



31<sup>st</sup> July 2014

**PHILIPPINE STOCK EXCHANGE, INC.**

Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

Attention: **MS. JANET A. ENCARNACION**  
Head - Disclosure Department

Dear Ms. Encarnacion,

Attached is a copy of Philex Petroleum Corporation's Revised Corporate Governance Manual submitted to the Securities and Exchange Commission, in compliance with SEC Memorandum Circular No. 9 Series of 2014.

Very truly yours,

  
**MARK H. RILLES**  
CIO - OIC

# COVER SHEET

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SEC Registration Number

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(Company's Full Name)

[illegible]

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

<p><b>Carlo S. Pablo</b></p>
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(Contact Person)

631-1381 to 88

(Company Telephone Number)

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*Month*      *Day*  
(Calendar Year)

SEC 17-C

(Form Type)

3<sup>rd</sup> Tuesday of May

Month Day  
(Annual Meeting)

Not Applicable
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**Not Applicable**

(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

Not Applicable
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Amended Articles Number/Section

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

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**PHILEX PETROLEUM  
CORPORATION**

30 July 2014

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA  
Greenhills, Mandaluyong City

ATTENTION: **DIRECTOR JUSTINA F. CALLANGAN**  
Corporate Finance Department

Gentlemen/Madame:

Pursuant to SEC Memorandum Circular No. 9 Series of 2014, we hereby submit the Revised Manual on Corporate Governance of **PHILEX PETROLEUM CORPORATION** as approved by the Board of Directors on 24 July 2014.

Very truly yours,

  
**BARBARA ANNE C. MIGALLOS**  
Corporate Secretary

## PHILEX PETROLEUM CORPORATION

### REVISED MANUAL ON CORPORATE GOVERNANCE



The Board of Directors of **PHILEX PETROLEUM CORPORATION** ("PPC" or the "Company") approved and adopted on 25<sup>th</sup> day of May 2011 the Company's **Manual on Corporate Governance** as mandated under the Revised Code of Corporate Governance promulgated by the Securities and Exchange Commission. This **Revised Manual on Corporate Governance** was adopted on 24<sup>th</sup> July 2014 in compliance with SEC Memorandum Circular No. 9, series of 2014.<sup>1</sup>

The Board of Directors, Officers and employees of the Company hereby commit themselves to the principles of sound corporate governance provided in this Manual and acknowledge that the same shall serve as a guide in the attainment of the Company's corporate goals, the creation of value for all its shareholders in sustaining the Company's long-term viability.

#### 1. Definitions and Interpretation

##### 1.1. Defined Terms

The following terms are used in this Manual with the respective meanings ascribed to such terms below, unless the context otherwise requires:

<b>"Board"</b>	means the Board of Directors of the Company, as constituted from time to time;
<b>"Board Committees"</b>	means the Audit Committee, the Nominations Committee, the Compensation Committee and such other committees as may be constituted by the Board from time to time;
<b>"BSP"</b>	means the Bangko Sentral ng Pilipinas
<b>"CEO"</b>	means the Chief Executive Officer of the Company
<b>"Chairman"</b>	means the Chairman of the Board;

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<sup>1</sup>The underlined portions indicate the changes made in this Revised Corporate Governance Manual.

<b>“Commission” or “SEC”</b>	means the Philippine Securities and Exchange Commission;
<b>“Company” or “PPC”</b>	means Philex Petroleum Corporation;
<b><u>“Corporate Governance”</u></b>	<u>means the framework of rules, systems and processes in the Company that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates;</u>
<b>“Corporation Code”</b>	means Batas Pambansa Blg. 68, known as the Corporation Code of the Philippines
<b>“Director”</b>	means a duly elected member of the Board;
<b>“Exchange”</b>	means the Philippine Stock Exchange;
<b>“Governance Code”</b>	means SEC Memorandum Circular No. 6, Series of 2009, otherwise known as the “Revised Code of Corporate Governance.
<b>“Independent Director”</b>	means a person who, apart from his fees and shareholdings, is independent of Management and free from any business or other relationship which could, or reasonably could be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director;
<b>“Management”</b>	means the body composed of the Chief Executive Officer (“CEO”) and Officers responsible for the day-to-day conduct of the business of the Company and the implementation of its business strategies, plans and policies;
<b>“Manual”</b>	means the Manual on Corporate Governance, as the same may be amended from time to time;
<b>“Non-executive Director”</b>	means director who is not the head of a

	department or unit of the corporation nor performs any work related to its operation;
<b>“Officers”</b>	means the officers of the Company with the rank of Vice President and above;
<b>“Securities Regulation Code” or “SRC”</b>	means Republic Act No. 3799; and
<b>“Year”</b>	means a calendar year

## 1.2. Interpretation

- (a) Unless the context otherwise requires:
  - (i) Words in the singular include the plural, and vice versa; and,
  - (ii) Words importing any gender include all genders.
- (b) A reference to a statute or statutory provision shall be construed as a reference to the statute or provision as from time to time amended, modified, or re-enacted, any repealed statute or statutory provision which it re-enacts, and any orders, rules or regulations made under the relevant statute or statutory provision.
- (c) The headings in this Manual are inserted solely for convenience of reference and shall not limit or affect the interpretation of the provisions hereof.
- (d) All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and investors of the corporation.

## 2. OBJECTIVE

The Board of Directors and Management believe that corporate governance is a necessary component of what constitutes sound strategic business management. This Manual institutionalizes the principles of good corporate governance in the entire organization and embodies the framework of rules, systems and processes in the

Corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the shareholders.

### **3. BOARD GOVERNANCE**

The Board is primarily responsible for the governance of the Company. It shall provide the policies for the accomplishment of the corporate objectives and shall provide an independent check on Management.

The Board shall exercise the corporate powers, conduct all business, and control the properties of the Company in compliance with the corporate governance principles instituted in this Manual and shall be responsible for the long-term success of the Company.

#### **3.1 Composition of the Board**

- 3.1.1 The Board shall be composed of seven (7) Directors, or such number of Directors provided in the Company's Articles of Incorporation, duly elected by the stockholders, as mandated under the Articles of Incorporation and By-Laws.
- 3.1.2 The Company shall have at least two (2) Independent Directors (as defined under relevant law and regulation) or such number of Independent Directors as shall constitute twenty per cent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).
- 3.1.3 The membership of the Board may be a combination of executive and non-executive Directors with the objective that no director or small group of directors can dominate the decision-making process.
- 3.1.4 Non-executive Directors shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

#### **3.2 Multiple Board Seats**

- 3.2.1 The Board shall adopt guidelines on the number of directorships that its members can hold in other corporations or entities. The optimum number shall take into consideration the capacity of a Director to diligently and efficiently perform his duties and responsibilities as a Director of the Company.

- 3.2.2 The CEO and other executive directors may be covered by a lower indicative limit. Independent or non-executive Directors who at the same time serve as full-time executives in other corporations may be subject to a similar limit. In every case, the capacity to diligently and efficiently perform duties and responsibilities as Directors of the Company shall not be compromised.

### **3.3 The Chairman and the CEO**

- 3.3.1 The roles of the Chairman and CEO shall, as much as practicable, be separate to foster an appropriate balance of power, increased accountability, and better capacity for independent decision-making by the Board. There should be clear delineation of functions between the Chairman and the CEO.
- 3.3.2 If the positions of Chairman and CEO are unified, the proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives.
- 3.3.3 The duties and responsibilities of the Chairman in relation to the Board shall include, among others, the following:
- (i) Ensure that the meetings of the Board are held in accordance with the By-laws or as the Chairman shall deem necessary;
  - (ii) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of Management and the Directors; and
  - (iii) Maintain qualitative and timely lines of communication and information between the Board and Management

### **3.4. Qualifications of Directors**

- 3.4.1 In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Board shall provide for additional qualifications that include, among others, the following:
- (i) College education or equivalent academic degree;



- (ii) Practical understanding of the business of the Company;
- (iii) Membership in good standing in relevant industry, business or professional organizations;
- (iv) Previous business experience.

### **3.5. Disqualifications of Directors**

3.5.1 The following shall be permanently disqualified to be a Director of the Company:

- (i) A 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;
- (ii) A person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or a 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 (a) and (b) above or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking, or suspending any registration, license or permit issued to him under the Corporation Code, SRC or any other law administered by the SEC or the BSP, or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and

banking, or such person is currently 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;

- (iii) A 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;
- (iv) A person who has been adjudged by final judgment or order of the SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced, or procured the violation of any provision of the Corporation Code, SRC, or any other law administered by the SEC or BSP, or any of its rules, regulations or orders;
- (v) A person earlier elected as independent director who becomes an officer, employee or consultant of the Company;
- (vi) A person judicially declared as insolvent;
- (vii) A 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 in sub-paragraphs (i) to (v) above;
- (viii) A person convicted by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

3.5.2. The Board shall provide for the temporary disqualification of a Director for any of the following reasons:

- (i) Refusal to comply with the disclosure requirements of the SRC and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.
- (ii) Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (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.

- (iii) Dismissal or termination for cause as director of any corporation covered by the Governance Code. 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.
- (iv) If the beneficial equity ownership of an Independent Director in the Company or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.
- (iv) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

3.5.3. A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

### **3.6. Responsibilities, Duties and Functions of the Board**

#### **3.6.1 General Responsibilities of the Board**

It is the Board's responsibility 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 best interests of its stockholders and other stakeholders.

The Board shall formulate the Company's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

#### **3.6.2 Duties and Functions of the Board**

To ensure a high standard of governance for the Company, its stockholders and other stakeholders, the Board shall conduct itself

with honesty and integrity in the performance of, among others, the following duties and functions:

- (i) Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.
- (ii) Provide sound strategic policies and guidelines to the Company on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- (iii) Select and appoint the CEO and other Officers, and adopt an effective succession planning program for Management.
- (iv) Constitute an Audit Committee, a Nominations Committee, a Compensation Committee and such other committees as it may deem necessary.
- (v) Determine and review, together with Management, the Company's mission, vision and strategic objectives.
- (vi) Oversee Management's implementation of business strategies, plans and objectives and periodically evaluate Management's overall performance.
- (vii) Oversee Management's establishment and maintenance of effective and adequate financial reporting and internal control system.
- (viii) Oversee Management's adoption and implementation of a system for identifying, monitoring and managing key risk areas and review reports on major risk exposures of the Company and the actions taken to monitor, minimize or manage such risk.
- (ix) Oversee Management's adoption of compensation plans and professional development programs for Officers.
- (x) Ensure that the Company has an independent audit mechanism for the proper audit and review of the Company's financial statements by independent auditors.

- (xi) Ensure the Company's faithful compliance with all applicable laws, regulations and best business practices.
- (xii) Ensure that the Company has an effective investor relations program that will keep the stockholders informed of important developments in the Company.
- (xiii) Ensure that the Company has a program for communication with the sectors of the community in which the Company operates or which are directly affected by its operations. Identify the Company's stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely and effective communication with them.
- (xiv) Formulate and implement policies and procedures to ensure integrity and transparency in related party transactions.
- (xv) Establish and maintain an alternative dispute resolution system within the Company that can amicably settle conflicts or differences.
- (xvi) Ensure that the Company establishes appropriate governance policies and procedures pursuant to the Manual and the Governance Code and oversee the effective implementation thereof.
- (xvii) Meet regularly at such times or frequency as may be needed, encourage and give due consideration to independent views during Board meetings and ensure the integrity of decision making during Board meetings.
- (xviii) Appoint a Compliance Officer who shall have the rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.
- (xix) Keep the activities and decisions of the Board within its authority under the Articles of Incorporation and By-Laws, and in accordance with existing laws, rules and regulations.

### **3.6.3 Duties and Responsibilities of a Director**

A Director's office is one of trust and confidence. A director shall act in the best interest of the Company in a manner characterized by transparency, accountability and fairness, and shall exercise leadership, prudence and integrity in directing the Company towards sustained progress. A director shall observe the following norms of conduct:

- (i) Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the Company.

A Director shall not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He shall avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a Director, he shall fully and immediately disclose it and shall not participate in the decision-making process. A Director who has a continuing material conflict of interest shall seriously consider resigning from his position.

A conflict of interest is material if the Director's personal or business interest is antagonistic to that of the Company, or if he stands to acquire or gain financial advantage at the expense of the Company.

- (ii) Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.

A director shall devote sufficient time to familiarize himself with the Company's business. He shall be constantly aware of and knowledgeable with its operations to enable him to meaningfully contribute to the Board's work. He shall attend and actively participate in Board and Committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

- (iii) Act judiciously.

A Director shall carefully evaluate the issues and, if necessary, make inquiries and request clarification, before deciding on any matter brought to the Board.

- (iv) Exercise independent judgment.

A Director shall view each problem or situation objectively. If a disagreement with other Directors arises, he shall carefully

evaluate and explain his position. He shall not be afraid to take an unpopular position and shall support plans and ideas that he thinks are beneficial to the Company.

- (v) Have a working knowledge of the statutory and regulatory requirements that affect the Company including its Articles of Incorporation and By-laws, the rules and regulations of the Commission and applicable rules of relevant regulatory agencies.

A Director shall keep abreast with industry developments and business trends.

- (vi) Observe confidentiality.

A Director shall keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He shall not reveal confidential information to unauthorized persons without the authority of the Board.

### **3.7. Internal Control Responsibilities of the Board**

3.7.1 The Company and the Board affirm that the control environment of the Company consists of:

- (i) The Board which ensures that the Company is properly and effectively managed and supervised;
- (ii) A Management that actively manages and operates the Company in a sound and prudent manner;
- (iii) Organizational and procedural controls supported by effective management information and risk management reporting systems; and
- (iv) An independent audit mechanism to monitor the adequacy and effectiveness of the Company's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

3.7.2 The minimum internal control mechanisms for the performance of the Board's oversight responsibility shall include:

- (i) Definition of the duties and responsibilities of the CEO who is ultimately accountable for the Company's organizational and operational controls;
- (ii) Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
- (iii) Evaluation of proposed senior management appointments;
- (iv) Selection and appointment of qualified and competent management officers; and
- (v) Review of the Company's human resource policies, conflict of interest situations, compensation program for Employees, and management succession plan.

3.7.3 In determining the scope and particulars of the systems of effective organizational and operational controls, the Board shall consider the nature and complexity of the business and the business culture; the volume, size and complexity of the transactions; the degree of risks involved; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

3.7.4 The Company shall establish an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board shall appoint an internal auditor who shall report to a level in the Company's organization that allows the internal audit activity to fulfill its mandate. The internal auditor shall be guided by the International Standards of Professional Practice of Internal Auditing.

### **3.8. Board Meetings and Quorum Requirement**

3.8.1. Members of the Board shall attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Commission

3.8.2. Independent Directors shall always attend Board meetings. Unless otherwise provided in the By-laws, their absence shall not affect the quorum requirement. However, the Board shall require the presence of at least one Independent Director in all its meetings to promote transparency.



- 3.8.3. To monitor the Directors' compliance with the attendance requirements, the Company shall submit to the Commission, on or before January 30 of the following year, a sworn certification about the Directors' record of attendance in Board meetings.

### **3.9. Remuneration of Directors and Officers**

- 3.9.1 The levels of remuneration of the Company shall be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of Directors, and Officers may be structured or be based on corporate and individual performance.
- 3.9.2 The Company shall establish formal and transparent procedures for the development of a policy on Executive compensation. No Director or Officer shall participate in deciding on his remuneration.
- 3.9.3. The Company's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of fixed and variable compensation paid, directly or indirectly, to Directors and top four (4) Officers during the preceding fiscal year.

### **3.10 Board Committees**

The Board shall constitute the proper committees to assist in good corporate governance, including the following:

#### **3.10.1. Audit and Risk Committee**

The Audit and Risk Committee shall consist of at least three (3) Directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an Independent Director and another with audit experience. The chair of the Audit Committee shall be an Independent Director.

The Audit and Risk Committee shall have the following functions:

- (i) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;

- (ii) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
- (iii) Perform oversight functions over the Company's internal and external auditors. It shall ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- (iv) Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it;
- (v) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- (vi) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- (vii) Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;
- (viii) Review the reports submitted by the internal and external auditors;
- (ix) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following:
  - Any changes in accounting policies and practices
  - Major judgmental areas
  - Significant adjustments resulting from the audit

- Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements.
- (x) Coordinate, monitor and facilitate compliance with laws, rules and regulations:
- (xi) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with the duties of the external auditor or may pose a threat to independence. The non-audit work, if allowed, shall be disclosed in the Company's annual report;
- (xii) Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit and Risk Committee, which shall ensure that, in the performance of his work, the internal auditor shall be free from interference by outside parties.

### **3.10.2. Nominations Committee**

The Nominations Committee shall be composed of at least three (3) members and one of whom shall be an Independent Director. The Committee shall:

- (i) Review and evaluate the qualifications of all persons nominated to be a director of the Company and of all nominees to other positions in the Company requiring appointment by the Board.
- (ii) Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

### 3.10.3. Compensation Committee

The Compensation Committee shall be composed of at least three (3) members one of who shall be an Independent Director, and shall establish a formal and transparent procedure for developing policy on remuneration of Directors and Officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates.

### 3.11 The Corporate Secretary

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the Company. He should:

- (i) Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Company;
- (ii) Be loyal to the mission, vision and objectives of the Company;
- (iii) Work fairly and objectively with the Board, Management, stockholders and other stakeholders;
- (iv) Have appropriate administrative and interpersonal skills;
- (v) If he is not at the same time the Company's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- (vi) Have a working knowledge of the operations of the Company;
- (vii) Inform the members of the Board, in accordance with the By-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- (viii) Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;

- (ix) Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- (x) If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in the Code;
- (xi) Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- (xii) Submit to the SEC, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

### **3.12. The Compliance Officer**

The Board shall appoint a Compliance Officer who shall report directly to the Chair of the Board, who shall perform the following duties:

- (i) Monitor Compliance by the Corporation with the Code and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- (ii) Appear before the Commission when summoned in relation to compliance with the Code; and,
- (iii) Issue a certification every January 30<sup>th</sup> of the year on the extent of the Corporation's compliance with the Code for the completed year and, if there are any deviations, explain the reason for such deviation.

## **4. ADEQUATE AND TIMELY INFORMATION**

- 4.1. To enable the members of the Board to properly fulfill their duties and responsibilities, Management shall provide them with complete, adequate and timely information about the matters to be taken in their meetings

- 4.2. Reliance on information volunteered by Management may not be sufficient in all circumstances and further inquiries shall be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members shall be given independent access to Management and the Corporate Secretary.
- 4.3. The information shall include background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.
- 4.4. Directors, either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice at the Corporation's expense.

## **5. ACCOUNTABILITY AND AUDIT**

- 5.1. The Board is primarily accountable to the stockholders. It shall provide them with a balanced and comprehensible assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law. Thus, Management shall provide all members of the Board with accurate and timely information that would enable the board to comply with its responsibilities to the stockholders.
- 5.2. Management shall formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:
  - (i) The extent of this responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the external auditor, shall be clearly explained;
  - (ii) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation for the benefit of all stockholders and other stakeholders shall be maintained;
  - (iii) On the basis of the approved audit plans, internal audit examinations shall cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and

efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;

- (iv) The Company shall consistently comply with the financial reporting requirements of the Commission;
- (v) The external auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Company shall be changed with the same frequency. The Internal Auditor shall submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee, which shall include significant risk exposures, control issues and such other matters as shall be needed or requested by the Board and management. The Internal Auditor shall certify that he conducts his activities in accordance with the international Standards on the Professional practice of Internal Auditing. If he does not, he shall disclose to the board and management the reasons why he has not fully complied with the said standards.

5.3. The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the Company, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the corporation. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent director, or does not pose a threat to his independence.

5.4. If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the Company's annual and current reports. The report shall include a discussion of any disagreement between him and the corporation on accounting principles or practices, financial disclosures or audit practices, financial disclosures or audit procedures which the former auditor and the corporation failed to resolve satisfactorily. A preliminary copy of said report shall be given by the Company to the external auditor before its submission.

If the external auditor believes that any statement made in an annual report, information statement or any report filed with the commission or any regulatory body during the period of his engagement is incorrect or

incomplete, he shall give his comments or views on the matter in the said reports.

## **6. STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTEREST**

6.1 The Board shall respect the following rights of the stockholders as provided in the Corporation Code, namely:

- (i) Right to vote on all matters that require their consent or approval;
- (ii) Pre-emptive right to all stock issuances of the corporation;
- (iii) Right to inspect corporate books and records;
- (iv) Right to information;
- (v) Right to dividends; and
- (vi) Appraisal Right.

6.1 The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings. Stockholders shall be encouraged to personally attend. They shall be apprised in a timely manner of their right to appoint a proxy if they cannot attend. Subject to the requirements of the Company's By Laws, the exercise of the right to appoint a proxy shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the stockholder's favor.

6.2 The Board shall promote the rights of the stockholders, remove impediments to the exercise of those rights and provide adequate venue for stockholders to seek timely redress for breach of their rights.

6.3 The Board shall take 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. Accurate and timely information shall be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although stockholders should be treated equally or without discrimination, the Board should give minority stockholders where feasible or practicable



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.

## **7 GOVERNANCE SELF-RATING SYSTEM**

- 7.1 The Board shall create an internal self-rating system that can measure the performance of the Board and Management in accordance with this Manual and the Code.
- 7.2 The creation and implementation of such self-rating system, including its salient features, may be disclosed in the corporation's annual report.

## **8 DISCLOSURE AND TRANSPARENCY**

### **8.1. Commitment to Disclose Material Information**

All material information about the Company which could adversely affect its viability or the interest of its stockholders and other stakeholders should be publicly and timely disclosed. Such information shall include, among others, earnings result, acquisition or disposal of significant assets, off-balance-sheet transactions, related party transactions, Board membership changes, shareholding of Directors and Officers and any changes thereto, and remuneration of Directors and Officers.

The Board shall commit at all times to full disclosure of material information and dealings and shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

### **8.2. Selective Disclosure of Non-Public Material Information**

The Company, its Directors, Officers, Executives and employees shall not communicate material non-public information about and involving the Company, including any act, transaction, development or event unless the Company is ready to simultaneously disclose the material non-public information to the Commission, Exchange and other regulatory bodies having jurisdiction. This rule shall not apply if the disclosure is made to:

- 8.2.1 A person who is bound by a duty to maintain trust and confidence to the Company such as but not limited to the Company's consultants, auditors, legal counsels, investment bankers, financial advisers; and
- 8.2.2. A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.

Any disclosure of material non-public information to securities analysts, institutional investors or other third parties who do not fall under letters (a) and (b) above ahead of the disclosure to be made to the Exchange and the general public, shall be considered as a violation of this rule.

Material information means any information about or involving the Company's affairs, events and conditions that has a significant impact in the Company's operations such as, but not limited to, those relating to the Company's financial condition, prospects and development projects which, when brought to the attention of the public, is reasonably expected to induce or otherwise materially affect the market activity and the market price of the Company's shares.

The Board shall ensure that internal controls are established that will ensure that the Company, its Directors, Officers, Executives and employees and any other person who is privy to the Company's material non-public information shall comply with the requirement of this rule.

## **9 COMMITMENT TO GOOD CORPORATE GOVERNANCE**

- 9.1 The Company and its Board of Directors adopted this Revised Corporate Governance Manual to establish and implement their corporate governance rules consistent with the Code. The members of the Board and Management shall use this Manual as reference.
- 9.2 This Manual shall be made available for inspection by any shareholder at reasonable hours on business days.

## **10 REGULAR REVIEW OF THE CODE AND THE SCORECARD**

- 10.1 To monitor the compliance with the Code and this Manual, the Company shall accomplish annually a scorecard on the scope, nature and extent of the actions they have taken to meet the objectives of the Code.

## **11 COMMUNICATION AND TRAINING PROCESS**

- 11.1. Copies of this Manual shall be provided to all members of the Board, the Management and all division and department heads to ensure a thorough dissemination to all employees and to enjoin compliance in the process.
- 11.2. An adequate number of printed copies of this Manual must reproduced under the supervision of the Compliance Officer with a minimum of at least one (1) hard copy of the Manual per department.
- 11.3. If necessary, funds shall be allocated by tile Board upon recommendation of the CFO or equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.
- 11.4. A director shall, before assuming such position, be required to attend a seminar on corporate governance which shall be conducted by a private or government institute duly recognized by the Commission.

## **12. MONITORING AND IMPLEMENTATION**

- 12.1 The Board shall establish the appropriate evaluation system for purposes of monitoring and assessing compliance with this Manual and the applicable provisions of the Governance Code by the Company, Board and Management.
- 12.2. The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman the imposable penalty, for further review and approval by the Board.

The undersigned hereby certify and attest that the foregoing **Revised Corporate Governance Manual** was duly approved and adopted by the Board of Directors of **PHILEX PETROLEUM CORPORATION** on the 24<sup>th</sup> day of July 2014.

Attest:

( Original Signed )  
**BARBARA ANNE C. MIGALLOS**  
Corporate Secretary and Compliance Officer