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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, 2016
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Description of the Disclosure
Corporate Governance Guidelines for Listed Companies for 2017

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**

	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 by Management and submitted to the Board of Directors, before the start of the year, and is approved by the Board of Directors, together with the business plan and budget for the year.
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 a responsibility of the Management Committee of the Company. It is revisited every September of the year to keep it attuned to the Company's business and work environment, management style and culture, for the effective execution by Management of the Company's business strategies.
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 Board have long, broad and varied experiences in the exploration, development, production and distribution of oil and gas and renewable energy resources, and in the field of banking, finance and investments, and have proven integrity and competence in the 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 and effective 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	The Company has the Revised Corporate Governance Manual, the Personnel Policy Manual, the Accounting Policies and Procedures and the Operations Manual which embody policies, procedures and processes for effective and efficient management and operations of the Company.
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, Nomination Committee, and Compensation and Remuneration Committee, and in addition, the Finance and Investments Committee.
2.6	Have its Chairman and CEO positions held separately by individuals who are not related to each other.	No	The Chairman and the President & CEO 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 is disclosed to the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE), as soon as this is approved by the Board of Directors, and is 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 organizations. Sessions on the current operations and projects of the Company are conducted upon request of the directors, and regular updates are given at the Board meetings. A director development program is implemented for new directors, who are required to attend sessions or trainings for adequate exposures on the different projects of the Company. For 2016, 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 facilitator.
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 or bylaw provisions that constrain the ability of the directors to decide and 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 company programs 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. Material issues are duly elevated for consideration of the Board of Directors.
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 who is a member of the Management Committee.
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 and this notwithstanding, the Company has always the option to seek external technical 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 has the authority to approve all non-audit services to be conducted by the external auditor. The Committee reviews also the audit fees, ensuring that the non-audit fees, if any, 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 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 discloses relevant information on its external auditor through the 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 has the authority to 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 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,
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.	No	The Company has not adopted such voting mechanisms to protect the interests of minority shareholders or non-controlling groups against actions of controlling shareholders. We will study what voting mechanisms can be adopted which are applicable to 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 answered.
6.8 Have clearly articulated and enforceable policies with respect to treatment of minority shareholders.	Yes	Treatment of minority stockholders are embodied in the Revised Corporate Governance Manual.
6.9 Avoid anti-takeover measures or similar devices that may entrench management or the existing controlling shareholder group.	No	The Company has not adopted any anti-takeover measures.

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.
6.11	Have a communications strategy to promote effective communication with shareholders.	Yes	The communication strategy is embodied in the Revised Corporate Governance Manual.
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 88%
6.13	Have a transparent dividend policy.	Yes	The dividend policy of the Company are 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	When these agreements are executed, these are disclosed through SEC Form 17-C and PSE Edge submission portal and the Company's website.
7.3	Disclose its director and executive compensation policy.	Yes	These are disclosed in the 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 Report 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 financial reports and statements are disclosed through SEC 17-Q and PSE Edge submission portal within the time prescribed.
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 Report distributed to all stockholders prior to the annual stockholders meetings., through SEC 17-C and

		PSE Edge submission portal and company's website
7.7	Publish and/or deliver to its shareholders in a timely fashion all information and materials relevant to corporate actions that require shareholder approval.	Yes We publish and deliver to all shareholders within the period required by law all information and materials relevant to corporate actions that require shareholder approval, whether in the Annual Stockholders Meeting or Special Meeting of stockholders.
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 no 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 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 projects of the Company include a social community responsibility program.
8.5	Have in place an environment-related program.	Yes The terms of reference of the projects of the Company 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 Revised Corporate Governance 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 Revised 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 Revised 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 Revised 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 Revised Corporate Governance Manual. RPTs are reported in the financial statements of the Company.
9.6	Have a clear policy in dealing with material non-public information by company insiders.	Yes This is embodied in the Revised Corporate Governance Manual.
9.7	Have a clear policy and practice of full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management.	Yes This is embodied in the Revised 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	Yes This is being undertaken by the Compliance Officer.

	the said issuances.		
10.3	Not seek exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. Should it do so, it has to disclose the reason for such action as well present the specific steps being taken to finally comply with the applicable law, rule or regulation.	Yes	This is embodied in the Revised Corporate Governance Manual.
10.4	Have clear and stringent policies and procedures on curbing and penalizing company or employee involvement in offering, paying and receiving bribes.	Yes	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 does the monitoring of compliance by the company on 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 6, 2017 in Makati City.


HARVEY LAWRENCE N. DYCHIAO
 Independent Director


OSCAR L. DE VENECIA, JR
 President & CEO

SUBSCRIBED AND SWORN TO this MAR 13 2017 day of March 2017 affiants Harvey Lawrence N. Dychiao and Oscar L. de Venecia, Jr. exhibited their TIN Nos.211-544-787 and 146-709-049, respectively.

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ATTY. ROBERT N. ILUZ
 NOTARY PUBLIC
 Until December 31, 2017
 Appt No M-20 Makati City
 IBP #1052367 for 2017 Nov 22, 2016-RSM
 PTR #5909501 Jan 03 2017-Makati
 S C Roll No. 59597
 MCLE Compliance No V-0015439 9 March 2016
 Unit 301 3rd Flr Campos Rueda Bldg
 101 Urban Avenue, Brgy Pio del Pilar
 Makati City

