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Basic Energy Corporation BSC

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

For the year ended	Dec 31, 2015
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Description of the Disclosure

Corporate Governance Guidelines for Listed Companies for 2015

Filed on behalf by:

Name	Angel Gahol
Designation	AVP - Asst. Corp. Sec./ Compliance Officer



**THE PHILIPPINE STOCK
EXCHANGE, INC.**

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

CORPORATE GOVERNANCE GUIDELINES FOR THE YEAR 2015

Company Name: BASIC ENERGY CORPORATION

Date: March 31, 2016

	COMPLY	EXPLAIN
Guideline No. 1: DEVELOPS AND EXECUTES A SOUND BUSINESS STRATEGY		
1.1 Have a clearly defined vision, mission and core values.	Yes	The Company's vision is to become a major Philippine company engaged in the exploration, production & supply of alternative, renewable energy, oil & allied products and services. Its mission is to strive to be a leading Philippine energy developer.
1.2 Have a well developed business strategy.	Yes	Business strategies of the Company are developed in the meetings of the Management Committees and the Board of Directors. The Company had Strategic Planning Sessions among its officers and the Board of Directors last October 22-23, 2015.
1.3 Have a strategy execution process that facilitates effective performance by management, and is attuned to the company's business environment, management style and culture.	Yes	The strategy execution process is covered as part of the operating policies and procedures and execution is monitored by the Management Committee to determine and evaluate performance of the various projects
1.4 Have its board continually engaged in discussions of strategic business issues.	Yes	All strategic investments or projects are thoroughly discussed in the meetings of the management committee, the Finance and Investments Committee and the Board of Directors.
Guideline No. 2: ESTABLISHES A WELL-STRUCTURED AND FUNCTIONING BOARD		
2.1. Have a board composed of directors of proven competence and integrity.	Yes	The members of the present Board have long, broad and varied experiences in oil and gas exploration, production and distribution, and in the field of banking, finance and investment and have proven integrity and competence in the

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		business and management of the Company.
2.2.	Be lead by a chairman who shall ensure that the board functions in an effective and collegial manner.	Yes The Chairman of the Board, Mr. Oscar C. De Venecia, is a proven leader who fosters and solicits active participation of the members of the Board in the discussions in the Board meetings.
2.3	Have at least three (3) or thirty percent (30%) of its directors as independent directors.	Yes The Company has three (3) Independent Directors out of the 11 members of the Board. Existing regulations require a minimum of two (2) independent directors for listed companies.
2.4	Have in place written manuals, guidelines and issuances that outline procedures and processes.	Yes Policies, procedures and processes are embodied in various manuals, such as the Personnel Policy Manual, the Accounting Policies and Procedures and the Operations Manual.
2.5	Have Audit, Risk, Governance and Nomination & Election Committees of the board.	Yes The Board has organized the following committees: Audit and Risk Committee, Corporate Governance Committee, Nominating Committee, and a Compensation and Remuneration Committee, and in addition, a Finance and Investments Committee.
2.6	Have its Chairman and CEO positions held separately by individuals who are not related to each other.	Yes The Chairman and the President & CEO positions are separate positions, held by different individuals. However, presently, the individuals in these positions are related to each other (Father and Son, respectively.)
2.7	Have a director nomination and election process that ensures that all shareholders are given the opportunity to nominate and elect directors individually based on the number of shares voted.	Yes The nomination of directors are done through the Nomination Committee and the list of directors nominated are published in the information statements distributed to the stockholders prior to the Annual Stockholders meeting. The Company follows the provisions of the Securities and Regulations Code on the nomination and election of directors.
2.8	Have in place a formal board and director development program.	Yes All members of the Board are matured and seasoned professionals, with long, broad and varied experiences, and have occupied or are currently holding highly responsible and top executive positions in their respective fields or

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		organizations. Briefing sessions on oil and gas, geothermal, hydro-power and solar energy exploration and development are conducted upon request of the directors, and regularly for newly appointed directors, and regular updates are given at the Board meetings. A director development program is implemented for new directors to provide adequate exposures on the energy and power industry. For 2015, the Directors attended the Corporate Governance Seminar as mandated by the Securities and Exchange Commission. The seminar was conducted in-house with SGV as the facilitators.
2.9	Have a corporate secretary.	Yes The present corporate secretary is highly qualified and experienced corporate secretary
2.10	Have no shareholder agreements, by-laws provisions, or other arrangements that constrains the directors' ability to vote independently.	None The Company has no shareholder agreement nor provisions in the by-laws that constrain the ability of the directors to vote independently
Guideline No. 3: MAINTAINS A ROBUST INTERNAL AUDIT AND CONTROL SYSTEM		
3.1	Establish the internal audit function as a separate unit in the company which would be overseen at the Board level.	Yes The internal audit function is outsourced.
3.2	Have a comprehensive enterprise-wide compliance program that is annually reviewed.	Yes The compliance program is reviewed annually in the first quarter of the year.
3.3	Institutionalize quality service programs for the internal audit function.	Yes The audit program conforms with sound audit standards and is in place.
3.4	Have in place a mechanism that allows employees, suppliers and other stakeholders to raise valid issues.	Yes The audit program allows feedbacks and comments from employees, suppliers and other stakeholders.
3.5	Have the Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	Yes The said confirmation is embodied in the audit program.
Guideline No. 4: RECOGNIZES AND MANAGES ITS ENTERPRISE RISKS		
4.1	Have its board oversee the company's risk management function.	Yes The Board, through the Audit and Risk Committee, oversees the risk management function of the Company.

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4.2	Have a formal risk management policy that guides the company's risk management and compliance processes and procedures.	Yes	The Company has established risk management and compliance policies, procedures and processes specific for its various projects.
4.3	Design and undertake its Enterprise Risk Management (ERM) activities on the basis of, or in accordance with, internationally recognized frameworks such as but not limited to, COSO, (The Committee of Sponsoring Organizations of the Treadway Commission) I and II.	No	The development of the ERM framework for the Company is being undertaken by the Risk Management Officer.
4.4	Have a unit at the management level, headed by a Risk Management Officer (RMO).	Yes	The Company has a Risk Management Officer on full-time basis.
4.5	Disclose sufficient information about its risk management procedures and processes as well as the key risks the company is currently facing including how these are being managed.	Yes	Disclosure on the key risks involved in the various projects of the Company and the related risk management policies, procedures and processes is made in the annual information statements distributed to all stockholders prior to the annual stockholders meetings. .
4.6	Seek external technical support in risk management when such competence is not available internally.	Yes	The Company has hired its Risk Management Officer who is technically qualified, and this notwithstanding, the Company has always the option to seek external support in risk management, whenever necessary.
Guideline No. 5: ENSURES THE INTEGRITY OF FINANCIAL REPORTS AS WELL AS ITS EXTERNAL AUDITING FUNCTION			
5.1	Have the board Audit Committee approve all non-audit services conducted by the external auditor. The Committee should ensure that the non-audit fees do not outweigh the fees earned from the external audit.	Yes	The Audit and Risk Committee reviews the financial audit statements, upon presentation by the external auditor and approves all non-audit services to be conducted by the external auditor. The Committee reviews also the audit fees, ensuring that the non-audit fees do not outweigh the fees earned from external audit.
5.2	Ensure that the external auditor is credible, competent, and should have the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	Yes	The Company's external auditor is SGV & Company, which is one of the long standing reputable and credible audit firms in the country. SGV has been the external auditor of the Company for a very long period of time (about 40 years) and as such, it has developed the ability to understand the business of the Company, its

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		related party transactions, counterparties and valuations of such transactions.
5.3	Ensure that the external auditor has adequate quality control procedures.	Yes SGV & Company has established a separate and independent division in its organization that handles quality control procedures on the audited financial statements and audit reports for the Company.
5.4	Disclose relevant information on the external auditors.	Yes The Company disclose relevant information on its external auditor through the annual information statements distributed to the stockholders prior to the annual stockholders meetings and in the Company's website.
5.5	Ensures that the external audit firm is selected on the basis of a fair and transparent tender process.	Yes The Company's external auditor has been engaged since 40 years ago and its performance is evaluated every year, prior to the annual stockholders meetings. Should the external auditor be changed in the future, the Company shall ensure that the external auditor is selected on the basis of a fair and transparent tender process.
5.6	Have its audit committee conduct regular meetings and dialogues with the external audit team without anyone from management present.	Yes The Audit and Risk Committee conducts meetings with the external audit team, without anyone from management present.
5.7	Have the financial reports attested to by the Chief Executive Officer and Chief Financial Officer.	Yes The financial reports are attested by the President as the Chief Executive Officer and the Chief Financial Officer/Treasurer.
5.8	Have a policy of rotating the lead audit partner every five years.	Yes This rotation policy as prescribed by the Securities and Exchange Commission is being followed by the Company and its external auditor, SGV & Company.
Guideline No. 6: RESPECTS AND PROTECTS THE RIGHTS OF ITS SHAREHOLDERS, PARTICULARLY THOSE THAT BELONG TO THE MINORITY OR NON- CONTROLLING GROUP		
6.1	Adopt the principle of "one share, one vote."	Yes This policy, which is prescribed by law, is adopted in the By-laws of the Company,

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6.2	Ensure that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Yes	This policy, which is also prescribed by law, is adopted in the By-laws of the Company,
6.3	Have an effective, secure and efficient voting system.	Yes	The Company has an effective, secure and efficient voting system, as prescribed by law.
6.4	Have effective shareholder voting mechanisms such as supermajority or “majority of minority” requirements to protect minority shareholders against actions of controlling shareholders.	Yes	The shares of the Company are diversified, such that all stockholders of the Company may be considered as minority stockholders, and there is no stockholder or stockholders groups who own majority or a significant or material number of the shares of the Company.
6.5	Provide all shareholders with the notice and agenda of the annual general meeting (AGM) at least thirty (30) days before a regular meeting and twenty (20) days before a special meeting.	Yes	The Company complies with the provisions of the Securities Regulation Code on notices and agenda of meetings of stockholders.
6.6	Allow shareholders to call a special shareholders meeting, submit a proposal for consideration at the AGM or the special meeting, and ensure the attendance of the external auditor and other relevant individuals to answer shareholder questions in such meetings.	Yes	The Company’s bylaws allow the holding of special stockholders meeting and any stockholder is free to submit proposals or raise issues at the annual stockholders meetings. The attendance of the External Auditor of the Company is required in all stockholders meetings to answer questions of stockholders raised at such meetings.
6.7	Ensure that all relevant questions during the AGM are answered.	Yes	The Chairman of the Board, who acts as the Chairman of the stockholders’ meetings ensures that all relevant questions raised during the stockholders meetings are adequately addressed.
6.8	Have clearly articulated and enforceable policies with respect to treatment of minority shareholders.	Yes	The policies on minority stockholders are embodied in the Corporate Governance Manual of the Company.
6.9	Avoid anti-takeover measures or similar devices that may entrench management or the existing controlling shareholder group.	Yes	The Board or the Company has no plans to institute anti-takeover policies (like poison pills, onerous stockholder meeting rules) or other takeover defenses which may be disadvantageous to shareholders.
6.10	Provide all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.	Yes	The top 20 stockholders of the Company are disclosed in the annual information statements and management reports distributed to the stockholders prior to the annual stockholders meetings.

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6.11	Have a communications strategy to promote effective communication with shareholders.	Yes	The communication strategy is embodied in the Corporate Governance Manual of the Company.
6.12	Have at least thirty percent (30%) public float to increase liquidity in the market.	Yes	The public float of shares of the Company is more than 30%.
6.13	Have a transparent dividend policy.	Yes	The dividend policy of the Company shall be disclosed and made transparent at the appropriate time when dividends are declared. The By-laws of the Company contain provisions on declaration of dividends by the Company.
Guideline No. 7: ADOPTS AND IMPLEMENTS AN INTERNATIONALLY-ACCEPTED DISCLOSURE AND TRANSPARENCY REGIME			
7.1	Have written policies and procedures designed to ensure compliance with the PSE and SEC disclosure rules, as well as other disclosure requirements under existing laws and regulations.	Yes	The disclosure requirements are prescribed in the Revised Corporate Governance Manual and the PSE Disclosure Rules, which the Company is bound to comply.
7.2	Disclose the existence, justification, and details on shareholders agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	Yes	The Company is aware that when these agreements are executed, these shall be disclosed through SEC Form 17-C and through PSE Edge submission portal and the Company's website.
7.3	Disclose its director and executive compensation policy.	Yes	These are disclosed in the annual information statements distributed to all stockholders prior to the annual stockholders meetings.
7.4	Disclose names of groups or individuals who hold 5% or more ownership interest in the company, significant cross-shareholding relationship and cross guarantees, as well as the nature of the company's other companies if it belongs to a corporate group.	Yes	These are disclosed in the Management Reports distributed to all stockholders prior to the annual stockholders meetings.
7.5	Disclose annual and quarterly consolidated reports, cash flow statements and special audit revisions. Consolidated financial statements shall be published within 90 days from the end of the financial year, while interim reports shall be published within 45 days from the end of the reporting period.	Yes	These are disclosed through SEC 17-Q and PSE Edge submission portal.
7.6	Disclose to shareholders and the Exchange any changes to its corporate governance manual and practices, and the extent to which such practices conform to the SEC and PSE CG Guidelines.	Yes	These are disclosed in the Management Reports distributed to all stockholders prior to the annual stockholders meetings., through SEC 17-C and PSE Edge submission portal and the Company's website
7.7	Publish and/or deliver to its shareholders in a timely fashion all information and	Yes	These are disclosed in the annual information

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	materials relevant to corporate actions that require shareholder approval.		statements distributed to all stockholders prior to the annual stockholders meetings, through SEC 17-C and PSE Edge submission portal and company's website
7.8	Disclose the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This shall also include the disclosure of the company's purchase of its shares from the market (e.g share buy-back program).	Yes	Trading of the Company's shares by directors and officers and controlling stockholders are required to be disclosed, under the Securities Regulation Code, to which the Company and such persons are bound to comply. The Company has not issued any policy on share buy-back but will disclose should this program be adopted in the future.
7.9	Disclose in its annual report the principal risks to minority shareholders associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	Yes	These are disclosed in the annual Information Statement submitted to SEC and PSE and the Annual Report submitted to the stockholders prior to the Annual Stockholders Meeting.
Guideline No. 8: RESPECTS AND PROTECTS THE RIGHTS AND INTERESTS OF EMPLOYEES, COMMUNITY, ENVIRONMENT, AND OTHER STAKEHOLDERS			
8.1	Establish and disclose a clear policy statement that articulates the company's recognition and protection of the rights and interests of key stakeholders specifically its employees, suppliers & customers, creditors, as well the community, environment and other key stakeholder groups.	Yes	These are embodied in the Revised Corporate Governance Manual and the Personnel Policy Manual
8.2	Have in place a workplace development program.	Yes	The employee development program is embodied in the Personnel Policy Manual
8.3	Have in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders.	Yes	The employee reward/incentive initiatives are embodied in the Personnel Policy Manual
8.4	Have in place a community involvement program.	Yes	The terms of reference of the various projects of the Company that are/or to be operated in the communities include a community social responsibility program.
8.5	Have in place an environment-related program.	Yes	The terms of reference of the various projects of the Company that are/or to be operated in the communities include an environmental protection program.

8.6	Have clear policies that guide the company in its dealing with its suppliers, customers, creditors, analysts, market intermediaries and other market participants.	Yes	These are embodied in the Personnel Policy Manual.
Guideline No. 9: DOES NOT ENGAGE IN ABUSIVE RELATED-PARTY TRANSACTIONS AND INSIDER TRADING			
9.1	Develop and disclose a policy governing the company's transactions with related parties.	Yes	This is embodied in the Corporate Governance Manual.
9.2	Clearly define the thresholds for disclosure and approval for RPTs and categorize such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPT within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	Yes	This is embodied in the Corporate Governance Manual.
9.3	Establish a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions in shareholders meetings.	Yes	The Company complies with the voting system prescribed under the Corporation Code and the Company's By-laws.
9.4	Have its independent directors or audit committee play an important role in reviewing significant RPTs.	Yes	This is embodied in the Corporate Governance Manual.
9.5	Be transparent and consistent in reporting its RPTs. A summary of such transactions shall be published in the company's annual report.	Yes	This is embodied in the Corporate Governance Manual.
9.6	Have a clear policy in dealing with material non-public information by company insiders.	Yes	This is embodied in the Corporate Governance Manual.
9.7	Have a clear policy and practice of full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management.	Yes	This is embodied in the Corporate Governance Manual.
Guideline No. 10: DEVELOPS AND NURTURES A CULTURE OF ETHICS, COMPLIANCE, & ENFORCEMENT			
10.1	Formally adopt a code of ethics and proper conduct that guides individual behavior and decision making, clarify responsibilities, and inform other stakeholders on the conduct expected from company personnel.	Yes	These are embodied in the Personnel Policy Manual.
10.2	Have a formal comprehensive compliance program covering compliance with laws and relevant regulations. The program should include appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	Yes	This is being undertaken by the Compliance Officer. .
10.3	Not seek exemption from the application of a law, rule or regulation especially when	Yes	This is embodied in the Corporate Governance

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	it refers to a corporate governance issue. Should it do so, it has to disclose the reason for such action as well present the specific steps being taken to finally comply with the applicable law, rule or regulation.		Manual.
10.4	Have clear and stringent policies and procedures on curbing and penalizing company or employee involvement in offering, paying and receiving bribes.	Yes	These are embodied in the Personnel Policy Manual
10.5	Have a designated officer responsible for ensuring compliance with all relevant laws, rules, and regulation, as well as all regulatory requirements.	Yes	The Company has a designated Compliance Officer that monitors compliance by the Company with all relevant laws, rules and regulations
10.6	Respect intellectual property rights.	Yes	The Company is compliant with the provisions of the Intellectual Property laws and regulations.
10.7	Establish and commit itself to an alternative dispute resolution system so that conflicts and difference with counterparties, particularly with shareholders and other key stakeholders, would be settled in a fair and expeditious manner.	Yes	The Company adopts and applies alternative dispute resolution provisions in all its contracts or agreements with third parties for the settlement of disputes in a fair and expeditious manner.

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

Done this March 31, 2016 in Makati City.



EDUARDO V. MANALAC
Independent Director



OSCAR L. DE VENECIA, JR
President & CEO



SUBSCRIBED AND SWORN TO this MAR 29 2016, affiants Eduardo V. Manalac and Oscar L. de Venecia, Jr. exhibited their TIN Nos.225-311-454 and 146-709049, respectively.

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Page No. 74
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MA. ESMERALDA R. CUNANAN

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