

COVER SHEET

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SEC Registration Number

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(Company's Full Name)

[illegible]

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

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[illegible]

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

Atty. Angel P. Gahol

(Contact Person)

(632) 8817-8596 & 98

(Company Telephone Number)

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3	1
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Month Day
(Calendar Year)

I	A	C	G	R
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(Form Type)

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Month Day
(Annual Meeting)

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(Secondary License Type, If Applicable)

CGFD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

6,557

Total No. of Stockholders

n/a

Domestic

n/a

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

[illegible]

Document ID

LCU

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

A. Use of Form I-ACGR

This SEC Form shall be used as a tool to disclose Publicly-Listed Companies' compliance/non-compliance with the recommendations provided under the Code of Corporate Governance for Publicly-Listed Companies, which follows the "comply or explain" approach, and for harmonizing the corporate governance reportorial requirements of the SEC and the Philippine Stock Exchange (PSE).

B. Preparation of Report

These general instructions are not to be filed with the report. The report shall contain the numbers and captions of all items.

The I-ACGR has four columns, arranged as follows:

RECOMMENDED CG PRACTICE/POLICY	COMPLIANT/ NON- COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
<p>Contains CG Practices/ Policies, labelled as follows:</p> <p>(1) "Recommendations" – derived from the CG Code for PLCs;</p> <p>(2) "Supplement to Recommendation" – derived from the PSE CG Guidelines for Listed Companies;</p> <p>(3) "Additional Recommendations" – CG Practices not found in the CG Code for PLCs and PSE CG Guidelines but are expected already of PLCs; and</p> <p>(4) "Optional Recommendation" – practices taken from the ASEAN Corporate Governance Scorecard</p> <p>*Items under (1) – (3) must be answered/disclosed by the PLCs following the "comply or explain" approach. Answering of items under (4) are left to the discretion of PLCs.</p>	<p>The company shall indicate compliance or non-compliance with the recommended practice.</p>	<p>The company shall provide additional information to support their compliance with the recommended CG practice</p>	<p>The PLCs shall provide the explanations for any non-compliance, pursuant to the "comply or explain" approach.</p> <p>Please note that the explanation given should describe the non-compliance and include how the overall Principle being recommended is still being achieved by the company.</p> <p>*"Not Applicable" or "None" shall not be considered as sufficient explanation</p>

C. Signature and Filing of the Report

- a. Three (3) copies of a fully accomplished I-ACGR shall be filed with the Main Office of the Commission **on or before May 30 of the following year for every year that the company remains listed in the PSE;**
- b. At least one (1) complete copy of the I-ACGR shall be duly notarized and shall bear **original and manual** signatures
- c. The I-ACGR shall be signed under oath by: (1) Chairman of the Board; (2) Chief Executive Officer or President; (3) All Independent Directors; (4) Compliance Officer; and (5) Corporate Secretary.
- d. The I-ACGR shall cover all relevant information from January to December of the given year.
- e. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.



SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended December 31, 2019
2. SEC Identification Number 36359. 3. BIR Tax Identification No. 000-438-702-000
4. Exact name of issuer as specified in its charter BASIC ENERGY CORPORATION
5. Makati City, Metro Manila
Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. 7F Basic Petroleum Bldg, 104 Carlos Palanca St, Makati City 1229
Address of principal office Postal Code
8. (+632) 8817-8596
Issuer's telephone number, including area code
9. Not applicable.....
Former name, former address, and former fiscal year, if changed since last report.

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

	COMPLIANT/ NON- COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
The Board's Governance Responsibilities			
Principle 1: The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.			
Recommendation 1.1			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	Compliant	Most of the members of the Board have long and broad experiences in the exploration, development, production and distribution of oil, gas and renewable energy such as geothermal, solar and other energy resources, while other members of the Board have gained expertise in the fields of banking, finance and investments.	
2. Board has an appropriate mix of competence and expertise.	Compliant	As such, there is an appropriate mix of competence and expertise among members of the Board.	
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	Compliant	The incumbent directors remain qualified for their positions individually and collectively. No disqualifications or other impediments were noted during the last screening process for the 2019 election of directors.	

Recommendation 1.2

1. Board is composed of a majority of non-executive directors.	Compliant	<p>The only executive director in the Board is the President & CEO, with the rest of the members being non-executive directors. The following are the members of the Board of Directors for 2019:</p> <p>Oscar C. de Venecia-Chairman-NED Ramon L. Mapa-Vice Chairman-NED Francis C. Chua-Vice Chairman-NED Oscar L. de Venecia, Jr.-President-ED Ma. Florina M. Chan-NED Jaime J. Martinez-NED Isidoro O. Tan-NED Srinarin Poudpongpaiboon-NED Harvey Lawrence N. Dychiao-ID Eduardo V. Manalac-ID Oscar S. Reyes -ID resigned on November 28, 2019</p>	
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Recommendation 1.3

1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	Compliant	<p>The Company's Board Charter and Manual on Corporate Governance prescribes an orientation program for new directors and an annual continuing training on professional development program for all directors. In past years, the directors attended the annual Corporate Governance Seminars sponsored by the Company and conducted by SGV and other accredited service providers.</p>	
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2. Company has an orientation program for first time directors.	Compliant	A director orientation program is implemented for new directors, who are required to attend in house sessions for adequate exposures on the industry and the business of the Company and its projects	
3. Company has relevant annual continuing training for all directors.	Compliant	The Directors attended the Corporate Governance Seminar on Sustainability Reporting last June 20, 2019 as required by SEC. The seminar was conducted in house for four (4) hours by the Center for Global Best Practices as facilitator. Other directors attended Corporate Governance seminars conducted by other SEC accredited companies.	
Recommendation 1.4			

1. Board has a policy on board diversity.	Compliant	<p>The Board, through its Nominating Committee, implements a policy on diversity to include age, gender, skills, competence and knowledge, expertise and experience. Five (5) directors are 70 years old and above, three (3) directors are above 60 years old but below 70 years old and three (3) directors are between 50 years old and 35 years old. As to gender, there is one (1) female director in the Board. As to competence and experience, as explained earlier, the members of the Board have varied experiences ranging from power and energy development to finance and investments. Six (6) directors have long experiences in the oil and gas, power and energy industries, three (3) directors have expertise in finance and investments and two (2) directors are experienced in business management.</p>	
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Optional: Recommendation 1.4

1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.			
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Recommendation 1.5

1. Board is assisted by a Corporate Secretary.	Compliant	<p>Atty. Corazon M. Bejasa was the Corporate Secretary of the Company up to December 31, 2019. She has been in the Company since 2009. Upon her resignation, Atty. Angel P. Gahol took over as Acting Corporate Secretary.</p> <p>Her primary responsibilities is to assists the Board and the Board Committees in the conduct of the meetings including preparing the 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</p>	
2. Corporate Secretary is a separate individual from the Compliance Officer.	Compliant	The Corporate Secretary is not the Compliance Officer	
3. Corporate Secretary is not a member of the Board of Directors.	Compliant	The Corporate Secretary is not a member of the Board of Directors.	
4. Corporate Secretary attends training/s on corporate governance.	Compliant	The Corporate Secretary attended the Corporate Governance Seminar on the Revised Corporation Code last April 11, 2019 facilitated by Center for Global Best Practices. She has attended corporate governance seminars in the past several years.	
Optional: Recommendation 1.5			

1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.			
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Recommendation 1.6

1. Board is assisted by a Compliance Officer.	Compliant	Atty. Angel P. Gahol is the Asst. Vice President-Compliance Officer of the Company. He has been employed with the Company since 2009.	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	Compliant	The Compliance Officer has a rank of AVP, which, considering the present operations and complement of the Company, is equivalent to a Senior Vice President position in large companies.	
3. Compliance Officer is not a member of the board.	Compliant	The Compliance Officer is not a member of the Board.	
4. Compliance Officer attends training/s on corporate governance.	Compliant	He attended the Corporate Governance Seminar on Sustainability Reporting last June 20, 2019 facilitated by Center for Global Best Practices. He has attended corporate governance seminars in the past several years.	

Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.

Recommendation 2.1

1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	Compliant	The members of the Board are provided with the materials on matters taken up at the Board meetings, at least three (3) days before the meetings.	
Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	Compliant	Business strategy of the Company are developed by Management and submitted to the Board of Directors, before the start of the year, and is approved by the Board of Directors, together with the business plan and budget for the ensuing year. All strategic investments or projects are thoroughly discussed in the meetings of the Management Committee, Risk Committee and the Board of Directors.	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	Compliant	The Board is given monthly updates and reports on the financial condition of the Company and on the status of the various projects of the Company at every regular monthly Board meeting	
Supplement to Recommendation 2.2			

1. Board has a clearly defined and updated vision, mission and core values.	Compliant	The Company's vision is to become a major Philippine company engaged in the exploration and supply of alternative, renewable energy, oil and allied products and services. Its mission is to strive to be a leading Philippine energy developer. This vision, mission and related core values are revisited by Management and the Board every two (2) years or earlier, when new developments in the Company or in the industry arise.	
2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.	Compliant	The strategy execution process is a responsibility of the Management Committee of the Company. It is revisited by the Board at the last quarter of the year to keep it attuned to the Company's business and work environment, management style and culture, for the effective execution by Management of the Company's business strategies.	
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	Compliant	The Chairman of the Board, Mr. Oscar C. de Venecia, is a proven leader who fosters and solicits advice, and effective participation of the members of the Board in the discussions in the Board meetings	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	Compliant	This responsibility is embodied in the Charter of the Board of Directors and also in the Charter of the Corporate Governance Committee.	

2. Board adopts a policy on the retirement for directors and key officers.	<p>Non-Compliant for Directors' retirement</p> <p>Compliant for Retirement of Key Officers</p>	<p>For key officers, retirement is governed by the Company's retirement plan and Personnel Policy Manual.</p>	<p>The Board has yet to adopt a succession plan which shall incorporate a policy on retirement of directors, to include criteria for retirement such as age, past performance as director, and attendance and participation at Board and Committee meetings, among others.</p>
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	Non-Compliant		<p>This responsibility is embodied in the Charter of the Corporate Governance Committee. However, the Board has not yet adopted policies and procedures and is thus not presently involved in the setting up or review of the compensation of key officers.</p> <p>The directors do not receive remuneration from the Company, however, per diems for attendance at Board and Committee meetings.</p> <p>The compensation of officers and staff as well as the per diems of directors are recommended by Management and are incorporated as part of the annual budget for general and administrative expenses, which is approved by the Board.</p>

2. Board adopts a policy specifying the relationship between remuneration and performance.	Compliant	This responsibility is embodied in the Manual on Corporate Governance and in the Charter of the Corporate Governance Committee.	
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	Compliant		
Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.			
2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.			
Recommendation 2.6			

1. Board has a formal and transparent board nomination and election policy.	Compliant	<p>The Company follows the provisions of the Securities Regulations Code on the nomination and election of directors. The nomination of directors is done through the Nominating Committee and the list of directors nominated is disclosed to the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) as soon as this is approved by the Board of Directors and is reported in the information statements distributed to the stockholders prior to the Annual Stockholders' Meeting.</p> <p>The nomination and election policy is contained in the Company's Manual on Corporate Governance and the policies and processes involved are contained in the Charter of the Nominating Committee.</p>	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Compliant	<p>The nomination and election policy is set forth in the Company's Manual on Corporate Governance, and the policies and processes involved are contained in the Charter of the Nominating Committee, which handles the nomination, screening and election of directors.</p>	

3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	Compliant	The Charter of the Nominating Committee provides that "Any stockholder may submit nominations for election as members of the Board after the disclosures to the SEC and the PSE. Nominations shall be signed by the nominating stockholder and accepted and signed by the would-be nominee and submitted to the Nominating Committee at any time before the Committee submits the Final List to the Board." This provision includes minority stockholders.	
4. Board nomination and election policy includes how the board shortlists candidates.	Compliant	The Charter of the Nominating Committee prescribes the processes on how the Committee prepares the Final List of Nominees for submission to the Board.	
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	Compliant	The assessment of the Board's processes in the nomination, election or replacement of a director is prescribed in the Charter of the Nominating Committee.	
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Compliant	The Charter of the Nominating Committee prescribes the processes for determining the quality of directors that is aligned with the strategic direction of the Company	

Optional: Recommendation to 2.6

1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.			
Recommendation 2.7			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	Compliant	This is embodied in the Company's Manual on Corporate Governance.	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	Compliant	This is embodied in the Company's Manual on Corporate Governance.	
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	Compliant	This is embodied in the Company's Manual on Corporate Governance.	
Supplement to Recommendations 2.7			
1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	Non-Compliant		The review of related party transactions is assumed by the Risk Committee in the meantime that the size, risk appetite and nature and complexity of operations of the Company do not yet warrant the establishment of a separate RPT committee. The Risk Committee has not yet set, however, the thresholds for disclosure and approval of RPT transactions. As of the present, all RPT transactions are submitted to the Board for approval and are disclosed by the Company.

2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	Non-Compliant		The Board has not established a voting system where a majority of non-related party shareholders approves RPT transactions during the shareholders' meeting. However, as a matter of practice, a director representing a shareholder involved in an RPT transaction, does not participate in the deliberations of and voting for the RPT transaction by the Board.
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Recommendation 2.8

1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Compliant	This is embodied in the Company's Manual on Corporate Governance. The appointment of the Management Team is done at the organizational meeting of the Board held after the annual stockholders meeting.	
2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Non-Compliant		This is embodied in the Company's Manual on Corporate Governance. However, the Board has not yet adopted a formal or written performance assessment process for Management. In practice, however, in the past years, officers found to be non-performing versus standards, were asked to resign.

Recommendation 2.9			
1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	Non-Compliant		This is embodied in the Company's Manual on Corporate Governance and Personnel Policy Manual. However, the Board has not yet adopted a formal or written performance assessment process for Management.
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.	Non-Compliant		This is embodied in the Company's Manual on Corporate Governance and Personnel Policy Manual. However, the Management Team has not yet implemented the performance assessment of Company personnel.
Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	Compliant	The Board through the Audit Committee oversees that the internal control system is in place.	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Compliant	The Company's internal control system includes the monitoring and managing of potential conflict of interest of the Management, directors and shareholders.	
3. Board approves the Internal Audit Charter.	Compliant	The Charter of the Audit Committee mandates approval by the Board of the Internal Audit Charter	

Recommendation 2.11

1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	Non-Compliant		The Board has not yet established the enterprise risk management (ERM) framework considering the size of the operations of the Company and its project portfolio.
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	Compliant	The Company has established risk management and compliance policies, procedures and processes specific for its various projects and for the assessment of the effectiveness of these processes.	A risk management process is, however, in place where a team of technical, financial and legal staff is formed for every project that the Company is considering. The team undertakes the processes of identifying the risks involved, assessing the impact of these risks on the project and the Company as well, and if the project is approved for implementation, the monitoring of the identified risks. The report of the team is submitted to the Risk Committee and eventually to the Board and is thoroughly discussed by the Risk Committee and the Board.

Recommendation 2.12

1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	Compliant	The Board has a Charter which clearly states the roles, responsibilities and accountabilities of the Board of Directors.	
2. Board Charter serves as a guide to the directors in the performance of their functions.	Compliant	All directors have been provided copies of the Board Charter.	

3. Board Charter is publicly available and posted on the company's website.	Compliant- The Board Charter is posted in the Company's website.	The Board Charter is publicly available in the Company's website: www.basicenergy.ph	
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Additional Recommendation to Principle 2

1. Board has a clear insider trading policy.	Compliant	The Board is obliged to comply with and has adopted the insider trading rules prescribed under the Rule 27 of the implementing rules and regulations of the Securities Regulation Code. In some occasions in the past, the Chairman has reminded the Board of the rule on insider trading.	
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Optional: Principle 2

1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.			
2. Company discloses the types of decision requiring board of directors' approval.			

Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.

Recommendation 3.1

1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.

Compliant

The Board has established the following committees: Audit Committee, Risk Committee, Corporate Governance Committee, and Nominating Committee.

Recommendation 3.2

1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

Compliant

The Audit Committee was established by the Board to assist the Board in enhancing its oversight capability over the Company's financial reporting, risk management, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.

Compliant

Pursuant to Section 2 of the Charter of the Audit Committee, the Committee is composed of at least five (5) non-executive directors, who are appropriately qualified. The majority of the Committee or three (3) members, including the Chairman, should be independent directors.

3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.

Compliant

Pursuant to Section 2 of the Charter of Audit Committee which provides that all of the members of the Committee must have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing, risk, management, finance and regulatory compliance, all members of the Committee possess the relevant and required background knowledge and/or experience.

4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	Compliant	<p>Under Section 3 of the Charter of the Audit Committee, the Chairman of the Committee shall be an independent director and shall not be appointed as the Chairman of the Board or the Chairman of any other Board committee.</p> <p>The Audit Committee, assumed the functions of the BROC and the RPT Committee, in the meantime that the size, nature, volume and complexity of operations and risk appetite of the Company do not warrant the establishment of the BROC and RPT Committee as separate committees.</p>	
Supplement to Recommendation 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor.	Compliant	This is embodied in the Charter of the Audit Committee and is being practiced.	
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	Compliant	This is embodied in the Charter of the Audit Committee and is being practiced.	
Optional: Recommendation 3.2			
1. Audit Committee meet at least four times during the year.			
2. Audit Committee approves the appointment and removal of the internal auditor.			
Recommendation 3.3			

1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	Compliant	This is embodied in the Charter of the Corporate Governance Committee. There is a separate Nominating Committee.	
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	Compliant	Section 2 of the Charter of the Corporate Governance Committee provides that at least three (3) members are independent directors.	
3. Chairman of the Corporate Governance Committee is an independent director.	Compliant	Section 2 of the Charter of the Corporate Governance Committee provides that the Chairman of the Committee should be an independent director.	
Optional: Recommendation 3.3.			
1. Corporate Governance Committee meet at least twice during the year.			
Recommendation 3.4			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Compliant	The functions of the BROC is at present handled by the Risk Committee.	
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Compliant	Majority of the members of the Risk Committee are independent directors.	

3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Compliant	The Chairman of the Risk Committee is not the Chairman of the Board or any other committee established by the Board.	
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Compliant	The Chairman of the Risk Committee and the independent directors-members thereof have the required knowledge and experience on risk management.	
Recommendation 3.5			
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	Non-Compliant		The functions of the RPT Committee are at present assumed by the Risk Committee. The present size, risk appetite, nature and complexity of the Company's transactions do not yet warrant the establishment of a separate RPT.
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.		Majority of the members of the Risk Committee are independent directors and all members are non-executive directors.	
Recommendation 3.6			
1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	Compliant	The Company has Charters for Audit Committee, Risk Committee, Corporate Governance Committee, and Nominating Committee.	
2. Committee Charters provide standards for evaluating the performance of the Committees.	Compliant	The Committee Charters provide the standards for evaluating the performance of the Committees.	
3. Committee Charters were fully disclosed on the company's website.	Compliant	The Committee Charters are fully disclosed in the Company's website: www.basicenergy.ph	

Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

Recommendation 4.1

1. The Directors attend and actively participate 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.	Compliant	This is prescribed in the Charter of the Board of Directors.	
2. The directors review meeting materials for all Board and Committee meetings.	Compliant	Minutes of the Board meetings are given to the directors at least three (3) days before the board meeting. All directors are provided with board materials of matters to be discussed in the board meeting.	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant	The directors during the Board and Committee meetings are participative and interactive. The directors usually ask questions on the presentations / reports submitted to the Board by Management.	

Recommendation 4.2

1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.	Non-Compliant		Out of the 10 non-executive directors, only one director, Director Oscar S. Reyes, serves concurrently as director in six (6) other publicly listed companies. Despite these concurrent positions, Director Reyes has proven that he is capable of handling his responsibilities as director in the Company and the other listed companies. He has been very active and very participative in the Board meetings and for 2019, he has attended 12 out of 13 Board meetings. Director Reyes has resigned as director of the Company effective December 31, 2019.
Recommendation 4.3			
1. The directors notify the company's board before accepting a directorship in another company.	Compliant	This is prescribed in the Charter of the Board of Directors	
Optional: Principle 4			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.			
2. Company schedules board of directors' meetings before the start of the financial year.			
3.			
4. Board of directors meet at least six times during the year.			

5. Company requires as minimum quorum of at least 2/3 for board decisions.			
Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs			
Recommendation 5.1			
1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	Compliant (Substantially)	The Board has three (3) independent directors, out of eleven (11) members, namely: Oscar S. Reyes, Eduardo V. Manalac and Harvey Lawrence N. Dychiao. However, Director Reyes has resigned as director effective November 26, 2019. Another independent director was elected last February 27, 2020.	
Recommendation 5.2			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Compliant	The independent directors possess all qualifications and have none of the disqualifications of independent directors as prescribed in the Company's Manual of Corporate Governance and in the Charter of the Board of Directors.	
Supplement to Recommendation 5.2			
1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	Compliant	There are no shareholder agreements, by-laws provisions, or other arrangements that constrain directors' ability to vote independently.	

1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	Compliant	This is prescribed in the Company's Manual of Corporate Governance and in the Charter of the Board of Directors.	
2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Compliant	This is prescribed in the Company's Manual of Corporate Governance and in the Charter of the Board of Directors.	
3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.	Compliant	This is prescribed in the Company's Manual of Corporate Governance and in the Charter of the Board of Directors.	
Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Compliant	Oscar C. de Venecia-Chairman Oscar L. de Venecia, Jr. -President & CEO. However, the Chairman of the Board and the Chief Executive Officer are related to one another; the Chairman of the Board is the father of the President and Chief Executive Officer.	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	The roles and responsibilities of the Chairman of the Board and Chief Executive Officer are clearly defined in the Company's Manual of Corporate Governance.	
Recommendation 5.5			
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	Compliant	The Board has designated Mr. Eduardo V. Manalac as lead director. Mr. Manalac is an independent director.	

Recommendation 5.6

1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.

Compliant

This is prescribed in the Charter of the Board of Directors and is being practiced.

Recommendation 5.7

1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.

Compliant

At least once a year, the Audit Committee, which is composed of non-executive directors, meets with the external auditors and the Compliance Officer, without the President & CEO. For the 2019 financial statements, the committee meeting was held last June 11, 2020.

2. The meetings are chaired by the lead independent director.

Compliant

The aforementioned meeting was chaired by the Chairman of the Audit Committee. The lead independent director was present at the said meeting .

Optional: Principle 5

1. None of the directors is a former CEO of the company in the past 2 years.

Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

Recommendation 6.1

1. Board conducts an annual self-assessment of its performance as a whole.

Compliant

The Charter of the Board of Directors prescribes a yearly self-evaluation of its own performance. For the term 2019-2020, the Board conducted its

2. The Chairman conducts a self-assessment of his performance.	Compliant	self-evaluation last May 7, 2019 and performances of the Board, Chairman and directors and the Committees for 2018 are Mostly Satisfactory.	
3. The individual members conduct a self-assessment of their performance.	Compliant		
4. Each committee conducts a self-assessment of its performance.	Compliant		
5. Every three years, the assessments are supported by an external facilitator.	Non-Compliant		The Charter of the Board prescribes that every three (3) years, the assessments shall be supported by an external facilitator. This shall be done for the 2020 annual self-assessment of the Board, the directors, and the Committees.
Recommendation 6.2			
1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	Compliant	The Board has established the assessment system setting the criteria and processes for the assessment of the performance of the Board, the individual directors and the Committees.	

2. The system allows for a feedback mechanism from the shareholders.	Non-Compliant		The Board has yet to establish a system whereby feedback from shareholders are solicited.
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Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

Recommendation 7.1

1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	Non-Compliant		The Personnel Policy Manual includes a Code of Discipline and various other standards of professional and ethical behavior are found in other documents. The task of the Corporate Governance Committee is to consolidate all these policies and standards into one Code of Business Conduct and Ethics. Once completed, this Code shall be submitted for approval by the Board.
2. The Code is properly disseminated to the Board, senior management and employees.	Non-Compliant		Once approved by the Board, the Code shall be disseminated to all officers and employees of the Company.
3. The Code is disclosed and made available to the public through the company website.	Non-Compliant		Once approved by the Board, the Code shall be posted in the Company's website.

Supplement to Recommendation 7.1

1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	Compliant	Under the Company's Personnel Policy Manual (Chapter 7 thereof on the Code of Discipline), the offering, paying and receiving of bribes is a serious offense subject to dismissal or suspension, as may be warranted, after due administrative hearing.	
Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Non-Compliant		Once approved by the Board, the Board shall ensure its proper and efficient implementation by Management.
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant	The Board is responsible for ensuring compliance with the Company's internal policies and acts on the findings and recommendations of the Compliance Officer to Management and the Board on any non-compliance with the Company's internal policies.	
Disclosure and Transparency			
Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
Recommendation 8.1			
1. Board establishes 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 a company's financial condition, results and business operations.	Compliant	This is prescribed in the Company's Manual on Corporate Governance. The Company follows the disclosure policies and procedures of the PSE thru its "edgesubmit" system.	
Supplement to Recommendations 8.1			

1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.	Compliant	The 2019 Annual Report of the Company which contains the 2019 financial statements of the Company was submitted to SEC on June 30, 2020, while the quarterly reports are submitted to SEC and PSE when due as prescribed. These reports were also posted in the Company's website.	
2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	Non-Compliant		In the next annual report of the Company, the following circumstances, if existing, shall be disclosed: (1) principal risks to minority shareholders associated with the identity of the company's controlling shareholders; (2) cross-holdings among company affiliates, if any; and (3) any imbalances between the controlling shareholders' voting power and overall equity position in the Company.

Recommendation 8.2

<p>1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.</p>	<p>Compliant</p>	<p>The Company follows the implementing rules and regulations of the Securities Regulation Code requiring directors to report their dealings in the Company's shares involving 5 % of the total securities of the Company, within five (5) business days, The Company, in turn, upon receipt of said report, submits a report to the SEC on the director's dealings involving 5% of the total securities of the Company. The disclosure/report is not required if the transaction involves less than 5% of the total securities of the Company.</p>	
<p>2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.</p>	<p>Compliant</p>	<p>The Company follows the implementing rules and regulations of the Securities Regulation Code requiring officers to report their dealings in the Company's shares involving 5 % of the total securities of the Company, within five (5) business days, The Company, in turn, upon receipt of said report, submits a report to the SEC on the director's dealings involving 5% of the total securities of the Company. The disclosure/report is not required if the transaction involves less than 5% of the total securities of the Company.</p>	

1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).	Compliant	<p>The Company discloses trading of the Company's shares only upon receipt of the reports/notices from directors and officers on trading by them of the Company's shares pursuant to the implementing rules and regulations of the Securities Regulation Code. The report is required only if the shares subject of the transaction involves 5% or more of the total securities of the Company.</p> <p>The Company does not have a share buy-back program.</p>	
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Recommendation 8.3

1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	The directors' qualifications are described in the Information Statement distributed by the Company prior to any annual stockholders meeting. The directors are required to abstain from deliberations or voting on any matter which could present a conflict of interest situation.	
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	The officers' qualifications are described in the Information Statement distributed by the Company prior to any annual stockholders meeting.	

Recommendation 8.4

SEC Form - I-ACGR * Updated 21Dec2017

1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.	Compliant	The directors do not receive remuneration from the Company, except for per diems for attendance at Board meetings and except for the President & CEO, whose remuneration, together with the other senior officers of the Company, as a group, are disclosed in the Information Statement distributed by the Company prior to any annual stockholders meeting.	
2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	Non-Compliant		The Board has yet to establish the policies and procedures for setting executive remuneration, including the level and mix of the same.
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	Non-Compliant		Remuneration of officers are not disclosed on an individual basis for security reasons. These are reported on a group basis in the Company's Information Statements.
Recommendation 8.5			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	Compliant	The RPT policies, in general, are embodied in the Company's Manual on Corporate Governance.	
2. Company discloses material or significant RPTs reviewed and approved during the year.	Compliant	The Company has disclosed to SEC and PSE the RPTs of Vintage Engineering Public Company Limited, (now Meta Corporation Public Company), a shareholder of the Company, which were transacted in 2017-2018.	
Supplement to Recommendation 8.5			

1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	Compliant	This is prescribed in the Company's Manual on Corporate Governance.	
Optional : Recommendation 8.5			
1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.			
Recommendation 8.6			
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.	Compliant	This is done through www.edgesubmit.pse.com.ph system of the PSE	
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Compliant	The Company, as a matter of practice, uses SEC-PSE accredited property appraisal companies to assist in evaluating the fairness of the transaction price on the acquisition or disposal of assets. For projects, the Board engages the services of an investment adviser to determine the fairness of the consideration for the acquisition or participation of the Company in new projects.	
Supplement to Recommendation 8.6			
1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	Compliant	In 2018, the Company has disclosed to the PSE justification and details of transactions of the Company with Vintage Engineering Public Company Limited, a shareholder of the Company.	

Recommendation 8.7

1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	The Company's corporate governance policies and procedures are embodied in the Manual on Corporate Governance.	
2. Company's MCG is submitted to the SEC and PSE.		The Company's Manual on Corporate Governance was submitted to the SEC and the PSE on May 31, 2017.	
3. Company's MCG is posted on its company website.		The Manual on Corporate Governance is posted in the company's website: www.basicenergy.ph	

Supplement to Recommendation 8.7

1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	Compliant	There has been no changes or updates to the Company's Manual on Corporate Governance since May, 2017.	
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Optional: Principle 8

1. Does the company's Annual Report disclose the following information:		These are all embodied in the Annual Report (SEC 17-A) submitted to SEC and PSE last June 30, 2020	
a. Corporate Objectives	Compliant		
b. Financial performance indicators	Compliant		
c. Non-financial performance indicators	Compliant		
d. Dividend Policy	Compliant		

e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	Compliant		
f. Attendance details of each director in all directors meetings held during the year	Compliant		
g. Total remuneration of each member of the board of directors	Compliant		
2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.	Compliant		
3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.	Compliant		
4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.	Compliant		
5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).	Compliant		

Principle 9: The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

Recommendation 9.1

1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	Compliant	This is embodied in the Charter of the Audit Committee	
2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	Compliant	The appointment of the External Auditor for the 2019 financial statements, was recommended by the Audit Committee and endorsed by the Board, and was approved by the shareholders at the 2019 annual stockholders meeting.	
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	Compliant	This is embodied in the Charter of the Audit which is posted in the Company's website.	

Supplement to Recommendation 9.1

1. Company has a policy of rotating the lead audit partner every five years.	Compliant	This is embodied in the Company's Manual on Corporate Governance. Beginning 2019, the external auditor has assigned a new lead audit partner for the Company.	
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Recommendation 9.2

1. Audit Committee Charter includes the Audit Committee's responsibility on: <ul style="list-style-type: none"> i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. 	Compliant	The company's Audit Committee Charter can be accessed thru the Company's website: www.basiceenergy.ph	
2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	Compliant	This is embodied in the Charter of the Audit Committee.	

Supplement to Recommendations 9.2

1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	Compliant	This is embodied in the Charter of the Audit Committee.	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	Compliant	This is embodied in the Charter of the Audit Committee.	

Recommendation 9.3

1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	Compliant	For 2019, no non-audit service has been performed by the external auditor, and this was disclosed in the Company's Annual Report.	
2. Audit Committee stays 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.	Compliant	This is embodied in the Charter of the Audit Committee	
Supplement to Recommendation 9.3			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	Compliant	For 2019, the external auditor has not been engaged to perform non-audit services for the Company and this was disclosed in the Company's Annual Report.	
Additional Recommendation to Principle 9			
1. Company's external auditor is duly accredited by the SEC under Group A category.	Compliant	SGV is accredited by SEC under SEC Accreditation No.1712-A (Group A), October 18, 2018 valid until October 17, 2021.	
2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).	Compliant	Per confirmation by SGV, it has agreed to be subjected to the SOAR Inspection Program of the SEC.	
Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.			
Recommendation 10.1			

1. Board has a clear and focused 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.	Compliant	This is embodied in the Company's Manual on Corporate Governance.	
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Compliant	This is embodied in the Company's Manual on Corporate Governance.	

Principle 11: The company should 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.

Recommendation 11.1

1. Company has 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.	Non-Complaint		The Company has not used media or analysts briefings as channels of communication. Any public or material information is disseminated via SEC and PSE disclosure reports.
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Supplemental to Principle 11

1. Company has a website disclosing up-to-date information on the following:			
a. Financial statements/reports (latest quarterly)	Compliant	The information can be accessed thru the company website: www.basicenergy.ph	
b. Materials provided in briefings to analysts and media	Compliant		
c. Downloadable annual report	Compliant		

d. Notice of ASM and/or SSM	Compliant		
e. Minutes of ASM and/or SSM	Compliant		
f. Company's Articles of Incorporation and By-Laws	Compliant		

Additional Recommendation to Principle 11

1. Company complies with SEC-prescribed website template.	Compliant	The Company's website complies with the SEC prescribed website template.	
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Internal Control System and Risk Management Framework

Principle 12: To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.

Recommendation 12.1

1. Company has an adequate and effective internal control system in the conduct of its business.	Compliant	The Company has adopted an internal control system based on the present nature of its operations and the volume of its transactions. The Company's present internal control system will be reviewed and updated as may be necessary, by the Internal Auditor, when hired, and the recommendations will be submitted to the Audit Committee for approval.	
2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	Non-Compliant		The Company's size, risk profile and nature of operations do not, as yet, warrant the establishment of an enterprise risk management framework

Supplement to Recommendations 12.1

1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	Compliant	The Company has a compliance program covering compliance with applicable laws and relevant regulations, and is reviewed annually.	
Optional: Recommendation 12.1			
1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.			
Recommendation 12.2			
1. Company has 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.	Non-Compliant		The Company has not engaged an internal auditor, as it is also considering the engagement of an audit firm that will provide internal audit services to the Company.
Recommendation 12.3			
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	Non-Compliant		The Company's size, nature of operations and volume of transactions, do not as yet warrant the appointment of a CAE.

2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	Non-Compliant		The Company's size, nature of operations and volume of transactions, do not as yet warrant the appointment of a CAE.
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	Non-Compliant		The Company shall identify the independent executive or senior management personnel in charge of the outsourced internal audit activity, upon engagement thereof.
Recommendation 12.4			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	Compliant	The Company's risk management oversight function is assumed by the Risk Committee.	
Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally.	Compliant	The Company had an occasion in the past to seek external technical support in risk management when the Company undertook drilling operations for its Mabini Geothermal project.	
Recommendation 12.5			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	Non-Compliant		The Company's size, risk profile, nature of operations and volume of transactions, do not, as yet, warrant the appointment of a CRO.
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Non-Compliant		The Company's size, risk profile, nature of operations and volume of transactions, do not, as yet, warrant the appointment of a CRO.

Additional Recommendation to Principle 12

1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	Non-Compliant		The Company has not yet appointed a CAE.
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Cultivating a Synergic Relationship with Shareholders

Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

Recommendation 13.1

1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	Compliant	The basic rights of shareholders are embodied in the Manual on Corporate Governance.	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	Compliant	The Company's Manual on Corporate Governance are posted in the Company website: www.basicenergy.ph	

Supplement to Recommendation 13.1

1. Company's common share has one vote for one share.	Compliant	The By-laws of the Company provides for the voting rights of shareholders. This is likewise embodied in the Manual on Corporate Governance.	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Compliant	The By-laws of the Company provides for the voting rights of shareholders. This is likewise embodied in the Manual on Corporate Governance.	
3. Board has an effective, secure, and efficient voting system.	Compliant	The By-laws of the Company provides for the voting rights of shareholders. This is likewise embodied in the Manual on Corporate Governance	

4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	Non-Compliant		The Company follows the voting requirements prescribed by the Corporation Code.
5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.	Compliant	The By-laws of the Company provides for the process to call a special shareholders meeting.	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	Compliant	Policies on shareholders rights, including minority shareholders, are embodied in the Manual on Corporate Governance and in the Charter of the Nominating Committee, in the case of the right of minority shareholders to nominate candidates for directors for election. .	
7. Company has a transparent and specific dividend policy.	Non-Compliant		The By-laws of the Company prescribes the legal requirements for the declaration of dividends, giving the Board the authority to determine the specific amount, time and mode of payment, when and if dividends are declared and approved by the Board.
Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.			
Recommendation 13.2			

1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	Non-Compliant		<p>The Company follows the minimum requirements for sending of notices as prescribed in the Securities Regulation Code, which is fifteen (15) business days prior to the annual stockholders meeting.</p> <p>The notice for the 2020 annual stockholders meeting may be accessed at https://www.basicenergy.ph/download/annual-stockholders-meeting-2019-agenda/</p>
Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:			
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	Compliant	This is embodied in the Company's SEC Form 20-Information Statement.	
b. Auditors seeking appointment/re-appointment	Compliant	This is embodied in the Company's SEC Form 20-Information Statement and in the Agenda for the 2020 annual stockholders meeting.	
c. Proxy documents	Compliant	This is embodied in the Company's SEC Form 20-Information Statement, and attached to the Agenda for the 2020 annual stockholders meeting.	
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting.			
Recommendation 13.3			

1. Board encourages 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.	Compliant	The draft of the minutes of the 2019 Annual Shareholders' Meeting which indicates the number of votes taken on matters taken up in the meeting, are posted in the Company's website the next working day after the stockholders' meeting.	
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	Compliant	The draft of the minutes of the 2019 Annual Stockholders' Meeting can be accessed thru the Company website, on the next working day after the stockholders' meeting.	
Supplement to Recommendation 13.3			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	Compliant	The attendance of the external auditor is ensured and the relevant individuals are present to answer the questions of the shareholders during the ASM as can be seen in the Minutes of the ASM.	
Recommendation 13.4			

1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	Non-Compliant		The Company's Manual on Corporate Governance provides that 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. To date, however, this mechanism has not been established by the Board.
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	Non-Compliant		When this mechanism and its implementing procedures are adopted, the same shall be included as a supplement to the Company's Manual on Corporate Governance and posted in the Company's website.
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Compliant	The designated Investor Relations Officer is Atty. Angel P. Gahol with telephone number (+632) 8178596 and Fax Number (+632) 8170191 and email address: apgahol@basicenergy.ph .	
2. IRO is present at every shareholder's meeting.	Compliant	Yes, the IRO is always present during the ASM	
Supplemental Recommendations to Principle 13			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	Compliant	This is embodied in the Manual of Corporate Governance.	

2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	Compliant	As of June 30, 2020, the Company's public float is 86.87%	
Optional: Principle 13			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting			
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.			
Duties to Stakeholders			
Principle 14: The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.			
Recommendation 14.1			
1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	Compliant	This responsibility is embodied in the Manual of Corporate Governance.	
Recommendation 14.2			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	Compliant	This responsibility is embodied in the Manual of Corporate Governance.	
Recommendation 14.3			

1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	Compliant	The Investor Relations Officer, Atty. Angel P. Gahol, may be contacted by stakeholders at telephone number (+632) 8178596 and Fax Number (+632) 8170191 and email address: apgahol@basicenergy.ph. for any concerns and/or complaints for possible violation of their rights.	
Supplement to Recommendation 14.3			
1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.	Non-Compliant		The Company's alternative dispute mechanism has not been established.
Additional Recommendations to Principle 14			
1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.	Compliant	The Company has not sought any exemption from the application of any law, rule or regulation especially when it refers to a corporate governance issue.	
2. Company respects intellectual property rights.	Compliant	This policy shall be contained in the Company's Code of Business Ethics.	
Optional: Principle 14			
1. Company discloses its policies and practices that address customers' welfare			

2. Company discloses its policies and practices that address supplier/contractor selection procedures			
Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.			
Recommendation 15.1			
1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	Compliant	This responsibility is embodied in the Personnel Policy Manual.	
Supplement to Recommendation 15.1			
1. Company has a reward/compensation policy that accounts for the performance of the Company beyond short-term financial measures.	Compliant	This policy is embodied in the Personnel Policy Manual.	
2. Company has policies and practices on health, safety and welfare of its employees.	Compliant	Officers and employees are covered by HMO plans.	
3. Company has policies and practices on training and development of its employees.	Compliant	This is embodied in the Personnel Policy Manual	
Recommendation 15.2			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	Compliant	This is embodied in the Personnel Policy Manual (Chapter 7 on Code of Discipline).	

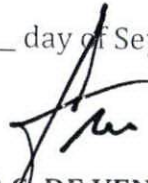
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	Compliant	This is embodied in the Personnel Policy Manual.	
Supplement to Recommendation 15.2			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	Compliant	This is embodied in the Personnel Policy Manual (Chapter 7 on Code of Discipline).	
Recommendation 15.3			
1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation	Non-Compliant		The framework on whistle blowing shall be incorporated in the Company's Code of Business Conduct and Ethics.
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	Non-Compliant		The framework on whistle blowing shall be incorporated in the Company's Code of Business Conduct and Ethics.
3. Board supervises and ensures the enforcement of the whistleblowing framework.	Non-Compliant		The framework on whistle blowing shall be incorporated in the Company's Code of Business Conduct and Ethics.

Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.


Recommendation 16.1

1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	Compliant	The Company is involved in community development and environment-related programs in communities where its projects are located. The Company has established the BEC CSR Foundation, which is in charge of the community related services required by said programs.	
Optional: Principle 16			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development			
2. Company exerts effort to interact positively with the communities in which it operates			

Submitted this ____ day of September 2020 at Makati City.


OSCAR C. DE VENECIA
Chairman
TIN No. 130-704-840


HARVEY LAWRENCE N. DYCHIAO
Independent Director
TIN No. 211-544-787


OSCAR S. REYES
Independent Director
TIN No. 136-623-569


ANGEL P. GAHOL
Acting Corporate Secretary
TIN No. 123-535-748


OSCAR L. DE VENECIA, JR.
President & Chief Executive Officer
TIN No. 146-709-049



EDUARDO V. MANALAC
Independent Director
TIN No. 225-311-454

SEP 08 2020

SUBSCRIBED AND SWORN TO this ____ day of September 2020, in Makati City, affiants exhibited to me their Tax Identification Numbers indicated above.

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Series of 2020.

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ATTY. ROBERT N. LUZ
NOTARY PUBLIC
Until December 31, 2021
Appt. No. M-37 Makati City
IBP #092865 for 2620 - RSM
PTR #8112274, Jan. 02, 2020-Makati
S.C. Roll No. 59597
MCLE Compliance No. VI-0028451 28 Aug. 2019
Unit 301 3rd Flr. Campos Rueda Bldg.
101 Urban Ave., Brgy. Pio del Pilar, Makati City