeholders. Those persons shall exercise the utmost good faith in all transactions involved in their duties, and they shall not use their positions with the Company or knowledge gained therefrom for their personal benefit. The interests of the Company must be the first priority in all decisions and actions.

Any employee who breaches this policy is subject to disciplinary action, up to and including termination of employment. Directors who breach this policy may be subject to removal from the Board.

### Code of Conduct

The Board, Management and employees of the Company are expected to observe the following Code of Conduct:

- **Duty of Fidelity.** Directors and employees owe a duty of loyalty and fidelity to the Company and are expected to perform their duties for and in behalf of the Company faithfully, diligently and to the best of their abilities.
- **Conflict of Interest.** Directors and employees must never allow themselves to be placed in a position where their personal interests would come in conflict (or could be in conflict) with the interests or business of the Company. Directors and employees must avoid any situation or activity that compromises, or may compromise, their judgment or ability to act in the best interests of the Company.
- **Areas In Which Conflict May Arise.** Conflicts of interest may arise in the relations of directors, officers, management and employees with any of the following third parties:
  1. Persons and firms supplying goods and services to the Company.

2. Persons and firms from whom the Company leases property and equipment.
  3. Persons and firms with whom the Company is dealing or planning to deal in connection with the purchase, sale or lease of real estate, securities or other property.
  4. Competing or affinity organizations.
  5. Donors and other benefactors supporting the Company.
  6. Agencies, organizations and associations which affect the operations of the Company.
  7. Family members, friends, and other employees.
- **Disclosure of Potential Conflicts.** Directors and employees must promptly disclose to the Company material information regarding any relationship, ownership or business interest (other than non-controlling investments in publicly-traded corporations), whether direct or indirect, that the director, employee or a member of his/her immediate family has with any person, or in any business or enterprise, that:
    1. competes with the Company; or
    2. purchases or sells, or seeks to purchase or sell, goods or services to or from the Company.
  - **Disclosure Policy and Procedure.** Transactions with parties with whom a conflicting interest exists may be undertaken only if all of the following are observed:
    1. The conflicting interest is fully disclosed;
    2. The person with the conflict of interest is excluded from the discussion and approval of such transaction;
    3. A competitive bid or comparable valuation exists; and
    4. The Audit Committee has determined that the transaction is in the best interest of the organization.

Disclosure in the organization should be made to the President (or if he is the one with the conflict, then to the Board Chairman) who shall bring the matter to the attention of the Audit Committee. Disclosure involving Directors should be made directly to the Audit Committee.

The Audit Committee shall determine whether a conflict of interest exists and, if so, whether the contemplated transaction may be authorized as just, fair, and reasonable to the Company. The decision of the Audit Committee on these matters will rest on their sole discretion,

and their concern must be the welfare of the Company and the advancement of its purpose.

- **Protective Steps.** Upon disclosure of the information described above, the Company shall take appropriate steps to protect against any actual or potential conflict of interest. Such steps may include:
  1. requiring the director or employee to refrain from being involved in any decision made by the Company regarding its dealings with such person, business or enterprise or,
  2. requiring the director or employee to refrain from being involved in any dealings on behalf of the Company with such person, business or enterprise or,
  3. requiring the employee to dispose of his/her interest in such business or enterprise if he/she wishes to remain in the Company's employed or service.
  
- **Harm to Business or Reputation.** Directors and employees must refrain from engaging in conduct that could adversely affect the Company's business or reputation. Such conduct includes, but is not limited to:
  1. publicly criticising the Company, its Management and/or employees;
  2. engaging in criminal conduct or other behavior that could harm the Company's business or reputation
  
- **Gifts or 'Kickbacks'.** Directors and employees must never accept any 'kickbacks', loans, gifts of other than nominal value, or personal payments of any kind, from any person or business enterprise that:
  1. competes with the Company; or
  2. purchases or sells, or seeks to purchase or sell, goods or services to, or from the Company
  
- **Company Funds and Property.** Directors and employees must be conscientious and scrupulous in their handling of funds and property belonging to the Company, and must always avoid any form of financial impropriety. Directors and employees must not use, or permit the use of Company's property or resources for anything other than approved corporate business or activities. Examples of unauthorized use would include using Company computers or photocopiers for personal purposes.

- **Confidential Information.** Confidential information (printed, electronic or otherwise) relating to the Company's past, present, future and contemplated assets, operations, products or services, industrial designs, inventions, production methods, marketing strategies and objectives, personnel, facilities, equipment, finances, pricing, interest rates, sales, customers, routines, policies, and business procedures must never be disclosed to anyone outside the Company's organization, without the Company's express written authorization.
- **Outside Employment or Business Activity.** During working hours, employees are expected to devote their full time and attention to the business and the affairs of the Company. If an employee wishes to engage in employment or business activity outside his/her employment with the Company, the employee must first disclose to the Company the nature and extent of the proposed employment or business activity, and obtain the Company's written approval, which approval will only be withheld if the Company reasonably determines that the employee's proposed outside employment or business activity could conflict or compete with the interests of the Company, or could negatively affect the employee's job performance or attendance.
- **Stewards of Public Trust.** The Board of Directors and Management must not engage in activities that would place the Company under unnecessary risk. It is their duty to stay objective, unselfish, responsible, honest, trustworthy and efficient. Board members, as stewards of public trust, must always act for the good of the Company, rather than for the benefit of themselves.

## **INSIDER TRADING POLICY**

### **The Need for a Policy Statement**

The purchase or sale of securities while possessing material nonpublic (“insider”) information, or the selective disclosure of such information to others who may trade, is prohibited by law. As an essential part of work, directors, officers and employees and/or relatives of such persons may have access to material nonpublic information about The Philodrill Corporation (the “Company”) or about the Company’s business (including information about other companies with which the Company does or may do business).

The Company has adopted this Policy Statement to avoid even the appearance of improper conduct on the part of any Company employee (not just so-called insiders). All Company employees have worked hard over the years to establish a reputation for integrity and ethical conduct. This Policy Statement is designed to further the reputation of the Company and each employee for integrity and good corporate citizenship.

### **Policy**

No director, officer, employee or relative of such person who has material nonpublic information relating to the Company, may buy or sell securities of the Company, directly or indirectly, or engage, in any other action to take personal advantage of that information, or pass on such information to others. This policy also applies to information obtained in the course of employment and relating to any other company with which the Company may have done or will do business with, including customers or suppliers.

Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are no exception. Even the appearance of an improper transaction must be avoided to preserve the Company’s reputation for adhering to the highest standards of conduct.

### **Liability of Supervisory Persons**

The Company, as well as a director, officer or other Company manager, is subject to liability under the securities laws if the Company or such person knew, or recklessly disregarded, the fact that a person directly or indirectly under the Company’s or such person’s control was likely to engage in insider trading and failed to take appropriate steps to prevent such an act before it occurred. The penalties for such inaction can be significant.

If material nonpublic information is inadvertently disclosed, no matter what the circumstances, by any Company director, officer, employee, or their relatives, the person making or discovering that disclosure should immediately report the facts to the President, the Corporate Secretary or the Audit Committee of the Board of Directors.

### **Definition of Material Nonpublic Information**

“Material” information is any information that a reasonable investor would likely consider important in a decision to buy, hold, or sell stock. In short, any information which could reasonably affect the price of the stock.

“Nonpublic” information is any information which has not been disclosed generally to the public via the exchange or media. Information about the Company that is not yet in general circulation should be considered nonpublic. Similarly, information received about another company in circumstances indicating that it is not yet in general circulation should be considered nonpublic. All information that directors and employees learn about the Company or its business plans in connection with their appointment or employment is potentially “insider” information until publicly disclosed or made available by the Company. All such information should be treated as confidential and propriety to the Company. Directors and employees shall not disclose it to others, such as family, relatives, business or social acquaintances, who do not need to know it for legitimate business reasons. If this nonpublic information is also “material”, directors and employees are further required by law and this Company policy to refrain from trading and from passing the information on to others who may trade.

Common examples of information that will frequently be regarded as material, assuming the same has not been publicly disclosed by the Company, are projections of future earnings or losses, or financial liquidity problems; major marketing changes; news of a pending or proposed joint venture, merger, acquisition or tender offer; news of a significant sale of assets or the disposition of a subsidiary; changes in dividend policies or the declaration of a stock split or the offering of additional securities; changes in management; major personnel changes; significant new products or discoveries; significant litigation or government investigations; or the gain or loss of a substantial customer or supplier.

Note that if securities transactions become the subject of scrutiny, they will be viewed after-the-fact with the benefit of hindsight. As a result, before engaging in any transaction, directors and employees should carefully consider how regulators and others might view the transaction in hindsight.

## **Transactions by Family Members**

The same restrictions above apply to immediate family members and others living in the household. Directors and employees are expected to be responsible for the compliance of their immediate family and personal household.

## **Tipping Information to Others**

Whether the information is proprietary information about the Company or information that could have an impact on the price of the Company's securities, directors and employees must not pass the information on to others, including family members and others living in their household or friends and casual acquaintances. Directors and employees are expected to be responsible for the compliance of their immediate family and others living in their households. The appropriate penalties shall apply whether or not the director or employee derived any benefit from another's actions.

Accordingly, directors and employees should not respond to inquiries from outsiders and should refer all such inquiries to the corporate officer designated in writing to respond to such inquiries.

## **Timing**

It would be improper for any director or employee to enter a trade immediately after the Company has made a public announcement of material information, including earnings releases, because the Company's shareholders and the investing public should be afforded the time to receive the information and act upon it. As a general rule, directors and employees should not engage in any transaction until after two (2) full business days from release of material information.

## **Trading During Window Periods**

Investment by Company directors and employees in the Company's securities is encouraged. The most appropriate periods to buy or sell the Company's securities is the period beginning on the third business day and ending on the twelfth business day following the release of quarterly or annual financial results (so-called "window periods"). In general, this is the period when there should be the least amount of inside information about the Company that is unavailable to the investing public. It is permissible to trade at other times. However, directors and employees may not buy or sell the Company's securities even during window periods if they are in possession of material nonpublic information.

## **Company Assistance**

Any person who has any questions about specific transactions may obtain additional guidance from the Corporate Secretary. However, the ultimate responsibility for adhering to the Policy Statement and avoiding improper transactions rests with directors and employees. It is imperative that directors and employees use their best judgment.

## **Traders by Director, Officers, and Certain Other Personnel**

To provide assistance in preventing inadvertent violations to insure compliance with timely reporting, and to avoid even the appearance of an improper transaction (which could result, for example, where an officer engages in a trade while unaware of a pending major development), the procedure set forth below must be followed by directors, officers (including all persons reporting directly to the officers), and by other employees who may have access to material nonpublic information.

All transactions in securities of the Company (acquisitions, dispositions, transfers, etc.) by any member of the above-mentioned groups must be coordinated with the Office of the Corporate Secretary. In addition to preventing transactions on material nonpublic information, coordination of all trades by reporting individuals (i.e directors, executive officers, and 10% beneficial owners) will help to assure timely disclosure by such individuals in SEC Form 23-A/B with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC). Coordination of all trades will also enable the Company's officers, directors and 10% stockholders to avoid violations of the short-swing profit provisions of Section 23.2 of the Securities Regulation Code (SRC). Under this rule, insiders can be required to disgorge any profits realized from the purchase and sale (or sale and purchase) of any equity security of the Company within a period of less than six months.

## **POLICIES ON HEALTH & SAFETY, TRAINING AND WELFARE OF PHILODRILL EMPLOYEES**

**PHILODRILL** shall provide and maintain a safe and healthful work environment that complies with generally accepted business practices and regulatory requirements. The improvement of its employees' health and the prevention of accidents shall be the bedrock of its health and safety management system.

Management shall strive to eliminate any foreseeable hazards that may result to personal injuries/illnesses, damage to property and security losses by making loss prevention a direct responsibility of all employees.

Loss prevention shall be an integral part of all processes especially as they apply to the design, operation, and maintenance of facilities and equipment.

All employees shall perform their jobs in accordance with established procedures and operating philosophy.

### **Health Benefits**

The company shall ensure that the health of its employees is adequately protected and that they are provided with financial assistance when they get sick or injured. It shall establish a Group Hospitalization Program wherein all regular employees are insured and shall continue to be insured with any credible insurance company.

Insurance shall be shouldered by the company as follows:

Employee's premium - 100% paid by the company

Employee dependent's premium - 50% paid by the company, 50% advanced by the company, to be deducted within a period of one year from the respective employee's salary.

Married employees shall have as their dependents their legitimate spouse and children twenty-one (21) years of age and below and children more than twenty-one (21) years old who are incapable of supporting themselves due to physical and/or mental defect. Single employees shall not be entitled to any dependent.

All regular employees including their dependents shall also be entitled to Medical/Dental/Optical care allowance the amount of which shall be set per calendar year as approved by the President.

Reimbursements shall be covered by an official receipt. If the reimbursable amount is within the petty cash limit, reimbursements shall be done through a Petty Cash Voucher, otherwise, reimbursements shall be done through a Request for Issuance of Check.

The Personnel Assistant shall monitor the balance of the medical allowance of each employee by using a Medical Card (MC), where reimbursements of medical expenses and a running balance of the medical allowance is posted. The reimbursable amount in the PCV or RIC shall be compared with the running balance in the MC.

If the amount being reimbursed is lower or equal to the balance appearing in the MC, the Personnel Assistant stamps "POSTED" on all the official receipts and posts the total amount reimbursed to the respective MC. If the amount being reimbursed is greater than the balance appearing in the MC, he stamps "POSTED" on all the official receipts and changes the amount appearing in the PCV or RIC to conform with the remaining balance. The reimbursed amount is then posted in the MC to properly close the account.

Only when the receipts have been properly marked "POSTED" shall the Cashier reimburse the employee the medical allowance.

Unused medical allowance shall be accumulated continuously for five (5) years which shall be converted to cash in the event of an employee's death or separation from the company without cause. Employees separated from the company for cause shall not be entitled to the cash conversion of the accumulated medical allowance.

Managerial employees and above who have been with the company for three (3) consecutive years on a regular status shall be entitled to company paid executive check-up the amount of which shall be set per calendar year as approved by the President:

Reimbursements shall be covered by a Request for Issuance of Check, an official receipt, a certification from the attending physician that an executive check-up was performed, and the results of the check-up.

### **Policy on Seminars & Trainings**

The company shall finance the attendance of its officers and employees to in-house or public seminars/trainings. Full or partial subsidy shall depend on the nature of the seminar/training.

Full subsidy shall be extended to an employee when the nature of the seminar is directly related to the employee's job in the company. Partial subsidy may be extended to an employee if the nature of the seminar/ training is not directly related to the employee's job in the company but is directed towards the employee's growth and development as an individual. The percentage of the subsidy shall depend on management's discretion.

All regular employees, from rank-and-file up, maybe entitled to company financed in-house or public seminar/training. Upon resignation of an officer or employee, all seminar/training materials shall be turned over to the Property Custodian who shall then forward the same to the Personnel Department. The cost of lost seminar / training materials shall be collected from the resigning officer/employee.

An employee who was sent to attend a seminar / training outside the country shall be bound to stay with the company for a certain period depending on the amount spent for the seminar/training.

<u>EXPENSES INCURRED FOR THE SEMINAR/TRAINING</u>	<u>COMPANY'S HOLDING PERIOD</u>
P 90,000 to P 150,000	One (1) year
150,000 to 300,000	Two (2) years
300,000 to 450,000	Three (3) years
450,000 to 600,000	Four (4) years
600,000 to 750,000	Five (5) years
750,000 to 900,000	Six (6) years

Every additional P150,000 cost incurred is equivalent to an additional one (1) year holding period. If the employee resigns within the holding period, said employee shall be charged for the pro-rated portion of the entire seminar

### **Membership Dues**

The company shall finance expenses pertaining to the following:

Membership dues to organizations where an officer/employee is a member like:

- Geological Society of the Philippines
- Integrated Bar of the Philippines
- Philippine Association of Secretaries
- Philippine Institute of Certified Public Accountants
- Institute of Internal Auditors
- Petroleum Association of the Philippines
- Makati Business Club
- Finance Executives Institute of the Philippines

Professional Regulation Commission dues and Privilege Tax. All regular, professional employees shall be entitled to above benefits provided said membership to professional organizations and license tax are necessary in the performance of their duties.

### **Other Cash Assistance**

All regular employees with children enrolled under the Primary, HighSchool or College level shall be entitled to avail of educational assistance from the company. Single employees who are still studying shall also be entitled to this benefit.

The amount of Educational assistance shall be set per calendar year as approved by the President.

<u>Level</u>	<u>Disbursement</u>
Primary	First week of March
High School	First week of March
College (four or five- year course)	50% payable 1st week of March 50% payable 1st week of September

The family of a regular employee who dies shall be given cash assistance by the company. This assistance is also extended to a regular employee whose relative, as defined below, dies.

When a regular employee dies, his/her Department Manager shall initiate the request for the cash assistance by obtaining a copy of the death certificate from the employee's family and presenting it to the Personnel Manager. Upon consultation with the Department Manager, the Personnel Manager may also arrange for a funeral wreath on behalf of the company.

In case of death of a regular employee's relative (parent, parent-in-law, legal spouse, or legitimate child), the employee concerned shall request for the cash assistance by presenting to his/her Department Manager a photocopy of the relative's death certificate.

All regular employees shall be entitled to a cash equivalent of one (1) sack of rice every month. Cash conversion shall be based on prevailing market price when the subsidy is given.

### **Employees Retirement Plan**

The company shall ensure that employees who have served the company until their retirement shall be given appropriate financial reward and recognition through the establishment of the Philodrill Retirement Plan.

## **CODE OF ETHICS**

**PHILODRILL** is committed to maintaining the highest standards of business conduct and ethics, as well as full compliance with all applicable government laws, rules and regulations, corporate reporting and disclosure, accounting practices, auditing practices and other matters relating to fraud against shareholders.

This Code of Ethics sets out the ethical and behavioral standards expected of **PHILODRILL's** (*the "Company"*) Directors, Officers, Employees and Contractors.

The purpose of this Code of Ethics is to underpin and support the Company's vision and values that govern our individual and collective behavior, in order to be the leading publicly listed company with a wide portfolio of oil and gas projects in the Philippines and enable our stakeholders to participate in the growth of the Philippine Energy Sector, fully aware of our obligation to enhance stakeholder values. With these, we will help attain the ultimate goal of energy-self sufficiency for the Country.

To be able to attain our goals:

- We have an obligation to be straightforward, honest and sincere in our approach to our work and to avoid improper personal benefits as a result of our position.
- We have an obligation to ensure that our individual interests do not interfere, or appear to interfere, with the Company's interests. We will be impartial, intellectually and morally honest and minimize actual and perceived conflicts of interest. We will be fair and not allow prejudice or bias to override our objectivity.
- We will not have any undisclosed and unapproved business relationships, including with joint venture participants, suppliers, customers or competitors that might impair, or appear to impair, the independence of any judgment that we may make on behalf of the Company.

### **Compliance with all Laws, Regulations and Rules**

We will at all times act honestly and in good faith, and comply with all applicable laws, legislation, rules and regulations implemented by the Securities and Exchange Commission, the Philippine Stock Exchange and the Department of Energy, including our by-laws. We will ensure our exploration and development practices not only comply with all applicable laws and regulations but adhere to "best practice" standards.

### **Professional Behavior, Compliance with Corporate Policies**

We will conduct ourselves, both at work and outside of business hours, in a manner consistent with the good reputation of the Company and refrain from any conduct that might bring discredit to the Company. Directors, Officers and employees shall refrain

from taking any action that improperly influences, coerces, manipulates, or misleads the firm engaged in the performance of the audit of the financial statements of the Company.

We will at all times behave and conduct ourselves in a manner that is consistent with the Company's vision and values set out in this Code, and will comply with all Corporate Policies.

### **Fair Dealing, Due Care**

We will deal honestly and fairly in all our dealings with the Company's shareholders, joint venture partners, customers, suppliers, professional advisors, competitors and other stakeholders.

We will maintain a high standard of competence, only undertaking work that we can expect to complete with professional competence. We will complete our obligations with due care and in a timely manner. We will carry out our work in accordance with the highest technical and professional standards appropriate to that work. We will use the utmost skill and care in our recruitment and employment practices, and treat all colleagues with respect and dignity.

### **The Company's Funds and Other Assets:**

Employees who have access to the Company's funds in any form must follow the prescribed procedures for recording, handling, and utilizing resources as detailed in the Company's Procedures Manual. The Company imposes strict standards to prevent fraud and dishonesty. If employees become aware of any evidence of fraud and dishonesty, they should immediately advise their supervisor or seek appropriate legal guidance so that the Company can promptly investigate further.

When an employee's position requires spending the Company's funds or incurring any reimbursable personal expenses, that individual must use good judgment to ensure that good value is received for every expenditure.

The funds and all other assets of the Company are to be used for Company purposes only and not for personal benefit. This includes the personal use of the Company's assets, such as computers.

### **The Company's Records and Communications:**

Accurate and reliable records are necessary to meet the Company's legal and financial obligations and to efficiently manage its affairs. The Company's books and records must reflect in an accurate and timely manner all business transactions. The employees responsible for accounting and record keeping must fully disclose and record all assets, liabilities, or both, and must exercise diligence in enforcing these requirements.

Employees must not make or engage in any false record or communication of any kind, whether internal or external, including but not limited to:

False expense, attendance, production, financial, or similar reports and statements, deceptive practices, or other misleading representations.

### **Dealing With Outside People and The Organization:**

Employees must be able to distinguish their personal roles from their positions in the Company when communicating on matters not involving the Company's business.

Employees must not use the Company's identification, stationery, supplies, and equipment for personal or political matters.

When communicating publicly on matters that involve the Company's business, employees must not presume to speak for the Company on any topic, unless they are certain that the views they express are those of the Company's, and it is the Company's desire that such views be publicly disseminated.

When dealing with anyone outside, Directors, Officers and Employees must ensure they will not compromise the integrity or damage the reputation of either the Company's, or any outside individual, business, or government body.

### **Prompt Communications:**

In all matters relevant to customers, suppliers, government authorities and the public, all employees must make every effort to achieve complete, accurate, and timely disclosures - responding promptly and courteously to all proper requests for information and to all complaints.

### **Privacy and Confidentiality:**

When handling financial and personal information about customers or others with whom the Company's has dealings, observe the following principles:

- Collect, use, and retain only the personal information necessary for the Company's business. Whenever possible, obtain any relevant information directly from the person concerned. Use only reputable and reliable sources to supplement this information.
- Retain information only for as long as necessary or as required by law. Protect the physical security of this information.
- Limit internal access to personal information to those with a legitimate business reason for seeking that information. Use only personal information for the purposes for which it was originally obtained. Obtain the consent of the person concerned before externally disclosing any personal information, unless legal process or contractual obligation provides otherwise.

## **Compliance with Code of Ethics**

This Code forms part of every one of the Company's employee's conditions of employment and for all officers and directors as well. Failure to comply with the Code can result in disciplinary action including, where appropriate, dismissal. Compliance with this Code shall be taken into account on a regular basis when assessing individual performance. Failure of contractors to comply with this Code may result in termination of the contractor's contract for services with the Company.

If any person becomes aware of a breach, or suspected breach, of this Code, they must report it immediately to their immediate Supervisor or the Corporate Secretary for action. If this is inappropriate or uncomfortable for the individual, the breach, or suspected breach, should be reported to a member of the Senior Management team or an appropriate Board Committee or Member for appropriate action. No action will be taken against any individual reporting a breach, or suspected breach, by virtue of that report. Subject to any legal restriction, the name of the person disclosing the information pertaining to breach, or suspected breach, of this Code will be kept confidential.

## COMMITTEE CHARTERS

### *Audit Committee Charter*

#### **Purpose**

The Audit Committee is created by the Board of Directors of the The Philodrill Corporation (the “Company”) to:

1. assist the Board in the performance of its oversight function for:
  - the integrity of the financial statements of the Company
  - the qualifications, independence and performance of the Company’s Independent Auditor;
  - the performance of the Company’s internal audit function and;
  - compliance by the Company with legal and regulatory requirements;
2. provide oversight for Management’s activities in managing operational, credit, market, liquidity, legal and other risks of the Company;
3. monitor and evaluate the effectiveness and adequacy of the Company’s Internal Control System;
4. review the periodic financial statements before submission to the Board;
5. provide an avenue of communication between Management, the independent auditors, the internal auditors, and the Board.

#### **Membership**

The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting or finance backgrounds, one of whom shall be an Independent Director. Each member shall have adequate understanding and knowledge of the Company’s financial management systems and environment.

The Audit Committee shall be composed of directors deemed by the Board to be independent. The Nominations Committee shall recommend nominees for appointment to the Committee annually and as vacancies or newly created positions occur. Committee members shall be appointed by the Board and may be removed by the Board at any time.

## **Meetings**

The Audit Committee will meet a minimum of twice a year, with the expectation that additional meetings may be required to adequately fulfill all the obligations and duties outlined in the charter.

Members of the Audit Committee are expected to attend each committee meeting, in person or via telephone or video conference. The Audit Committee may invite other individuals, such as members of Management, auditors or other technical experts to attend meetings and provide pertinent information, as necessary.

The Audit Committee will meet with the independent auditor at least annually to discuss the financial statements of the Company.

Meeting agenda will be prepared for every meeting and provided to the Audit Committee members along with briefing materials five (5) days before the scheduled Audit Committee meeting. The Audit Committee will act only on the affirmative vote of a majority of the members at a meeting or by unanimous consent. Minutes of these meetings will be recorded.

## **Responsibilities**

The Audit Committee shall have responsibilities: (a) with the independent auditor and annual Financial Statements; (b) with the Company's internal auditors; (c) for oversight of Management's internal controls, compliance and risk assessment practices; (d) for special investigations and whistleblower policies; and (e) for miscellaneous issues related to the financial practices of the Company.

### **A. Independent Auditors and Financial Statements**

The Audit Committee shall:

- Appoint, compensate and oversee independent auditors retained by the Company and pre-approve all audit services provided by the independent auditor.
- Establish procedures for the engagement of the independent auditor to provide permitted audit services. The Company's independent auditor shall be prohibited from providing non-audit services unless having received previous written approval from the Audit Committee. Non-audit services include tasks that directly support the Company's operations, such as book keeping or other services related to the accounting records or financial statements of the Company, financial information systems design and implementation, appraisal

or valuation services, actuarial services, investment banking services, and other tasks that may involve performing management functions or making management decisions.

- Review and approve the Company's audited financial statements, associated management letter, report on internal controls and all other auditor communications.
- Review significant accounting and reporting issues, including complex or unusual transactions and management decisions, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Meet with the independent audit firm on a regular basis to discuss any significant issues that may have surfaced during the course of the audit.
- Review and discuss any significant risks reported in independent audit findings and recommendations and assess the responsiveness and timeliness of management's follow-up activities pertaining to the same.

## **B. Internal Auditors**

The Audit Committee shall:

- Review with Management and the internal audit director, the charter, activities, staffing and organizational structure of the internal audit function. The Audit Committee shall have authority over the appointment, dismissal, compensation and performance reviews of the internal audit director.
- Ensure that the internal audit function is organizationally independent from Company operations.
- Review the reports of internal auditors, and have authority to review and approve the annual internal audit plan.
- review the results of internal audits and approve procedures for implementing accepted recommendations of the internal auditor.

## **C. Internal Controls, Compliance and Risk Assessment**

The Audit Committee shall:

Review Management's assessment of the effectiveness of the Company's internal controls and review the report on internal controls by the independent auditor as a part of the financial audit engagement.

#### **D. Special investigations**

The Audit Committee shall:

- Ensure that the Company has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by the directors, officers, or employees of the Company, or any persons having business dealings with the Company, or breaches of internal control.
- Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body.
- Request and oversee special investigations as needed and/or refer specific issues to the appropriate body for further investigation (for example, issues may be referred to the legal counsel or, other investigatory organization.)

#### **E. Other Responsibilities of the Audit Committee**

The Audit Committee shall:

- Present annually to the Company's Board a written report of how it has discharged its duties and met its responsibilities as outlined in the charter.
- Obtain any information and training needed to enhance the committee member's understanding of the role of internal audits and independent auditor, the risk management process, internal controls and a certain level of familiarity in financial reporting standards and processes.
- Review the Audit Committee's charter annually, reassess its adequacy, and recommend any proposed changes to the Board of the Company. The Audit Committee charter will be updated as applicable laws, regulations, accounting and auditing standards change.
- Conduct an annual self-evaluation of its performance, including its effectiveness and compliance with the charter and request Board approval for proposed changes.

## ***Compensation & Remuneration Committee Charter***

### **Purpose**

1. The Compensation and Remunerations Committee is appointed by the Board of Directors to advise the Board in its duties and responsibilities relating to the Compensation and Benefit programs of Executive & Non-Executive directors, the President, and the Executive Officers, including other terms of employment. The Committee at the same time reviews possible option plans for employees.
2. The basic principle is that the level of remuneration should be sufficient to attract, retain and motivate on each level the most talented individuals for the job.

### **Membership and Chairmanship**

1. The Compensation and Remunerations Committee will be comprised of not less than three members of the Board of Directors and at least one (1) member shall be an Independent Non-Executive director. The Board may deviate from these requirements if it believes that a different composition will contribute more relevant expertise to the Compensation & Remunerations Committee and/or if the number of Independent Non-Executive Directors does not so permit, and/or for other reasons it deems fit.
3. The Independent Non-Executive Director shall be designated Chairman of the Committee by the Board of Directors.
4. The members of the Compensation and Remunerations Committee are appointed, and may be replaced at any time, by the Board of Directors.
5. Members of the Committee shall have appropriate knowledge and experience in compensation and benefit-related matters. Preferably, they shall be associates of Boards of other companies and, as a result, have acquired knowledge of pay policies across the world.
6. The President and the head of the Human Resources Department (or similar officer) may be invited to attend the meetings of Compensation and Remunerations Committee in an advisory and non-voting capacity on all matters. They will not attend during discussions concerning themselves.
7. For the purpose of this Charter, Compensation and Benefit Programs mean: (i) fixed salary, (ii) variable compensation, including short term and long term

incentive programs, and share and share-price related incentive programs, (iii) pension schemes, and (iv) other financial benefits.

8. To fulfill their responsibilities, the members of the Committee should dedicate a significant amount of their time to the Committee's activities.

### **Meetings:**

1. The Compensation & Remunerations Committee shall meet as often as needed in order to fulfill its functions. Meetings will preferably be scheduled prior to Board meetings to guarantee an accurate, up-to-date, and fast communication of the Committee's proposals and recommendations to the Board of Directors.
2. The Compensation & Remunerations Committee can consult, at a reasonable cost at any time, with internal or external independent Subject Matter Experts. Any independent expert may be invited to attend meetings for specific topics.
3. The Compensation & Remunerations Committee shall exercise utmost discretion when making written records of its deliberations and recommendations.
4. Meeting minutes will be circulated as soon as possible after the meeting among all members of the Board. Every Board member shall have unrestricted access to all records of the Compensation & Remunerations Committee.

### **Duties and Responsibilities:**

1. The Remunerations & Compensation Committee advises the Board on all aspects of the Compensation and Benefits programs for the Executive and Non-Executive directors, the President, and the Executive Officers and other terms of employment for the President and the Executive Officers. The Committee makes recommendations to the Board on appropriate Compensation and Benefits programs (in respect of both amounts and composition) of:
  - The Directors, the President and Executive Officers, upon proposal by the President (except when it concerns his own remuneration), such as: (i) the principal contractual terms and arrangements for the termination of employment; and (ii) the principal components of the remuneration package (including, the relative importance of each component, the performance criteria applying to the variable elements, the benefits in kind, bonuses and long-term incentives, whether stock related or not, in the form of stock options or other financial instruments);

- Drawing up the policy regarding stock option plans and overseeing the general policy for the granting of options to employees, Executive and Non-Executive directors and Executive Officers. The President shall propose the identity of the beneficiaries and the number of options to be allocated to each of them (individually in the case of Executive Officers, and individually or per category in the case of other employees) to the Compensation and Remunerations Committee, which shall evaluate such proposals. In the case of grants of options to the President, the initial proposal shall be made by the Committee itself.
  - Ensuring that remuneration levels take into account risks involved, demands and time requirements of each role, and relevant industry benchmarks.
2. Establish a formal and transparent procedure in developing policies on executive remuneration and fixing remuneration packages of Directors, Executive Officers, Senior Management, and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment.
  3. Develop a form on full business interest disclosure, as part of the pre-employment requirements for all incoming officers, to declare under penalty of perjury, all their existing business interests or shareholdings that may directly or indirectly conflict with the performance of their duties.
  4. Provide in the Company's Annual Reports and Information Statement a clear and concise disclosure on the compensation of the Executive Officers for the previous and ensuing year.
  5. The Compensation and Remunerations Committee is, together with the Executive Committee, engaged in the Succession Planning of Executive Committee members and Executive Officers, including the President. In the latter case, the Compensation & Remunerations Committee will coordinate closely with the Board Chairman any and all activities involved in planning for the President's succession.
  6. Any recommendations made in respect of the recruitment or succession planning requires discussion and endorsement by the Board of Directors before becoming effective.
  7. The Compensation & Remunerations Committee (or designated members) has the option to schedule exit interviews with departing members of the Executive Committee.

8. The Compensation & Remunerations Committee, with the input of the Executive Committee, presents the Annual Goals/Objectives for the Board of Directors in order to finalize and approve the final Goals and Objectives of the Board of Directors.
9. The Compensation & Remunerations Committee will also advise the Board of Directors on the accomplishment of the targets set earlier.

**Compensation for serving on the Compensation & Remunerations Committee:**

1. Only Independent Non-Executive directors shall receive a fixed remuneration in consideration for their membership in the Compensation & Remunerations Committee. They will not receive, in principle, any performance-related remuneration, nor will any options or warrants be granted to them. However, the Board may propose to the Shareholders that the granting of warrants would be necessary or useful to attract or retain in general Independent Non-Executive directors with the most relevant experience and expertise.
2. The other Directors receive no compensation for serving as a member of the Compensation & Remuneration Committee.
3. The remuneration of Non-Executive directors will be disclosed to the Company's Shareholders in accordance with the applicable laws and regulations.
4. The Board shall determine a fixed annual remuneration for the members of the Compensation & Remunerations Committee.
5. Changes in the remuneration of the members of the Compensation & Remunerations Committee are subject to approval in a Shareholders' meeting.

**Miscellaneous:**

1. The Board of Directors can, in the interest of the Company in general and the performance of the Committee in particular, amend this Charter.
2. On a bi-annual basis, the Compensation & Remunerations Committee shall evaluate its performance and if needed, shall take the necessary steps to improve its effectiveness.
3. The Annual Report shall estate the composition of the Compensation & Remunerations Committee and the number of meetings held by the Committee.