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Date: Friday, July 12, 2013 3:39 AM

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Reference Number: WLIST\_\_2013000031992  
Company Name: Basic Energy Corporation  
Disclosure Subject: Annual Corporate Governance Report for year 2013  
Status: APPROVED

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July 11, 2013

**THE DISCLOSURE DEPARTMENT**  
2/F The Philippine Stock Exchange, Inc.  
Twin Tower, PSE Centre,  
Makati City

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

Gentlemen:

Attached is the Annual Corporate Governance Report for 2013 filed with the Securities and Exchange Commission on July 11, 2013.

Very truly yours,



**ANGEL P. GAHOL**  
Compliance Officer



107112013002593



## SECURITIES AND EXCHANGE COMMISSION

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year 2013
2. Exact Name of Registrant as Specified in its Charter BASIC ENERGY CORPORATION
3. 7/F Basic Petroleum Bldg., 104 Carlos Palanca St., Legaspi Village, Makati City  
Address of Principal Office Postal Code
4. SEC Identification Number 36359
5. [REDACTED] (SEC Use Only)  
[REDACTED] Industry Classification Code
6. BIR Tax Identification Number 000-438-702-000
7. + (632) 817-8596/98  
Issuer's Telephone number, including area code
8. Not Applicable  
Former name or former address, if changed from the last report

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**A. BOARD MATTERS**

1) Board of Directors

Number of Directors per Articles of Incorporation	11
---	----

Actual number of Directors for the year	11
---	----

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type (Executive (ED), Non-Executive (NED) or Independent Director (ID))	If nominee, identify the principal	Nominator in the last election (If ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
OSCAR C. DE VENECIA	NED		Nominating Committee	1972	May 30, 2012	May 29, 2013	41
FRANCIS C. CHUA	NED		Nominating Committee	1998	May 30, 2012	May 29, 2013	15
RAMON L. MAPA	NED		Nominating Committee	1976	May 30, 2012	May 29, 2013	37
OSCAR L. DE VENECIA, JR.	ED		Nominating Committee	1997	May 30, 2012	May 29, 2013	16
ISIDORO O. TAN	NED		Nominating Committee	1993	May 30, 2012	May 29, 2012	20
MA. FLORINA M. CHAN	NED		Nominating Committee	2008	May 30, 2012	May 29, 2013	5
EDUARDO V. MANALAC	NED		Nominating Committee	2009	May 30, 2012	May 29, 2013	4
JAIME J. MARTIREZ	NED		Nominating Committee	2007	May 30, 2012	May 29, 2013	6
GABRIEL R. SINGSON, JR.	NED		Nominating Committee	2008	May 30, 2012	May 29, 2013	5
OSCAR S. REYES	ID		Nominating Committee	2007	May 30, 2012	May 29, 2013	6
DENNIS D. DECENA	ID		Nominating Committee	2008	May 30, 2012	May 29, 2013	5

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities. **(Please see attached excerpts from the Company's Corporate Governance Manual)**

(c) How often does the Board review and approve the vision and mission? **At least annually**

(d) Directorship in Other Companies

(i) Directorship in the Company's Group<sup>2</sup>

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of

<sup>1</sup> Reckoned from the election immediately following January 2, 2012.

<sup>2</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
OSCAR C. DE VENECIA	Basic Biofuel Corporation Basic Ecomarket Farms, Inc Basic Geothermal Energy Corp iBasic, Inc. Basic Diversified Industrial Holdings, Inc. Southwest Resources, Inc. Pan-Phil Aqua Culture Corp	NED/Chairman NED/Chairman NED/Chairman NED/Chairman NED/Chairman NED/Chairman NED/Chairman
FRANCIS C. CHUA	Basic Biofuel Corporation Basic Ecomarket Farms, Inc. Basic Geothermal Energy Corp. iBasic, Inc. Basic Diversified Industrial Holdings, Inc. Southwest Resources, Inc.	NED NED NED NED NED NED
RAMON L. MAPA	Basic Biofuels Corporation Basic Ecomarket Farms, Inc. Basic Geothermal Energy Corp iBasic, Inc. Basic Diversified Industrial Holdings, Inc. Southwest Resources, Inc. Pan-Phil Aqua Culture Corp.	NED NED NED NED NED NED NED
OSCAR L. DE VENECIA, JR.	Basic Biofuels Corp Basic Ecomarket Farms, Inc. Basic Geothermal Energy Corp iBasic, Inc. Basic Diversified Industrial Holdings, Inc. Southwest Resources, Inc. Pan-Phil Aqua Culture Corp.	ED/PRESIDENT ED/PRESIDENT ED/PRESIDENT ED/PRESIDENT ED/PRESIDENT ED/PRESIDENT ED/PRESIDENT
ISIDORO O. TAN	Basic Biofuels Corp Basic Ecomarket Farms, Inc. Basic Geothermal Energy Corp iBasic, Inc. Basic Diversified Industrial Holdings, Inc. Southwest Resources, Inc.	NED NED NED NED NED NED
EDUARDO V. MANALAC	Basic Biofuels Corp Basic Ecomarket Farms, Inc. Basic Geothermal Energy Corp iBasic, Inc. Basic Diversified Industrial Holdings, Inc. Southwest Resources, Inc. Pan-Phil Aqua Culture Corp	NED NED NED NED NED NED NED
JAIME J. MARTIREZ	Basic Biofuels Corp Basic Ecomarket Farms, Inc. Basic Geothermal Energy Corp iBasic, Inc.	NED NED NED NED

	Basic Diversified Industrial Holdings, Inc. Southwest Resources, Inc. Pan-Phil Aqua Culture Corp	NED NED NED
GABRIEL R. SINGSON, JR.	Basic Biofuels Corp Basic Ecomarket Farms, Inc. Basic Geothermal Energy Corp iBasic, Inc. Basic Diversified Industrial Holdings, Inc. Southwest Resources, Inc.	NED NED NED NED NED NED
MA. FLORINA M. CHAN	Basic Biofuels Corp Basic Ecomarket Farms, Inc. Basic Geothermal Energy Corp iBasic, Inc. Basic Diversified Industrial Holdings, Inc. Southwest Resources, Inc.	NED NED NED NED NED NED
OSCAR S. REYES	Basic Biofuels Corp Basic Ecomarket Farms, Inc. Basic Geothermal Energy Corp iBasic, Inc. Basic Diversified Industrial Holdings, Inc. Southwest Resources, Inc.	ID ID ID ID ID ID
DENNIS D. DECENA	Basic Biofuels Corp Basic Ecomarket Farms, Inc. Basic Geothermal Energy Corp iBasic, Inc. Basic Diversified Industrial Holdings, Inc. Southwest Resources, Inc.	ID ID ID ID ID ID

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Francis C. Chua	Phil. Stock Exchange, Inc.	Non-Executive Director
Oscar S. Reyes	Ayala Land, Inc.	Independent Director
	Bank of the Phil. Islands	Non-Executive Director
	Manila Electric Company	President & CEO/Executive Director
	Philippine Long Distance Co.	Non-Executive Director
	Pepsi Cola Products Phils., Inc.	Independent Director/Chairman

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

OSCAR L. DE VENECIA, JR	OSCAR C. DE VENECIA	SON

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? **No, but the matter will be discussed in the next meeting of the Corporate Governance Committee.** In particular, is the limit of five board seats in other publicly listed companies imposed and observed? **No.** If yes, briefly describe other guidelines:

<b>Executive Director</b>		
<b>Non-Executive Director</b>		
<b>CEO</b>		

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
OSCAR C. DE VENECIA	8,110,000	3,000,000	.449
FRANCIS C. CHUA	10,000	4,999,998	.2024
RAMON L. MAPA	268,635		.011
OSCAR L. DE VENECIA, JR.	516,334	1,500,000	.082
ISIDORO O. TAN	24,822,276	3,000,000	1.126
EDUARDO V. MANALAC	10,000	3,000,000	.1214
JAIME J. MARTIREZ	10,000	3,000,000	.1214
GABRIEL R. SINGSON, JR.	10,000	3,000,000	.1214
MA. FLORINA M. CHAN	10,000	3,000,000	.1214
OSCAR S. REYES	10,000	3,000,000	.1214
DENNIS D. DECENA	10,000	400,000	.0164
<b>TOTAL</b>	<b>33,787,245</b>	<b>27,899,998</b>	<b>2.4982</b>

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes  No

Identify the Chair and CEO:

<b>Chairman of the Board</b>	OSCAR C. DE VENECIA
<b>CEO/President</b>	OSCAR L. DE VENECIA, JR.

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	<b>Chairman</b>	<b>Chief Executive Officer</b>
<b>Role</b>	Ensure that the meetings of the Board are held in accordance with By-Laws	Manages the day-to-day operations of the Company.
<b>Accountabilities</b>	To ensure qualitative and timely communication and information lines between and among the Board and Management.	Accountable for the efficient and effective operations of the Company and for the implementation of strategic plans as approved by the Board.
<b>Deliverables</b>	Supervision of the preparation of the agenda of the meeting in coordination with the Corporate Secretary; Schedule of Board Meetings and materials for the Board of Directors	Monitoring and compliance with budgets for operating and capital expenditures of the various projects of the Company

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions? **The Board of Directors discuss succession planning at the organizational meeting of the Board after the election of members of the Board of Directors at the annual stockholders' meetings.**

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain. **Yes, the members of the present directors have wide and valuable experiences in oil and gas exploration, production and distribution, and also in the fields of banking, finance and investments.**

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain. **Yes, the Chairman of the Board, Oscar C. de Venecia and the President, Oscar L. de Venecia, Jr. and Directors Manalac and Reyes have vast experiences in the oil and gas industry.**

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent Director</b>
<b>Role</b>	CEO/President	Directors	Directors
<b>Accountabilities</b>	Please refer to the above schedule	Please refer to the Company's Code of Corporate Governance	Please refer to the Company's Code of Corporate Governance
<b>Deliverables</b>	Please refer to the above schedule	Please refer to the Company's Code of Corporate Governance	Please refer to the Company's Code of Corporate Governance

Provide the company's definition of "independence" and describe the company's compliance to the definition. **An independent director is one who is independent of management and who, apart from his fees and shareholdings, is free from any business or other relationship with the Company which could or could reasonably be perceived to, materially interfere with his exercise of independent judgment.**

Does the company have a term limit of five consecutive years for independent directors? **None, but this matter will be discussed at the next meeting of the Corporate Governance Committee.** If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain. **No, but this matter will be discussed at the next meeting of the Corporate Governance Committee.**

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
NONE			

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	Nomination Process conducted by the Nomination Committee	a. Possession of all prescribed qualifications b. Non-possessions of any disqualifications c. Other factors such as judgment, skill, experience, interplay of nominee's experience and qualifications with other nominees, and other value-added factors
(ii) Non-Executive Directors	(Same as above)	(Same as above)
(iii) Independent Directors	(Same as above)	(Same as above)
<b>b. Re-appointment</b>		
(i) Executive Directors	Nomination Process conducted by the Nomination Committee	(Same as above)
(ii) Non-Executive Directors	(Same as above)	(Same as above)
(iii) Independent Directors	(Same as above)	(Same as above)
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	Please refer to 5.1.7BI of Manual of Corporate Governance	Please refer to 5.1.7BI of Manual of Corporate Governance
(ii) Non-Executive Directors	(Same as above)	(Same as above)
(iii) Independent Directors	(Same as above)	(Same as above)
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	Please refer to 5.1.7BII Manual of Corporate Governance	Please refer to 5.1.7BI of Manual of Corporate Governance
(ii) Non-Executive Directors	(Same as above)	(Same as above)
(iii) Independent Directors	(Same as above)	(Same as above)
<b>e. Removal</b>		
(i) Executive Directors	This matter will be discussed at the next meeting of the Corporate Governance Committee	This matter will be discussed at the next meeting of the Corporate Governance Committee
(ii) Non-Executive Directors	(Same as above)	(Same as above)

(iii) Independent Directors	(Same as above)	(Same as above)
<b>7. Re-Instatement</b>		
(i) Executive Directors	This matter will be discussed at the next meeting of the Corporate Governance Committee	This matter will be discussed at the next meeting of the Corporate Governance Committee
(ii) Non-Executive Directors	(Same as above)	(Same as above)
(iii) Independent Directors	(Same as above)	(Same as above)
<b>8. Suspension</b>		
(i) Executive Directors	This matter will be discussed at the next meeting of the Corporate Governance Committee	This matter will be discussed at the next meeting of the Corporate Governance Committee
(ii) Non-Executive Directors	(Same as above)	(Same as above)
(iii) Independent Directors	(Same as above)	(Same as above)

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
All 11 directors	2,298,435,579 votes

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any. **Orientation program covers:**
- (1) The Board of Directors, Advisory Board and Management composition
  - (2) Operations of the Company and its various projects
  - (3) Corporate Governance Manual
  - (4) External Audit Plan and Internal Audit Manual and Plan, and
  - (5) Personnel Policy Manual with Code of Conduct.
- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>3</sup> for the past three (3) years: **The directors and some senior management also attended the seminars on Corporate Governance and AMLA from private providers.**
- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year. **This matter will be discussed in the next meeting of the Corporate Governance Committee.**

Name of Director/Officer	Date of Training	Program	Name of Training Institution

**B. CODE OF BUSINESS CONDUCT & ETHICS**

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees: **Please see the Personnel Policy Manual of the Company.**

<sup>3</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

<b>Business Conduct &amp; Ethics</b>	<b>Directors</b>	<b>Senior Management</b>	<b>Employees</b>
(a) Conflict of Interest			
(b) Conduct of Business and Fair Dealings			
(c) Receipt of gifts from third parties			
(d) Compliance with Laws & Regulations			
(e) Respect for Trade Secrets/Use of Non-public Information			
(f) Use of Company Funds, Assets and Information			
(g) Employment & Labor Laws & Policies			
(h) Disciplinary action			
(i) Whistle Blower			
(j) Conflict Resolution			

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? **Yes.**

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

4) Related Party Transactions

(a) Policies and Procedures **RPTs are required to be reported to the Board of Directors and are included in the notes to the audited Financial Statement of the company in the form of disclosures.**

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

<b>Related Party Transactions</b>	<b>Policies and Procedures</b>
(1) Parent Company	
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders. **None**

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

<b>Details of Conflict of Interest (Actual or Probable)</b>	
Name of Director/s	
Name of Officer/s	
Name of Significant Shareholders	

(ii) Mechanism. **Not applicable**

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

<b>Directors/Officers/Significant Shareholders</b>	
Company	
Group	

5) Family, Commercial and Contractual Relations. **None**

(a) Indicate, if applicable, any relation of a family,<sup>4</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

<b>Names of Related Significant Shareholders</b>	<b>Type of Relationship</b>	<b>Brief Description of the Relationship</b>

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

<b>Names of Related Significant Shareholders</b>	<b>Type of Relationship</b>	<b>Brief Description</b>

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

<b>Name of Shareholders</b>	<b>% of Capital Stock affected (Parties)</b>	<b>Brief Description of the Transaction</b>

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Alternative Dispute Resolution System	
Corporation & Stockholders	
Corporation & Third Parties	Arbitration Proceedings with Forum Plc.
Corporation & Regulatory Authorities	

**C. BOARD MEETINGS & ATTENDANCE**

1) Are Board of Directors' meetings scheduled before or at the beginning of the year? **Board meetings are scheduled at the organizational meeting of the Board of Directors convened after the election of the members at the annual stockholders meeting. These meetings are usually set every last Wednesday of the month, except for the months of May and December.**

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	OSCAR C. DE VENECIA	May 29, 2013	13	11	84.61
Member	FRANCIS C. CHUA	May 29, 2013	13	7	53.85
Member	RAMON L. MAPA	May 29, 2013	13	13	100
Member	OSCAR L. DE VENECIA, JR	May 29, 2013	13	12	92.31
Member	ISIDORO O. TAN	May 29, 2013	13	11	84.61
Member	EDUARDO V. MANALAC	May 29, 2013	13	7	53.85
Member	JAIME J. MARTIREZ	May 29, 2013	13	10	76.92
Member	GABRIEL R. SINGSON, JR	May 29, 2013	13	11	84.61
Member	MA. FLORINA M. CHAN	May 29, 2013	13	10	76.92
Independent	OSCAR S. REYES	May 29, 2013	13	12	92.31
Independent	DENNIS D. DECENA	May 29, 2013	13	12	92.31

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? **NO**

Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain. **Per by-laws of the Company, a majority of the directors present constitute a quorum.**

5) Access to Information

- (a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board? **At least 2 Days.**
- (b) Do board members have independent access to Management and the Corporate Secretary? **Yes.**
- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.? **Please refer to Article 6 of the Company's Manual of Corporate Governance.**
- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative. **Yes.**

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes  No

Committee	Details of the procedures
Executive	Direct access to Officers in charge of supplying information requested.
Audit	Direct access to Officers in charge of supplying information requested.
Nomination	Direct access to Officers in charge of supplying information requested.
Remuneration	Direct access to Officers in charge of supplying information requested.
Others (specify): Corporate Governance and Finance and Investments Committees	Direct access to Officers in charge of supplying information requested.

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details: **This matter will be taken up in the next meeting of the Corporate Governance Committee.**

Procedures	Details

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

<sup>5</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

Existing Policies	Changes	Reason
New	Inclusion of Risk Management in the responsibilities of the Audit Committee	To ensure that all projects of the Company undergo a risk evaluation and assessment process.

#### D. REMUNERATION MATTERS

- 1) Remuneration Process. Based on approved annual budget and compared to relevant and applicable industry practice.

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Approval of the Board, upon recommendation of the Compensation and Remuneration Committee	Approval of the Board, upon recommendation of the Compensation and Remuneration Committee
(2) Variable remuneration	Same	Same
(3) Per diem allowance	Same	Same
(4) Bonus	Same	Same
(5) Stock Options and other financial instruments	Same	Same
(6) Others (specify)		

- 2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The only executive director is the President and CEO, covered by item 1) above.	Basic salary plus 13 <sup>th</sup> month pay and other performance bonuses as may be approved by the Board of Directors, upon recommendation of the Compensation and Remuneration Committee.	Compared to relevant and applicable industry practice.
Non-Executive Directors	Directors are paid per diems and other allowances for attendance at Board and Board Committee meetings	Php11,000.00 per diem for Board meetings and 50% thereof for Board Committee meetings. Allowances are as prescribed by the Board of Directors	Compared to relevant and applicable industry practice.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? **No.** Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	PhP4,954,950	none	none
(b) Variable Remuneration	none	none	none
(c) Per diem Allowance	469,000	PhP1,764,500	PhP491,000
(d) Bonuses	1,633,500	none	none
(e) Stock Options and/or other financial instruments	30,000,000 shares for the President & CEO	30,000,000 shares for each director	30,000,000 shares for each director
(f) Others (Specify) Allowances	2,123,550	none	none
<b>Total</b>	PhP9,181,000	PhP1,764,500	PhP491,000

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	N/A	None	none
2) Credit granted	N/A	None	none
3) Pension Plan/s Contributions	Thru retirement plan	None	none
(d) Pension Plans, Obligations incurred	None	None	none
(e) Life Insurance Premium	None	None	none
(f) Hospitalization Plan	Thru medical service provider	None	none
(g) Car Plan	n/a	None	none
(h) Others (Specify)	Company Car	Chairman-Company Car	
<b>Total</b>			

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
Oscar C. de Venecia	30,000,000		30,000,000	1.21
Francis C. Chua	30,000,000		30,000,000	1.21
Ramon L. Mapa	30,000,000		30,000,000	1.21
Oscar L. de Venecia, Jr	30,000,000		30,000,000	1.21
Jaime J. Martinez	30,000,000		30,000,000	1.21
Ma. Florina M. Chan	30,000,000		30,000,000	1.21
Dennis D. Decena	30,000,000		30,000,000	1.21
Eduardo V. Manalac	30,000,000		30,000,000	1.21
Oscar S. Reyes	30,000,000		30,000,000	1.21
Gabriel R. Singson, Jr.	30,000,000		30,000,000	1.21
Isidoro O. Tan	30,000,000		30,000,000	1.21

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. **None.** Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Corazon M. Bejasa	PhP 8,964,712
Marietta V. Villafuerte	
Alberto P. Morillo	
Angel P. Gahol	

## E. BOARD COMMITTEES

### 1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board: Please refer to the Company's Corporate Governance Manual.

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive					Please refer to the Company's Corporate Governance Manual.	Please refer to the Company's Corporate Governance Manual.	Please refer to the Company's Corporate Governance Manual.
Audit		5	1		Same as above	Same as above	Same as above
Nomination	1	3	1		Same as above	Same as above	Same as above
Remuneration	1	3	1		Same as above	Same as above	Same as above
Others :						Same as above	Same as above
Finance and Investment Committee	1	6	2		Same as above		
Nominating Committee	2	2	1				
Corporate Governance Committee		4	1				

### 2) Committee Members

(a) Executive Committee – Has not convened since there are regular monthly meetings of the board and the committees

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Oscar C. de Venecia	5.29.13				5
Member (ED)	Oscar L. de Venecia, Jr	5.29.13				5
Member (NED)	Ramon L. Mapa	5.29.13				5
Member (ID)	Oscar S. Reyes	5.29.13				5
Member (NED)	Jaime J. Martirez	5.29.13				5
Other	Ma. Florina M. Chan	5.29.13				5

members (NED)- Alternates	Gabriel R. Singson, Jr. Eduardo V. Manalac Francis C. Chua					
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(b) Audit and Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Oscar S. Reyes	5/29/2013	2	2		5
Member (NED)	Ma Florina M. Chan	5/29/2013	2	2		5
	Jaime J. Martirez	5/29/2013	2	2		5
	Gabriel R. Singson, Jr.	5/29/2013	2	1		5
	Eduardo V. Manalac	5/29/2013	2	1		5
Member (ID)	Dennis D. Decena	5/29/2013	2	2		5

Disclose the profile or qualifications of the Audit Committee members. **The Audit and Risk Management Committee shall be composed of at least three (3) Board members, preferably with accounting and finance background or work experience. At least one member should be an independent director and at least one member should have a related or relevant audit experience. Each member shall have an adequate understanding of accounting and auditing principles in general, and of the Corporation's financial management systems, business operations and business environment, in particular.**

Describe the Audit and Risk Management Committee's responsibility relative to the external auditor:

1. Assessing the independence and professional qualifications and competence of external auditors;
2. Review of the engagement and rotation process of external auditors or firm;
3. Review and approval of scope of audit work and fees of external auditors;
4. Assessment of non-audit services, if required;
5. Understanding disagreements between the external auditors and Management;
6. Defining actions to take on the findings of external auditors;
7. Ensuring Management's competence and understanding regarding financial reporting responsibilities including aggressiveness and reasonableness of decisions;
8. Evaluation of performance of external auditors, reappointment and resignation;
9. Review of compliance of external auditor with auditing standards; and
10. Ensuring completeness and timeliness of communication with external auditors as to critical policies, alternative treatments, observations on internal controls, audit adjustments, independence, limitations on the audit work set by the Management that affect the audit and financial reporting.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman(NED)	Oscar C. de Venecia	5/29/2013	1	1		5
Member (ED)	Oscar L. de Venecia, Jr.	5/29/2013	1	1		5
Member (NED)	Ramon L. Mapa	5/29/2013	1	1		5
Member (ID)	Dennis D. Decena	5/29/2013	1	1		5
Member (ID)	Oscar S. Reyes	5/29/2013	1	1		5

(d) Compensation and Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
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Chairman(NED)	Oscar L. de Venecia, Jr.	5/29/2013	1	1		5
Member (NED)	Francis C. Chua	5/29/2013	1	1		5
Member (ID)	Dennis D. Decena	5/29/2013	1	1		5
Member (NED)	Jaime J. Martinez	5/29/2013	1	1		5
Member(NED)	Isidoro O. Tan	5/29/2013	1	1		5

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman						
Member (ED)						
Member (NED)						
Member (ID)						
Member						

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:  
**NONE**

Name of Committee	Name	Reason
Executive		
Audit		
Nomination		
Remuneration		
Others (specify)		

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	Approval of Projects of the Company and implementation of board decisions	
Audit	Approval of Audited Financial Statements	
Nomination	Nomination of Nominees for Board of Directors	
Remuneration	Approval of Directors' per diem and employees's compensation	
Others (specify) None		

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Regular monthly board meetings	
Audit	Implementation of the 2013 Internal and External Audit Plans	Taxes, Risk Management and Internal Controls
Nomination	2014 Nominations	Qualifications and Disqualifications
Remuneration	Review of pay scale of officers and employees	Prevailing structures in comparable industries.
Others (specify) None		

**F. RISK MANAGEMENT SYSTEM**

1) Disclose the following:

- (a) Overall risk management philosophy of the company- **The Company shall remain focused on minimizing the potential adverse effects on transactions and projects on the Company's financial performance due to exposures to various risks, such as transactional , financial, foreign exchange, liquidity, credit, equity price and other risks .**
- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof -**The risk management aspect of the Audit Committee responsibilities was newly incorporated in the Committee's Charter and will be discussed in the next meeting of the Committee.**
- (c) Period covered by the review- **Fiscal year 2013.**
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness- **please refer to item b response.**
- (e) Where no review was conducted during the year, an explanation why not.- **The review will be undertaken within the year.**

2) Risk Policy – **This matter shall be discussed at the next meeting of the Audit and Risk Management Committee.**

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

<b>Risk to Minority Shareholders</b>

3) Control System Set Up - This matter shall be discussed at the next meeting of the Audit and Risk Management Committee.

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

<b>Committee/Unit</b>	<b>Control Mechanism</b>	<b>Details of its Functions</b>

**G. INTERNAL AUDIT AND CONTROL**

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

- (a) Explain how the internal control system is defined for the company;
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
- (c) Period covered by the review;
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
- (e) Where no review was conducted during the year, an explanation why not.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Internal Audit	In charge of 1) the systematic evaluation and improvement of risk management, control, governance and implementation of best practices in all areas of operations; 2) Significant financial and operating information are accurate, reliable and timely; and 3) Ensuring compliance with Company policies and procedures and applicable laws and regulations; among others.	Outsourced	R.S. Bernaldo & Associates	Reporting to the Audit and Risk Management Committee and to the Board of Directors

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? **Yes.**
- (c) Discuss the internal auditor's reporting relationship with the audit committee. **The Internal Auditor reports to the Audit Committee and to the Board of Directors.**  
Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel? **Yes.**
- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them. **None**

Name of Audit Staff	Reason

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends. **The internal audit plan for 2013 is still subject to approval of the Audit Committee and the Board.**

<b>Progress Against Plans</b>	
<b>Issues<sup>6</sup></b>	
<b>Findings<sup>7</sup></b>	
<b>Examination Trends</b>	

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Department Audits	Last Quarter, 2013
Financial Audits	Last Quarter, 2013
Operational Audits	Last Quarter, 2013
Contract Audits	Last Quarter, 2013
Fraud and Financial Irregularity Audits	Last Quarter, 2013

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
The Auditors report directly to the Audit and Risk Management Committee and to the	N/A	N/A	N/A

<sup>6</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<sup>7</sup> "Findings" are those with concrete basis under the company's policies and rules.

Board of Directors. Other than tax advisory matters, the Auditors are not allowed to undertake non-audit services for the Company.			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance. **The Chairman and the President & CEO.**

**H. ROLE OF STAKEHOLDERS**

1) Disclose the company's policy and activities relative to the following: **None**

	<b>Policy</b>	<b>Activities</b>
Customers' welfare		
Supplier/contractor selection practice		
Environmentally friendly value-chain		
Community interaction		
Anti-corruption programmes and procedures?		
Safeguarding creditors' rights		

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section? **This matter will be discussed at the next meeting of the Corporate Governance Committee.**

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

**The Company is responsible for providing facilities that will safeguard and ensure the safety, health and welfare of its employees.**

(b) Show data relating to health, safety and welfare of its employees. **The Company maintains a Health Maintenance Policy with I-Care for their annual check-ups, medical and hospitalization requirements, subject to the limits provided in the policy. Cost of the HMO is PHP for 2013. For the preceding year, there are accidents which occurred in the workplace involving employees of the Company. For 2013, the Company was a sponsor in a bowling tournament where most employees of the Company participated and cost of which amounted to about Php200,000.00 for uniforms and food allowances and payment for lane fees and other services.**

(c) State the company's training and development programmes for its employees. Show the data. **The Company sends employees to seminars concerning their work, upon recommendation of Management. For 2012, the Company sent 2 employees on a seminar on energy projects and business forums.**

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures. **The Company recognizes and values the performance of employees and their contributions to the bottom-line. The Company has a performance evaluation system from which annual salary adjustments and other incentives are based, subject to recommendation of Management and the Compensation and Remuneration Committee.**

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation. **These procedures are provided in the Personnel Policy Manual of the Company.**

**I. DISCLOSURE AND TRANSPARENCY**

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
PCD Nominee Corporation	2,038,369,256	82.55	

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Oscar L. de Venecia, Jr.	516,334	1,500,000	.08
Corazon M. Bejasa		100,000	.00
Marietta V. Villfuerte		100,000	.00
Alberto P. Morillo	303,185	100,000	.02
<b>TOTAL</b>	<b>819,519</b>	<b>4,800,000</b>	<b>.022</b>

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Sycip, Gorres, Velayo & Co.	PhP 740,000	N/A

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information:

1. PSE/SEC Disclosures and Reports
2. Company Web site

5) Date of release of audited financial report: March 20, 2013

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Pending inclusion
Company's constitution (company's by-laws, memorandum and articles of association)	Pending inclusion

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of RPT (Related Party Transactions)

RPT	Relationship	Nature	Value

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders? **RPTs are required to be reported to the Board of Directors and are included in the notes to the audited financial statements of the Company in the form of disclosures.**

**J. RIGHTS OF STOCKHOLDERS**

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

<b>Quorum Required</b>	Majority of stockholders
------------------------	--------------------------

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	Board of Directors' approval.
<b>Description</b>	All proposals are reviewed and studied by Management and if favorable, are endorsed to the Board of Directors for approval.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code. **None; the Company follows the provisions of the Corporation Code and its Bylaws.**

<b>Stockholders' Rights under The Corporation Code</b>	<b>Stockholders' Rights not in The Corporation Code</b>

Dividends- **The Company has not declared dividends as of end of the last fiscal year.**

<b>Declaration Date</b>	<b>Record Date</b>	<b>Payment Date</b>
N/A		

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

<b>Measures Adopted</b>	<b>Communication Procedure</b>
The Company addresses all concerns raised to it by stockholders.	Open line communication between the Chairman President & CEO and the stockholders.
In the annual meetings, the stockholders present are encouraged to ask questions or clarifications about matters presented in the agenda.	Open forum in annual meetings.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

- Amendments to the company's constitution
- Authorization of additional shares

- c. Transfer of all or substantially all assets, which in effect results in the sale of the company

The above matters require the vote of at least 2/3 of the outstanding capital stock of the Company and these are required to be presented at the annual stockholders' meetings. These matters are required to be thoroughly explained to the stockholders, who are enjoined to ask questions or clarifications prior to voting.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? **No, fifteen (15) business days per SRC rules.**

- a. Date of sending out notices: May 7, 2013  
 b. Date of the Annual/Special Stockholders' Meeting: May 29, 2013

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

**Only the issue of when the Company shall declare dividends, considering that it has already reported retained earnings.**

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of the Annual Stockholders Meeting	More than majority of stockholders	None	None
Ratification of acts of the Board of Directors and Management	More than majority of stockholders	None	None
Election of Directors	More than majority of stockholders	None	None
Appointment of External Auditors	More than majority of stockholders	None	None

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:  
 May 29, 2013 thru PSE Odiys.

- (e) Modifications- **None.**

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification

- (f) Stockholders' Attendance

- (i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending In Person	% of SH In Proxy	Total % of SH attendance
Annual	11 Directors present	May 29, 2013	Viva Voce	14.21%	85.79 %	54%
Special	N/A					

- (ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? **There is no need, as votes are given by viva voce. Per policy, if there is a need for voting by ballots, counting of votes is done by the representatives of the external auditors present at the meeting and confirmed by stock transfer agent of the corporation, and noted by the Corporate Secretary and the Compliance Officer of the Company.**
- (iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

**Article I Section 5 of the By-laws of the corporation provides that at every meeting of the stockholders of the corporation, every stockholder entitled to vote shall be entitled to one vote for each share of stock standing in his name on the books of the corporation, however, that in the case of election of directors, every stockholder entitled to vote shall be entitled to accumulate his votes in accordance with the provisions of law.**

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	<b>Company's Policies</b>
Execution and acceptance of proxies	The proxy must be in the form prescribed under the SRC rules and must be signed by the stockholder concerned. For corporate stockholders, the proxy must be supported by a Board resolution authorizing the proxy and designating the officer or person in charge of carrying out the authorities indicated in the proxy. The signatures are validated by the Corporate Secretary, with the assistance of the stock and transfer agent. The proxies are reviewed by the Board of Inspectors prior to the stockholders' meeting.
Notary	The proxy form is not required to be notarized.
Submission of Proxy	Deadline for submission is five calendar days prior to the meeting.
Several Proxies	Accepted, provided shares voted are indicated, and total shares for the proxies must not exceed the total number of shares recorded in the books of the Company in the name of the stockholder.
Validity of Proxy	Up to five (5) years if so indicated in the proxy.
Proxies executed abroad	Accepted, subject to the above requirements.
Invalidated Proxy	Notice is required to be sent to the stockholder concerned.
Validation of Proxy	By the Board of Inspectors organized by the Board of Directors.
Violation of Proxy	Subject to the sanctions provided under the SRC.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Notice of the time and place of holding any annual meeting, or any special meeting, of the stockholders, shall be given either by mailing the same enclosed in a postage prepaid envelope addressed to each stockholder on record entitled to vote at the address left by such stockholder with the Secretary of the corporation, or at his last known post address, or by delivering the same to him in person, at least fifteen (15) days before the date for such meeting	Mail thru courier and publication in major newspaper of notice of annual stockholders meeting.

(i) Definitive Information Statements and Management Report

	6,818
	May 7, 2013
	May 7, 2013
	CD and hard copies
	Yes

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	No dividend declaration for the year
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

The Board respect the rights of the stockholders as provided for in the Corporation Code and in the Company's Corporate Governance Manual.	By the Corporate Secretary and the Compliance Officer.

(b) Do minority stockholders have a right to nominate candidates for board of directors? **Yes, any stockholder have the right to nominate candidates for membership in the Board of Directors.**

**K. INVESTORS RELATIONS PROGRAM**

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. **All material information about the Company which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed. These policies are reviewed at least annually by the Committee on Corporate Governance.**

Disclose who reviews and approves major company announcements. **Major announcements are approved by the Board of Directors.**

Identify the committee with this responsibility, if it has been assigned to a committee. **Company disclosures are review by the Corporate Legal Counsel and the President & CEO before it is released.**

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

Investor Relations Officer: Atty. Angel P. Gahol  
 Tel. No. 02-8178596 to 98  
 Fax No. 02-8170191  
 Email: [apgahol@basicenergy.ph](mailto:apgahol@basicenergy.ph)

(1) Objectives	To maintain and promote and efficient and timely communication system between and among the Company and its stockholders.
(2) Principles	It is the right of every stockholder, irrespective of number of shares held, to be informed of the Company's plans, undertakings, projects and on-going activities.
(3) Modes of Communications	Through the Company's website, disclosures to PSE/SEC and direct emails and telephone responses to inquiring stockholders.
(4) Investors Relations Officer	Atty. Angel P. Gahol Tel. No. 02-8178596 to 98 Fax No. 02-8170191 Email: <a href="mailto:apgahol@basicenergy.ph">apgahol@basicenergy.ph</a>

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets? **None.**  
 Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Discuss any initiative undertaken or proposed to be undertaken by the company. **This matter will be taken up at the next meeting of the Corporate Governance Committee.**


**M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL**

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

<b>Board of Directors</b>	Review and evaluation conducted by the Board at year-end and upon review of nominations for the Board prior to the annual stockholders meeting	Duties and responsibilities of the Board of Directors as prescribed in the Corporate Governance Manual.
<b>Board Committees</b>	Review and evaluation conducted by the Board at year-end and upon review of nominations for the Board prior to the annual stockholders meeting	Duties and responsibilities of the Board Committees as prescribed in the Corporate Governance Manual and their respective charters.
<b>Individual Directors</b>	Review and evaluation conducted by the Board at year-end and upon review of nominations for the Board prior to the annual stockholders meeting	Duties and responsibilities of the directors as prescribed in the Corporate Governance Manual.
<b>CEO/President</b>	Review and evaluation conducted by the Board at year-end and upon review of nominations for the Board prior to the annual stockholders meeting	Duties and responsibilities of the CEO/President as prescribed in the Corporate Governance Manual and the company's personnel policy manual.

**N. INTERNAL BREACHES AND SANCTIONS**

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

First Violation	Reprimand
Second Violation	Suspension from office, the duration of which shall depend on the gravity of the offense committed.
Third Violation	Removal

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 20\_\_.

**SIGNATURES**

  
 OSCAR C. DE VENECIA  
 Chairman of the Board

  
 OSCAR S. REYES  
 Independent Director

  
 ANGEL P. GAHOL  
 Compliance Officer

  
 OSCAR L. DE VENECIA, JR.  
 Chief Executive Officer

  
 DENNIS D. DECENA  
 Independent Director

SUBSCRIBED AND SWORN to before me this JUL 10 2013 day of July, 2013, affiant(s) exhibiting to me their Tax Identification Nos, as follows:

NAME/NO.	TAX IDENTIFICATION NOS.
OSCAR C. DE VENECIA	130-704-840
OSCAR L. DE VENECIA, JR.	146-709-049
OSCAR S. REYES	136-623-589
DENNIS D. DECENA	110-179-435
ANGEL P. GAHOL	123-535-748

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 Page No. 70  
 Book No. 41  
 Series of 2013.

  
 ATTY. ROBERT N. LOPEZ  
 NOTARY PUBLIC  
 Until December 31, 2013  
 Lic. No. M-521 Makati City  
 PRC Lic. No. 103, May 22, 2012-RSM  
 PRC Lic. No. 485, Jan 16, 2013-Makati  
 S.C. Roll No. 56597  
 MCLC Compliance No. IV-0011330  
 Unit 6E Cityland Herrera Tower  
 #98 Rufino St. cor. Valero St.  
 Salcedo Village, Makati City

## **EXCERPTS FROM BEC REVISED CORPORATE GOVERNANCE MANUAL**

### **Stockholders' Rights and Protection of Minority Stockholders' Interests**

- A) The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:
- (i) Right to vote on all matters that require their consent or approval;
  - (ii) Pre-emptive right to all stock issuances of the Company;
  - (iii) Right to inspect corporate books and records;
  - (iv) Right to information;
  - (i) Right to dividends; and
  - (ii) Appraisal Right.
- B) The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Company. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

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

## **General Responsibilities of the Board**

It is the Board's responsibility to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.

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

The Board shall exercise the corporate powers and conduct and manage the business and affairs of the Company in consonance with the principles of sound corporate governance instituted in this Manual and shall be responsible for fostering the long-term success of the Company and securing its sustained competitiveness.

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

To ensure a high standard of best practice for the Company and its stockholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

- a) Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies; appoint competent professional, honest and highly motivated management officers and adopt an effective succession planning program for Management.
- b) Provide sound strategic policies and guidelines to the Company on major capital expenditures; establish programs that can sustain its long-term viability and strength; periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- c) Ensure the Company's faithful compliance with all applicable laws, regulations and best business practices.
- d) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Company. If feasible, the Company's CEO or chief financial officer shall exercise oversight responsibility over this program.
- e) Identify the sectors in the community in which the Company operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.

- f) Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Company's internal control system in order to maintain its adequacy and effectiveness.
- g) Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Company to anticipate and prepare for possible threats to its operational and financial viability.
- h) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Company and its subsidiaries, joint ventures, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
- i) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- j) Establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts of differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities.
- k) Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded independent views during the Board meetings should be encouraged and given due consideration.
- l) Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.
- m) Appoint a Compliance Officer who shall have the rank of at least Vice-President. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

## 1.1 Internal Control Responsibilities of the Board

The control environment of the Company consists of (a) the Board which ensures that the Company is properly and effectively managed and supervised; (b) a Management that actively manages and operates the Company in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the Company's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

- (i) The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include:
  - a) Definition of the duties and responsibilities of the CEO who is ultimately accountable for the Company's organization and operational controls;
  - b) Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
  - c) Evaluation of proposed senior management appointments;
  - d) Selection and appointment of qualified and competent management officers; and
  - e) Review of the Company's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.
- (ii) The scope and particulars of the systems of effective organizational and operational controls may differ from other companies depending on, among others, the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.

- (iii) A Company may establish an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board may appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfil its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

### **Disclosure and Transparency**

The essence of corporate governance is transparency. The more frequent the internal workings of the Company are, the more difficult it will be for Management and dominant stockholders to mismanage the Company or misappropriate its assets.

It is therefore essential that all material information about the Company which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions and direct and indirect remuneration of members of the Board and Management. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.