

COVER SHEET

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SEC Registration Number

B A S I C E N E R G Y C O R P O R A T I O N

(Company's Full Name)

7 t h F l o o r , B a s i c P e t r o l e u m

B u i l d i n g , C . P a l a n c a , J r . S t r e e t ,

L e g a s p i V i l l a g e , M a k a t i C i t y

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

Atty. Angel P. Gahol

(Contact Person)

(632) 817-8596 & 98

(Company Telephone Number)

1 2

Month Day
(Calendar Year)

3 1

1 7 - C

(Form Type)

0 6

Month Day
(Annual Meeting)

3 0

Not Applicable

(Secondary License Type, If Applicable)

MSRD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

6,612

Total No. of Stockholders

Total Amount of Borrowings

n/a

Domestic

n/a

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

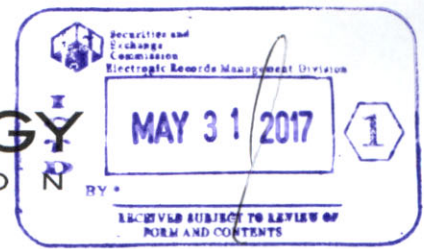
Cashier

STAMPS

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BASIC ENERGY
CORPORATION



May 31, 2017

SECURITIES AND EXCHANGE COMMISSION

SEC BLDG., EDSA Greenhills
Mandaluyong City, Metro Manila

Attention : **ATTY. JUSTINA F. CALLANGAN**
Director, Corporate Governance and Finance Department

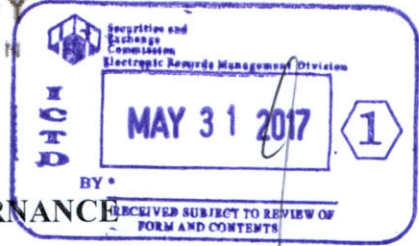
Gentlemen:

We are pleased to submit to you the Manual on Corporate Governance of Basic Energy Corporation adopted by the Board of Directors in its meeting held on May 31, 2017, pursuant to Securities and Exchange Commission (SEC) Memorandum Circular No 19 Series of 2016, embodying the Code of Corporate Governance for Publicly Listed Companies.

Thank you and best regards.

Very truly yours,


ANGEL P. GAHOL
AVP-Asst Corporate Secretary/
Compliance Officer



MANUAL ON CORPORATE GOVERNANCE

This Manual on Corporate Governance of Basic Energy Corporation (the Company) has been adopted and approved by the Board of Directors in its meeting held on May 31, 2017, pursuant to Securities and Exchange Commission (SEC) Memorandum Circular No. 19, Series of 2016, embodying the Code of Corporate Governance for Publicly Listed Companies. .

INTRODUCTION

1. Manual Contents

This Manual contains principles and guidelines for the Board of Directors to undertake its good governance duties and responsibilities, which are arranged as follows:

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2. Definition of Terms

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

Articles of Incorporation	- means the Articles of Incorporation of the Company and all amendments thereto;
Board	-the Board of Directors of the Company
Board of Directors	- the governing body elected by the stockholders that exercises the corporate powers of the Company, conducts all its business and controls its properties;
By-Laws	- means By-Laws of the Company and all amendments thereto;
CEO	-means the Chief Executive Officer of the Company;
Chairman	- means the Chairman of the Board of the Company
Code	- means the Code of Corporate Governance for Publicly Listed Companies embodied in SEC Memorandum Circular No. 19 Series of 2016
Commission	- means the Philippine Securities and Exchange Commission
Company	- means Basic Energy Corporation
Conglomerate	- a group of corporations that has diversified business activities in varied industries, whereby the operations of such business are controlled and managed by a parent corporate entity
Corporate Governance	-the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders. It is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior-reconciling long-term customer satisfaction with shareholder value – to the benefit of all stakeholders and society.

Its purpose is to maximize the organization's long-term success, creating sustainable value for its shareholders, stakeholders and the nation.

Corporation Code	- means Batas Pambansa Blg. 68 otherwise known as the Corporation Code of the Philippines;
Director	- means a duly elected member of the Board of Directors;
Executive Director	- a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
Exchange	- means the Philippine Stock Exchange;
Enterprise Risk Management	- a process, effected by an entity's Board of Directors, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risks appetite, and provide reasonable assurance regarding the achievement of entity objectives.
Independent Director	- a person who is independent of management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.
Internal Control	- a process designed and effected by the board of directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable law, regulations, and the organization's policies and procedures.
Management	- a group of executives given authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Company;
Non-Executive Director	- a director who has no executive responsibility and does not perform any work related to the operations of the Company

Officers	-means the officers of the Company with the rank of Assistant Vice-President and above;
Related Party	- shall cover the Company's subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the company exerts direct or indirect control over or that exerts direct or indirect control over the company; the company's directors, officers; shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the company.
Related Party Transactions	- a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.
SEC	-- means the Philippine Securities and Exchange Commission
Securities Code	- means Republic Act No. 8799 otherwise known as the Securities Regulation Code and its implementing rules and regulations; and
Stakeholders	- any individual, organizations or society at large who can either affect and/or affected by the company's strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

A. THE GOVERNANCE RESPONSIBILITIES OF THE BOARD

1. ESTABLISHING A COMPETENT BOARD

The Board shall ensure the establishment of a competent, working board which shall foster the long-term viability and sustained growth of the Company, in a manner consistent with its corporate objectives and the best interests of its shareholders and other stakeholders. Towards this end, the Board shall be guided by the following policies:

a. The Board shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the Company's business. The Board shall ensure that it has an appropriate mix of competence, experience and expertise and that its members remain qualified for their position individually and collectively, to enable the Board to fulfil its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction of the Company.

b. The Board shall be composed of a majority of non-executive directors who can effectively participate and render an objective and independent judgment on matters submitted to the Board and on the business affairs of the Company and thus promote proper checks and balances between the Board and Management.

c. The Board shall support the training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors.

d. The Board shall adopt and implement a policy on board diversity to achieve optimal decision-making. Diversity shall include age, gender, skills, competence, knowledge, expertise and experience.

e. The Board shall ensure that the nominees for directors possess all the qualifications and none of the disqualifications of directors, as follows:

1) Qualifications of Directors:

- (i) Owner of at least one (1) share of stock of the Company standing in his name on the books of the Company;
- (ii) At least a college graduate or, in the absence of such college degree or formal education, with sufficient experience in managing a business;
- (iii) At least twenty-one (21) years old;
- (iv) Shall have been proven to possess integrity and probity; and
- (v) Shall be assiduous.

2). Disqualifications of Directors

(i) Permanent Disqualifications

The following shall be grounds for the permanent disqualifications of a director:

(a) Any persons 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 a 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 houses or as an affiliated person of any of them;

(b) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or wilfully violating laws of that govern securities and banking activities.

The disqualifications 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 Company Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or 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.

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

(d) Any person who has been adjudged by final judgment or order of the Commission, court or competent administrative body to have wilfully violated, or wilfully aided, abetted, counselled, induced or procured the violation of any provision of the Company Code, Securities Regulation Code

or any other law administered by the Commission or BSP, or any of its rule, regulation or order;

(e) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same Company;

(f) Any person judicially declared as insolvent;

(g) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (a) to (e) above;

(h) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or violation of the Company Code committed within five (5) years prior to the date of his election or appointment.

(ii) Temporary Disqualifications of a Director

The Board may provide for the temporary disqualification of a director for any of the following reasons:

(a) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its implementing rules and regulations. The disqualifications shall be in effect as long as the refusal persists.

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

(c) Dismissal or termination for cause as director of any company covered by the 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.

(d) If the beneficial equity ownership of an independent director is 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.

(e) If any of the judgments or orders cited in the grounds for permanent disqualifications has not become final.

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 disqualifications shall become permanent.

f. The Board shall be assisted in its duties by a Corporate Secretary who shall be a separate individual from the Compliance Officer. The Corporate Secretary shall not be a member of the Board of Directors and shall annually attend a training on corporate governance.

The Corporate Secretary is primarily responsible to the Company and its shareholders, and not to the Chairman or President of the Company and has, among others, the following duties and responsibilities:

- 1) Assists the Board and the Board Committees in the conduct of their meeting including preparing an annual schedule of Board and committee meetings and the annual board calendar; and assisting the chairs of the Board and its committees to set agendas for those meetings;
- 2) Safe keeps and preserve the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Company;
- 3) Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Company, and advises the Board and the Chairman on all relevant issues as they arise;
- 4) Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- 5) Advises on the establishment of Board Committees and their terms of reference;
- 6) Inform the members of the Board, in accordance with the By-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- 7) Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- 8) Performs required administrative functions;
- 9) Oversees the drafting of the articles and by-laws of the Company, and its amendments, and ensures that they conform with regulatory requirements; and

- 10) Performs such other duties and responsibilities as may be prescribed by the SEC.

g. The Board shall be assisted in its duties by a Compliance Officer, who shall have a rank of at least Assistant Vice President, consistent with the size, resources and net worth of the Company, with adequate stature and authority in the Company. The Compliance Officer shall not be a member of the Board of Directors and shall annually attend a training on corporate governance.

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

The Compliance Officer shall perform the following duties and responsibilities:

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

The appointment of the Compliance Officer shall be disclosed to the Commission on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to the Compliance Officer.

2. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

The fiduciary roles, responsibilities and accountabilities of the Board as provided under the Code, the Company's By-laws, and other applicable laws, rules and regulations shall be clearly made known to all directors as well as to shareholders and other stakeholders, to wit:

- a. The Board members shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and all shareholders, and not only those of the controlling group of shareholders.
- b. The Board shall oversee the development of and approve the Company's business objectives and strategy, and monitor their implementation, in order to sustain the Company's long-term viability and continued growth.
- c. The Board shall be headed by a competent and qualified Chairperson.

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

- 1) Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
 - 2) Guarantees that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions;
 - 3) Facilitates discussions on key issues by fostering an environment conducive for constructive discussions and leveraging on the skills and expertise of individual directors;
 - 4) Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
 - 5) Assures the availability of proper orientation for the first-time directors and continuing training opportunities for all directors; and
 - 6) Makes sure that performance of the Board is evaluated at least once a year and discussed/and followed up on.
- d. The Board shall adopt an effective succession planning program for directors and key officers to ensure the long-term growth and a continued stability of the Company. The Board shall adopt a policy on retirement age for directors and key officers as part of management succession and to promote dynamism in the Company.

e. The Board shall align the remuneration of key officers with the long-term interests of the Company. It shall adopt a policy specifying the relationship between remuneration and performance.

f. The Board shall ensure that a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality shall be set up by Management. The policy shall include the appropriate review and approval of material or significant RPTs to ensure fairness and transparency of the transactions. The policy shall encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations.

g. The Board shall be primarily responsible for approving the selection and assessing performance of Management led by the President and Chief Executive Officer (CEO), and the control functions led by the department heads. In line therewith, the Board shall establish an effective performance management framework that will ensure that the performance of Management, led by the President and CEO, is at par with the standards set by the Board.

h. The Board shall ensure that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, Board members, and shareholders. The Internal Audit Charter and Manual shall be approved by the Board.

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

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

The Board Charter shall include a formal and transparent board nomination and election policy that describes the processes by which it accepts nominations from minority shareholders and reviews qualifications of nominated candidates, in line with the strategic direction of the Company. The policy shall include an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.

3. ESTABLISHING BOARD COMMITTEES

The Board shall establish committees to assist the Board in the performance of its functions and responsibilities, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination of directors and remuneration of executive officers. The composition, functions and responsibilities of the committees shall be contained in their respective Committee Charters, which shall be posted in the Company's website.

The Board shall constitute the following committees: the Audit Committee, Corporate Governance Committee, Nominating Committee, and the Finance and Investments Committee. When warranted under relevant circumstances, the Board shall establish the Board Risk Oversight Committee and the Related Party Transactions Committee.

a. **Audit Committee**

The Audit Committee shall assist the Board in enhancing its oversight capability over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The committee shall be composed of at least five (5) non-executive directors, the majority of whom, including the Chairman, shall be independent directors. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing, finance and regulatory compliance. The Chairman of the Audit Committee shall not be the Chairman of the Board or the Chairman of any other committees.

The Audit Committee shall have the following responsibilities:

- 1) Recommends to the Board the approval of the Internal Audit Charter, which formally defines the role of Internal Audit and the audit plan, and oversees the implementation of said Charter;
- 2) Through the Internal Audit unit, monitors and evaluates the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the Company's resources and ensure their effective utilization; (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the Company's financial data, and (d) ensure compliance with applicable laws and regulations;
- 3) Oversees the Internal Audit unit, which shall be either established within the organization or outsourced, and recommends the appointment and/or grounds for approval of the internal audit head. If the internal audit function is outsourced, the Audit Committee shall

approve the terms and conditions for outsourcing internal audit services;

- 4) Establishes and identifies the reporting time of the Internal Audit to enable him to properly fulfill his duties and responsibilities. For this purpose, he shall directly report to the Audit Committee.
- 5) Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;
- 6) Prior to the commencement of the audit of the financial statements of the Company, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- 7) Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Company's overall consultancy expenses. The Committee should disallow any non-audit work that will conflict with its duties as an External Auditor or may pose a threat to its independence. The non-audit work, if allowed, should be disclosed in the Company's Annual Report and Annual Corporate Governance Report;
- 8) Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
 - * Any change/s in accounting policies and practices
 - * Areas where a significant amount of judgment has been exercised
 - * Significant adjustments resulting from the audit
 - * Going concern assumptions
 - * Compliance with accounting standards
 - * Compliance with tax, legal and regulatory requirements
- 9) Reviews the disposition of the recommendations in the External Auditor's management letter;
- 10) Performs oversight functions over the Company's Internal and External Auditors, to ensure their independence, and that both auditors

are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

- 11) Recommends to the Board the appointment, reappointment, removal and audit fees of the External Auditor, which should be duly accredited by the Commission, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders;
- 12) Meets with the Board at least once a quarter without the presence of the President and CEO or other management team members, and periodically meets with the Internal Auditor; and
- 13) Performs the functions of the Board Risk Oversight Committee and Related Party Transactions Committee, in the meantime that these committees have not been established. .

b. Corporate Governance Committee

The Corporate Governance Committee shall be tasked to assist the Board in the performance of its corporate governance responsibilities. The Committee shall be composed of at least five (5) members, at least three of whom shall be independent directors. The Chairman of the Committee shall be an independent director. All of the members of the committee must have adequate and relevant background, knowledge, skills, and/or experience in the fields of accounting, auditing, legal and regulatory compliance.

The Corporate Governance Committee shall have the following responsibilities:

- 1) Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of the material changes to the Company's size, resources, complexity and business strategy, as well as its business and regulatory environments;
- 2) Oversees the periodic performance evaluation of the Board and its Committees as well as Management, and conducts an annual self-evaluation of its performance as a Committee;
- 3) Ensures that the results of the Board's performance evaluation are shared, and discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- 4) Recommends continuing education/training programs for directors, assignment of tasks/projects to a board committee, succession plan for

the Board members and Management and remuneration packages for corporate and individual performance.

- 5) Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- 6) Proposes and plans relevant trainings for the members of the Board; and
- 7) Establishes a formal and transparent cedure to develop a policy for determining the remuneration of officers that is consistent with the Company's business objectives and strategies as well as the business environment in which it operates.

c. Nominating Committee

The Nominating Committee shall be tasked to assist the Board in overseeing the nomination, screening and election process for members of the Board, ensuring that the nominees possess the qualifications and none of the disqualifications prescribed in the Manual. The Committee shall be composed of at least three (3) members, at least one (1) of whom shall be an independent director. The Chairman of the Committee shall be the Chairman of the Board of Directors of the Company. All of the members of the Committee must have adequate and relevant background, knowledge, skills, and/or experience in the fields of business and management and in the line of business of the Company.

The Nominating Committee shall have the following responsibilities:

- 1) Defines the general profile of the members of the Board that the Company may need to sustain its growth, stability and viability, ensuring that appropriate knowledge, competencies, experience and expertise are identified to match or complement the existing skills and competencies of the individual members of the Board;
- 2) Prescribes the nomination and election process for the Company's directors. This process must recognize the right of stockholders to nominate candidates for members of the Board, and shall be transparent and made public by posting the same in the Company's website.
- 3) Pre-screens and shortlists candidates nominated to become members of the Board considering factors such as judgment, skill, expertise and experience and compared with other business organizations of a size comparable to that of the Company, and the interplay of a candidate's

background, skill and experience with that of the other nominees or directors.

d. Board Risk Oversight Committee

The Board Risk Oversight Committee shall be established by the Board when the Company has attained such size, when its operations has become complex and its risk profile has increased to warrant the establishment of the said committee. When established, the Board Risk Oversight Committee (BROC) shall be responsible for the oversight of the Company's Enterprise Risk Management framework to ensure its functionality and effectiveness. The BROC shall be composed of at least three (3) members, the majority of whom should be independent directors, including the Chairman. The Chairman should not be the Chairman of the Board or the Chairman of any other committee. At least one member of the committee must have a relevant and thorough knowledge and experience on risk management.

The BROC shall have the following duties and responsibilities, among others:

- 1) Develop a formal enterprise risk management plan which contains the following elements: (i) common language or register of risks, (ii) well-defined risk management goals, objectives and oversight, (iii) uniform processes of assessing risks and developing strategies to manage prioritized risks, (iv) designing and implementing risk management strategies, and (v) continuing assessments to improve risk strategies, processes and measures;
- 2) Overseas the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The BROC conducts regular discussions on the Company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- 3) Evaluate the risk management plan to ensure its continued relevance, comprehensive and effectiveness. The BROC revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
- 4) Advises the Board on its risk appetite levels and risk tolerance limits;
- 5) Reviews at least annually the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Company;
- 6) Assess the possibility of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence.

Identifies priority areas of concern, which are those risks that are the most likely to occur and to impact the performance and stability of the Company and its stakeholders;

7) Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Company. This function includes regularly receiving information on risk exposures and risk management activities from Management; and

8) Reports to the Board on a regular basis or as deemed necessary, the Company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

e.. Related Party Transactions Committee

The Related Party Transaction (RPT) Committee shall be established by the Board, when the Company has attained such size and resources, when its operations has become complex and its risk profile has increased to warrant the establishment of the said committee. The Related Party Transaction (RPT) Committee shall be tasked with reviewing all material related party transactions of the Company and should be composed of at least three non-executive directors, two of whom should be independent directors, including the Chairman. At least one (1) member of the Committee should have an adequate and relevant experience in accounting and auditing.

The RPT Committee shall have the following responsibilities:

1) Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice-versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;

2) Evaluates all material RPTs to ensure that these are not undertaken on more favourable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of the or in connection with the transactions. In evaluating the RPTs, the Committee takes into account, among others the following:

(i) The related party's relationship of the proposed RPT;

- (ii) The material facts of the proposed RPT, including the proposed aggregate value of such transactions;
 - (iii) The benefits to the Company of the proposed RPT;
 - (iv) The availability of other sources of comparable products or services; and
 - (v) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
- 3) Ensures that appropriate disclosure is made and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Company's affiliation or transactions with other related parties;
- 4) Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- 5) Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
- 6) Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

e. Finance and Investments Committee

The Finance and Investments Committee assists the Board in its responsibility to oversee the management and disposition of the funds and assets of the Company, ensuring that all projects and investment proposals and its funding requirements are consistent with the business strategy of the Company and are within the approved budgets for such projects and investments. The Committee shall be composed of at least seven (7) members, and at least one (1) member should be an Independent Director. All of the members of the Committee shall have adequate and relevant competencies, knowledge, skills, and/or experience in the areas of finance, accounting and auditing, investment or fund management and energy development and business.

The Committee shall have the following responsibilities:

- 1) Oversees the management of funds and assets of the Company by Management;
- 2) Ensures that the business strategies approved by the Board are properly implemented by Management;
- 3) Reviews the financial reports and statements of the Company and ensures that Management keeps and maintains a complete and accurate record of all financial transactions;
- 4) Reviews the annual operating budgets of the Company, including the budgets allocated for projects and investments, ensuring that funds for projects and investments are properly disbursed and used for the purpose for which these funds were allocated;
- 5) Reviews and recommends to the Board all major capital expenditures and investments of the Company;
- 6) Recommends capital or debt raising activities or options which may be undertaken by the Company; and
- 7) Reviews the capital structure of the Company and recommends to the Board measures to address issues relative to the capital structure and shares of the Company

e. Charters of the Board Committees

1) All Committees shall have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters shall provide the standards for evaluating the performance of the Committees and shall fully be disclosed and posted in the Company's website.

2) The respective Charters of the Board Committees shall be approved by the Board and shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by the Board.

4. FOSTERING COMMITMENT

Directors are enjoined to devote the time and attention necessary to properly and effectively perform their duties and responsibilities as directors, including sufficient time to be familiar with the Company's business. The following practices are designed to foster and demonstrate commitment of directors to the Company:

- a. Attendance and active participation in all meetings of the Board, Committees and Shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission and the By-laws of the Company, except when justifiable causes occur such as, illness, death in the immediate family and serious accidents, which prevent a director from attending and participating in the meetings. In Board and Committee meetings, it is the directors' duty to review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations from the Board or Management.
- b. Setting a limit for concurrent directorships of non-executive directors, to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals and views, and oversee the long-term strategy of the Company.
- c. Requiring directors to notify the Chairman of the Board before accepting a directorship in another company.

V. REINFORCING BOARD INDEPENDENCE

The Board shall endeavour to exercise an objective and independent judgment on all corporate affairs. The following policies are adopted to reinforce independence of the Board from Management.

- a. The Board shall have at least three (3) independent directors.

"Independent Director" means a person who is independent of management and controlling shareholder, and is free from any business or other relationship which could or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a directors

The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

An Independent Director refers to a person who ideally:

- 1) Is not, or has not been a senior officer or employee of the company unless there has been a change in the controlling ownership of the company;

- 2) Is not, and has not been in the three years immediately preceding the election, a director of the company; a director, officer, employee of the company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the company's substantial shareholders and its related companies;

- 3) Has not been appointed in the company, its subsidiaries, associates, affiliated or related companies as Chairman "Emeritus", "Ex-Officio" Directors/Officers or

Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three years immediately preceding his election;

4) Is not a relative of a director, officer, or substantial shareholder of the Company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;

5) Is not an owner more than two percent (2%) of the outstanding shares of the Company, its related subsidiaries, associates, affiliates or related companies;

6) Is not acting as a nominee or representative of any director of the Company, or any of its related companies;

7) Is not employed as an executive officer of another Company where any of the Company's executives serve as directors;

8) Is not retained, either in his personal capacity or through his firm, as professional adviser, auditor, consultant, agent or counsel of the Company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three (3) years immediately preceding the date of election;

9) Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refer to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;

10) Does not engage and has not engaged, whether by himself or with other person or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the Company or any of its related companies or substantial shareholders, other than transactions which are conducted at arms length and are immaterial and could not materially interfere with or influence the exercise of his independent judgment;

11) Is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders.

Related companies, as used in this section, refer to (a) its holding company/parent company; (b) its subsidiaries; and (c) a subsidiaries of its holding/parent company.

The Board's Independent Directors shall serve for a maximum cumulative term of nine (9) years, reckoned from 2012, pursuant to SEC Memorandum Circular No. 4, series of 2017. After which, the independent director concerned shall be perpetually barred from reelection as such in the Company; but may continue to qualify for

nomination and election as a non-independent director. In case the Board decides to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

b. The positions of Chairman of the Board and the Chief Executive Officer shall be held by separate individuals and each should have clearly defined responsibilities, to foster an appropriate balance of power, increased accountability and better environment for independent views and perspectives in the decision-making process of the Board.

The Chief Executive Officer shall have the following roles and responsibilities, among others:

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

c. The Board shall designate a lead director among the independent directors if the Chairman of the Board is not independent in relation to the Chief Executive Officer, and also if the positions of the Chairman of the Board and Chief Executive Officer are held by one person.

The functions of the lead director include, among others, the following:

- 1) Serves as intermediary between the Chairman and the other directors when necessary;
 - 2) Convenes and chairs meetings of the non-executive directors;
 - 3) Contributes to the performance evaluation of the Chairman, as required.
- d. A director with a material interest in any transaction affecting the Company shall abstain from taking part in the deliberations for the same.
- e. The non-executive directors shall have periodic meetings with the external auditor and head of the internal audit, compliance and risk functions, without any executive director or member of Management present to ensure that proper checks and balances are in place within the Company. The meetings shall be chaired by the lead independent director.

6. ASSESSING BOARD PERFORMANCE

The Board shall ensure that an assessment process is regularly and consistently conducted to evaluate and assess its performance as a body, and assess whether it possesses the right mix of backgrounds, skills, competencies and experience of its members. In line therewith, the Board shall have the following responsibilities:

- a. An annual self-assessment of the Board's performance, including the performance of the Chairman, the individual directors and the Committees shall be conducted and monitored by the Corporate Governance Committee.
- b. Every three (3) years, an external facilitator may be engaged to assist the Board in the evaluation process to achieve objectivity of the assessment.
- c. The assessment process shall include, at the minimum, the criteria and standards and processes to determine the performance of the Board, the individual directors and the Committees, and a feedback mechanism from the shareholders. The Corporate Governance Committee shall oversee the evaluation process.

7. STRENGTHENING BOARD ETHICS

As members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders, the Board shall have the following responsibilities:

- a. The Company shall adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. Said code shall be

properly disseminated to the Board, senior management and employees and should also be disclosed and made available to the public through the Company's website.

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

B. DISCLOSURE AND TRANSPARENCY

1. ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES

The Company shall establish corporate disclosure policies and procedures that are practical and in accordance with best practices and in compliance with the disclosures under the Securities Regulation Code, the Philippine Stock Exchange Listing and Disclosure Rules and other applicable rules and regulations.

To ensure comprehensive and timely disclosures, the Company shall:

a. Formalize corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of the Company's financial condition and results of operation.

b. Set a policy requiring all directors and officers to disclose/report to the Compliance Officer any dealings or transactions involving the Company's shares within three (3) business days.

c. Fully disclose all relevant and material information on individual directors and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.

d. Provide a clear disclosure of its policies and procedures for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report. Also, the Company shall disclose the remuneration of directors and executive officers on an individual basis, including termination and retirement provisions.

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

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

g. Post the Company's corporate governance policies, programs and procedures as contained in its Manual on Corporate Governance, in the Company's website. .

2. STRENGTHENING THE EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY

The Audit Committee shall establish standards for the appropriate selection or renewal of engagement of the External Auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality. Thus-

a. The Audit Committee shall have a robust process for approving and recommending the appointment, reappointment, removal and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor should be recommended by the Audit Committee, approval by the Board and ratified by the shareholders. For removal of the external auditor, the reasons for removal or change should be disclosed to the Securities and Exchange Commission and the Philippine Stock Exchange and the public through the Company's website and required disclosures.

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

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

3. INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING

The material and reportable non-financial and sustainability issues of the Company shall be disclosed in the audited financial statements of the Company.

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

4. PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION

The Company shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

The Company may include, when warranted by the nature, materiality and relevance of the information, media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.

C. INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK

1. STRENGTHENING THE INTERNAL CONTROL SYSTEM

The Company shall institute a strong and effective internal control system and enterprise risk management framework, to ensure the integrity, transparency and proper governance in the conduct of its affairs.

a. The Company shall have an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, when warranted by the size, risk profile and complexity of its operations.

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

The following are the functions of the internal audit, among others:

- 1) Provides an independent risk-based assurance services to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- 2) Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
- 3) Performs consulting and advisory services related to governance and control as appropriate for the organization;

4) Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;

5) Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;

6) Evaluates operations or programs to ascertain whether results are consistent with established objective and goals, and whether the operations or programs are being carried out as planned;

7) Evaluates specific operations at the request of the Board or Management, as appropriate; and

8) Monitors and evaluates governance processes.

c. The Company's internal audit activity may be a fully resourced activity housed within the organization or may be outsourced to qualified independent third party service providers.

d. When warranted the Company's size, risk profile and complexity of operations, the Company shall engage a qualified Chief Audit Executive (CAE) appointed by the Board. The CAE shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party provider. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management officer shall be assigned the responsibility for managing the fully outsourced internal audit activity.

The following are the responsibilities of the Chief Audit Executive (CAE), among others:

1) Periodically reviews the internal audit charter and presents it to senior management and the Board Audit Committee for approval;

2) Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;

3) Communicates the internal audit activity's plans, resources requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;

4) Spearheads the performance of the internal audit activity to ensure it adds value to the organization;

5) Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and

- 6) Present findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

2. ESTABLISHING THE RISK MANAGEMENT FRAMEWORK

a. When warranted by the Company's size, risk profile and complexity of operations, the Company shall have a separate risk management function to identify, assess and monitor key risk exposures.

The risk management functions involve the following activities, among others:

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

b. In managing the Company's Risk Management System, the Company shall have a Chief Risk Officer (CRO), who is the ultimate chairperson of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to the Company's size, risk profile and complexity of operations.

The Chief Risk Officer (CRO) has the following function, among others:

- 1) Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentations;
- 2) Communicates the top risks and the status of implementation of risk management strategies and actions plans to the Board of Risk Oversight Committee;
- 3) Collaborate with the Chief Executive Officer (CEO) in updating and making recommendations to the Board Risk Oversight Committee;

- 4) Suggests ERM policies and related guidance, as may be needed; and
- 5) Provides insights on the following:
 - Risk management processes are performing as intended;
 - Risk measures reported are continuously reviewed by risk owners for effectiveness; and
 - Established risk policies and procedures are being complied with.

D. CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS

1. PROMOTING SHAREHOLDER RIGHTS

a. The Company shall treat all shareholders fairly and equitably, and shall also recognize, protect and facilitate the exercise of their rights as stockholders of the Company, such as but not limited to the following:

1). Voting Rights

Shareholders participate in controlling the business and corporate affairs of the Company by exercising their right to vote on the election or removal of directors and certain corporate acts wherein the Corporation Code requires the affirmative vote of the stockholders representing at least 2/3 of the outstanding capital stock of the Company, namely:

(i) the amendment of the articles of incorporation and by-laws, such to increase or decrease the authorized capital stock or to shorten or extend the corporate life of the Company;

(ii) creation of any bonded indebtedness;

(iii) the sale or disposition of all or substantially all of the assets of the Company;

(iv) the investment of corporate funds in another corporation or business purpose other than the primary purpose for which the Company is organized;

(v) declaration of stock dividends;

(vi) entering into management contracts; and

(vii) delegation of the power to amend the by-laws.

2). Right to Dividends

Shareholders have to the right to receive dividends subject to the existence of unrestricted retained earnings and subject further to the discretion of the Board.

3). Right to Inspect Records of Business Transactions

The records of all business transactions and the minutes of any meetings shall be open to inspection by any director or stockholder of the Company at reasonable hours on business days and for a proper or legitimate purpose. A stockholder may demand, in writing, for a copy or excerpts from said records or minutes, at his expense (Section 74 of the Corporation Code).

4). Right to Financial Statements

Under Section 75 of the Corporation Code, within ten (10) days from receipt of a written request of any stockholder, the Company shall furnish him the most recent financial statement to include the balance sheet as of the end of the last taxable year and a profit or loss statement for said taxable year, showing in reasonable detail its assets and liabilities and results of its operations.

Likewise, at the regular meeting of stockholders, the Board shall present to the stockholders a financial report of the operations of the Company for the preceding year, audited by the Company's external auditor.

5). Appraisal Right

Under Section 81 of the Corporation Code, any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in case of (i) any amendment to the articles of incorporation which has the effect of changing or restricting the rights of any stockholder or authorizing any preference superior to the outstanding shares of the Company or extending or shortening the term of corporate existence of the Company; (ii) sale or disposition of all or substantially all of the assets of the Company and (iii) merger or consolidation. The exercise of this right, however, is subject to the requirements of Section 82 of the Corporation Code.

6). Rights in Connection with Stockholders' Meetings

The Board shall set the date, time and venue for annual stockholders' meetings as prescribed under the Company's By-laws. Special meeting of stockholders may be called by the Chairman or by the Board. The setting of the annual stockholders' meeting by the Board shall be disclosed by the Company to the Philippine Stock Exchange, immediately after approval of such setting. At any time prior to such disclosure on the setting of the stockholders' meeting by the Board, a stockholder may submit a written request addressed to the Chairman of the Board to call for the annual stockholders meeting and to include a proposal for agenda items to be taken up in the said meeting. The stockholder concerned shall be immediately

advised if his proposed agenda item is not included in the agenda for the meeting, including the reasons or justifications for non-inclusion.

Pursuant to Section 50 of the Corporation Code, whenever, for any cause, the Chairman or the Board fails to call for a stockholders' meeting, any stockholder may petition the Securities and Exchange Commission, upon showing of good cause therefor, for the calling of a stockholders' meeting.

7). Right to Nominate Nominees for Election as Members of the Board of Directors

The nomination procedures for regular and independent directors adopted by the Board follows the nomination procedures for independent directors under the Securities Regulation Code, to wit:

(i) Nominations shall be signed by the nominating stockholder and accepted by the would-be nominee and submitted to the Nominating Committee before the setting by the Board of the annual stockholders' meeting.

(ii) the Nominating Committee pre-screens the would-be nominees, ensuring that they possess all the qualifications and that they do not possess any of the disqualifications for directors as prescribed in this Manual on Corporate Governance. The Nominating Committee shall have the right to require the nominating stockholder to submit a resume of the would-be nominee and such other documents as may be necessary for the Nomination Committee to undertake its pre-screening functions.

(iii) After the pre-screening process, the Nominating Committee prepares a final list of all nominees and submits the list to the Board of Directors for approval, complete with the information required by the Securities Regulation Code.

(iv) The final list of nominees as approved by the Board shall be immediately disclosed to the Securities and Exchange Commission and the Philippine Stock Exchange, and in the Information Statement furnished to all stockholders prior to the stockholders' meeting.

(iv) Only nominees whose names appear on the Final List of Nominees shall be eligible for election as directors. No other nomination shall be entertained after the Final List of Nominees shall have been disclosed and submitted to the Securities and Exchange Commission and the Philippine Stock Exchange. No further nominations shall be entertained or allowed on the floor during the actual stockholders' meeting.

8). Voting Procedures Governing Stockholders' Meetings

(i) Voting Rights

Under the Company's By-laws, every stockholder is entitled to one vote for each share of stock standing in his name in the books of the Company, except in the case of voting for election of directors as discussed in item (ii) below. Every stockholder entitled to vote at the stockholders' meeting may vote in person or by proxy. The proxy form shall be in accordance with the Securities Regulation Code and shall be submitted to the Corporate Secretary at least ten (10) days prior to the date of the meeting.

(ii) Voting Process for the Election of Directors

In the election of directors, every stockholder entitled to vote shall be allowed to accumulate his vote in accordance with the provisions of the Corporation Code. The top eleven (11) nominees with the most number of votes will be declared as the elected directors. If the number of the nominees does not exceed the number of directors to be elected, all the shares present or represented at the meeting will be cast by the Corporate Secretary in favour of the nominees. If the number of nominees exceeds the number of directors to be elected, voting will be done by ballot.

Counting of votes in the ballots will be done by the Corporate Secretary (or his authorized representatives) with the assistance of the representatives of the external auditors and the stock transfer agent of the Company. All votes attaching to the shares of common stock owned by stockholders whose proxies were received by the Corporate Secretary will be cast in accordance with the instructions given or authority granted under the proxies.

b. The Board shall encourage active participation by sending the Notice of Annual and Special Shareholders' Meetings with sufficient and relevant information at least twenty-eight (28) days before the meeting and having the notice posted in the Company's website.

c. The Board shall encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. Minutes of the meetings shall be available on the Company's website within five (5) business days from the end of the meeting.

d. The Board shall make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner. When this mechanism and its implementing procedures are adopted, the same shall be included in the Company's Manual on Corporate Governance and posted in the Company's website.

e. The Board shall establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. A designated IRO officer should be present at every shareholders' meeting.

2. RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS

FOR VIOLATION OF STAKEHOLDER'S RIGHTS

a. The Board shall identify the Company's various stakeholders and promote cooperation between them and the Company in creating long-term viability, growth and sustainability.

b. The Board shall establish clear policies and programs to provide a mechanism for fair treatment and protection of stakeholders.

c. The Board shall adopt a transparent framework and process that allow stakeholders to communicate with the Company and to obtain redress for the violation of their rights. Communication channels shall be the IRO and the Office of the Corporate Secretary.

3. ENCOURAGING EMPLOYEES' PARTICIPATION

a. The Company shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and in its governance.

The establishment of policies and programs covering, among others, the following (1) health, safety and welfare; (2) training and development; and (3) reward/compensation for employees, encourages employees to perform better and motivates them to take a dynamic role in the Company.

b. The Board prohibits corrupt practices within the Company. An anti-corruption policy and program is incorporated in its Code of Business Conduct and Ethics, which shall be disseminated to all employees through orientations and trainings, to embed them in the Company's culture.

c. The Company's Code of Business Conduct and Ethics includes a policy on whistleblowing that allows employees to freely communicate their concerns and feedbacks about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board and to the Compliance Officer who shall handle whistleblowing concerns. The Board shall be conscientious in ensuring the enforcement of the policy on whistleblowing.

4. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY

The Company recognizes its social responsibility to the communities where it operates. It shall ensure that its operations serve its environment and stakeholders in a positive and progressive manner that is fully supportive of a comprehensive, balanced and sustainable development, and promotes a mutually beneficial relationship between the

Company and the community that allows the Company to grow its business, while contributing to the advancement of the communities where it operates. This means that the Company shall not only comply with the existing rules and regulations but shall also initiate or contribute solutions to the various economic, environmental, civic and social issues, needs and concerns prevailing in the community.

For this purpose, the Company has established the Basic Energy CSR Foundation, Inc. that will implement the corporate social responsibility (CSR) of the Company and is tasked to develop the CSR programs and activities for the various projects of the Company, and carry-out the same as approved by the Board, ensuring that the objectives of these programs and activities for the general welfare of the communities concerned are achieved.

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Oscar C. De Venecia
Chairman of the Board



Angel P. Gahol
Compliance Officer