

**ODiSy - Disclosure Status**

Monday, January 18, 2010 7:19 PM

**From:** "odisy@pse.com.ph" <odisy@pse.com.ph>  
**To:** odisy@pse.com.ph

Dear Sir/Madam:

We would like to inform you that as of JAN 18, 2010 11:19:10 AM today,

Reference Number: WLIST\_\_2010000001094  
Company Name: Basic Energy Corporation  
Disclosure Subject: Revised Manual on Corporate Governance  
Status: APPROVED

Should you need further assistance, please e-mail us at [odisy@pse.com.ph](mailto:odisy@pse.com.ph).

---

This message contains confidential information and is intended only for the named addressee. If you are not the named addressee you should not disseminate, distribute or copy this e-mail. Please notify the sender immediately by e-mail if you have received this e-mail by mistake and delete this e-mail from your system.

E-mail transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this message, which arise as a result of e-mail transmission.

If verification is required please request a hard-copy version.

Philippine Stock Exchange, Inc.  
PSE Center, One Exchange Road  
Ortigas Center, Pasig City.  
Philippines 1600



January 18, 2010

**PHILIPPINE STOCK EXCHANGE, INC.**  
PSE Exchange Center, Exchange Road  
Ortigas Center, Pasig City

Attention : **MR. JOHN BENETTE B. MAMANGUN**  
Corporate Planning and Research  
-----

Gentlemen:

We are attaching herewith copy of the Revised Corporate Governance Manual of Basic Energy Corporation as submitted to the Securities and Exchange Commission.

Thank you and best regards.

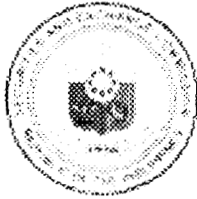
Very truly yours,

A handwritten signature in black ink, appearing to read "AP", is written over a faint horizontal line.

**ANGEL P. GAHOL**  
Compliance Officer



101152010001600



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

### Barcode Page

The following document has been received:

Receiving Officer/Encoder : Darwin San Jose  
Receiving Branch : SEC Head Office  
Receipt Date and Time : January 15, 2010 05:31:23 PM  
Received From : Head Office

Company Representative

---

Doc Source

Company Information

---

SEC Registration No. 0000036359  
Company Name BASIC PETROLEUM CORPORATION  
Industry Classification  
Company Type Stock Corporation

Document Information

---

Document ID 101152010001600  
Document Type MANUAL ON CORPORATE GOVERNANCE  
Document Code MCG  
Period Covered January 15, 2010  
No. of Days Late 0  
Department CFD  
Remarks REVISED

# COVER SHEET

3 6 3 5 9

SEC Registration Number

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

(Company's Full Name)

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

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

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

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

**Atty. Angel P. Gahol**

(Contact Person)

**(632) 817-8596 or 98**

(Company Telephone Number)

1 2

Month Day  
(Calendar Year)

3 1

**Revised Corporate  
Governance Manual**

(Form Type)

0 5

Month Day  
(Annual Meeting)

an y

**Not Applicable**

(Secondary License Type, If Applicable)

**Corp. Finance Dept.**

Dept. Requiring this Doc.

**Not Applicable**

Amended Articles Number/Section

Total Amount of Borrowings

**7,164**

Total No. of Stockholders

**- 0 -**

Domestic

**- 0 -**

Foreign

To be accomplished by SEC Personnel concerned

File Number

\_\_\_\_\_

LCU

Document ID

\_\_\_\_\_

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.



## Secretary's Certificate


I, **Corazon M. Bejasa**, the incumbent Corporate Secretary of **Basic Energy Corporation** (the Corporation), a publicly listed corporation duly organized and existing in accordance with the laws of the Philippines, with principal office address at the 7<sup>th</sup> Floor, Basic Petroleum Building, 104 C. Palanca St., Legaspi Village, Makati City, after having been sworn to in accordance with law, hereby state:

1. That the Board of Directors of the Corporation, in its meeting held on December 17, 2009, approved and adopted the Revised Manual of Corporate Governance of the Corporation, pursuant to the Securities and Exchange Commission (SEC) Memorandum Circular No. 2 Series of 2002, as revised by SEC Memorandum Circular No. 6 Series of 2009; and
2. That the copy of the Corporation's Revised Manual of Corporate Governance attached hereto as Annex A is a true and correct copy of the said revised manual as approved by the Board of Directors of the Corporation.

Signed this 15th day of January, at Makati City.

  
**Corazon M. Bejasa**  
Corporate Secretary

Subscribed and Sworn to before me, a Notary Public for and in the City of Makati, affiant exhibiting to me her Social Security System ID Card No. 03-7358459-6.

  
**ATTY. GERVACIO B. ORTIZ JR.**  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2010  
PTR NO. 275548 JAN. 4, 2010 MAKATI CITY  
IBP NO. 656155 - LIFETIME MEMBER  
APPT M - 84 / 2010 ROLL NO. 40091

Doc. No. 363  
Page No. 78  
Book No. 1  
Series of 2010.

**BASIC ENERGY CORPORATION**  
**REVISED MANUAL ON CORPORATE GOVERNANCE**

The Board of Directors, officers, executives and employees of Basic Energy Corporation (the Company) hereby commit themselves to the principles of sound corporate governance provided in this Revised Manual on Corporate Governance, and acknowledge that the same shall serve as a guide in the attainment of the Company's corporate goals.

This Revised Manual on Corporate Governance is adopted pursuant to the Securities and Exchange Commission (SEC) Memorandum Circular No. 2 Series of 2002, as revised by SEC Memorandum Circular No. 6 Series of 2009.

**1. Objective**

This Manual shall institutionalize the principles of sound corporate governance in the entire Company.

The Board of Directors, officers, and employees of the Company believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to foster awareness thereof and enjoin compliance therewith within the Company.

**2. Definitions and Interpretation**

**2.1 Definition of Terms**

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

Articles of Incorporation	- means the Articles of Incorporation of the Company and all amendments thereto
Board of Directors	- the governing body elected by the stockholders that exercises the corporate powers of the Company, conducts all its business and controls its properties
Board Committees	- means the Nomination, Compensation and Remuneration, Audit, Finance and Investments, and Corporate Governance Committees and such other committees which the Board may constitute from time to time
By-Laws	- means the By-Laws of the Company and all amendments thereto

CEO	-means the Chief Executive Officer of the Company
Chairman	- means the Chairman of the Board of the Company
Code	- means SEC Memorandum Circular No. 6 Series of 2009 otherwise known as the Revised Code of Corporate Governance
Commission	- means the Philippine Securities and Exchange Commission
Company	- means Basic Energy Corporation
COO	-means the Chief Operating Officer of the Company
Corporate Governance	-the framework of rules, systems and processes in the Company that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders of the Company
Corporation Code	- means Batas Pambansa Blg. 68 otherwise known as the Corporation Code of the Philippines
Director	- means a duly elected member of the Board
Exchange	- means the Philippine Stock Exchange
Independent Director	-shall have the meaning ascribed to such term in Section 3.1.2 hereof
Management	- means the body given authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Company
Manual	- means this Revised Manual on Corporate Governance as the same may be amended from time to time
Officers	-means the officers of the Company with the rank of Assistant Vice-President and above
Securities Code	- means Republic Act No. 8799 otherwise known as the Securities Regulation Code, and
Year	- means a calendar year

## **2.2. Interpretation**

a) Unless the context otherwise requires:

( i ) words in the singular include the plural, and vice-versa; and

(ii) words importing any gender include all genders;

b) A reference to a statute or statutory provision shall be construed as a reference to that statute or provision as from time to time amended, modified or re-enacted, any repealed statute or statutory provision which it re-enacts, and any orders, rules or regulations made under the relevant statute or statutory provision.

c) The headings in this Manual are inserted solely for convenience of reference and shall not limit or affect the interpretation of the provisions hereof.

## **3. Plan of Governance**

### **3.1 Board Governance**

The Board of Directors (“the Board”) is primarily responsible for the good governance of the Company. Corollary to setting the policies for the accomplishment of the Company’s corporate objectives, it shall provide an independent check on Management.

#### **3.1.1 Composition of the Board**

The Board shall be composed of eleven (11) members who are elected by the stockholders.

#### **3.1.2 Independent Directors**

The Board shall have at least two (2) Independent Directors or such Independent Directors shall constitute at least twenty percent (20%) of the members of the Board, whichever is lesser. “Independent Director” means a person 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 judgement in carrying out his responsibilities as a director of the Company and includes, among other persons, one who:

(i ) is not a director or officer of the Company or of its related companies or any of its substantial shareholders except when the same shall be an independent director or any of the foregoing;



(ii) does not own more than two percent (2%) of the shares of the Company and/or its related companies or any of its substantial shareholders;

(iii) is not related to any director, officer or substantial shareholder of the Company, any or its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;

(iv) is not acting as a nominee or representative of any director or substantial shareholder of the Company, and/or any of its related companies and/or any substantial shareholders;

(v) has not been employed in any executive capacity by the Company, any of its related companies and/or of its substantial shareholders within the last two (2) years;

(vi) is not retained, either personally or through his firm or any similar entity, as professional adviser, by the Company, any of its related companies and/or any of its substantial shareholders, within the last two (2) years; or

(vii) has not engaged and does not engage in any transaction with the Company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.

When used in relation to the Company, "related company" means another company which is: (a) its holding company; (b) its subsidiary; or (c) a subsidiary of its holding company; and "substantial shareholder" means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

### **3.1.3 Qualifications of Directors**

The Nomination Committee shall pre-screen and shortlist candidates nominated to become a member of the Board in accordance with the following qualifications and disqualifications and such other factors which the Nomination Committee may deem appropriate such as judgment, skill, experience with other business organizations of a size comparable to that of the Company and the interplay of a candidate's experience with the experience of other Directors:

#### **3.1.3A Qualifications:**

(i) Owner of at least one (1) share of stock of the Company standing in his name on the books of the Company;

(ii) At least a college graduate or, in the absence of such college degree or formal education, with sufficient experience in managing a business;

- (i) At least twenty-one (21) years old;
- (iv) Shall have been proven to possess integrity and probity; and
- (v) Shall be assiduous.

### **3.1.3B Disqualifications**

#### **(I) Permanent Disqualifications**

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

(i) Any persons convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of a person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures, commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment houses or as an affiliated person of any of them;

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

The disqualifications shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Company Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization.

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

(iv) Any person who has been adjudged by final judgment or order of the Commission, court or competent administrative body to have wilfully violated, or wilfully aided, abetted, counselled, induced or procured the violation of any provision of the Company Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;

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

(vi) Any person judicially declared as insolvent;

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

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

## **(II) Temporary Disqualification**

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

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

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

(iii) Dismissal or termination for cause as director of any company covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.

(iv) If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two (2) percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.

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

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualifications shall become permanent.

### **3.2 Duties and Responsibilities of the Board**

#### **3.2.1. General Responsibilities**

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.

#### **3.2.2 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 or 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 and 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.

### **3.2.3 Specific Duties and Responsibilities of a Director**

A director's office is one of trust and confidence. A director should act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Company towards sustained progress.

A director should observe the following norms of conduct:

- a) Conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interests of the company;
- b) Devote the time and attention necessary to properly and effectively perform his duties and responsibilities;
- c) Act judiciously on matters brought before the Board, thoroughly evaluating the issues involved before making any decisions;
- d) Exercise independent judgment
- e) Have a working knowledge of the statutory and regulatory requirements that affect the company, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.
- f) Observe confidentiality of non-public information acquired by reason of his position as Director;
- g) Ensure the continuing soundness, effectiveness and adequacy of the Company's control environment.

### **3.2.4 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.

The minimum internal control mechanisms for the performance of the Board's oversight responsibility shall 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.

The scope and particulars of the systems of effective organizational and operational controls that may be adopted by the Board shall take into consideration 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.

The Company shall 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.

### **3.3 Board Meetings and Quorum Requirement**

The members of the Board should attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Commission.

An independent director should always attend Board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings.

To monitor the director's compliance with the attendance requirements, The Company shall submit to the Commission on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings.

### **3.4 Remuneration of Directors and Officers**

The levels of remuneration of the Company should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

The Company shall establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers depending on the particular needs of the company. No director should participate in deciding on his remuneration.

The Company's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding year.

To protect the funds of the Company, the Company may, in exceptional cases, e.g. when under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers.

### **3.5 Board Committees**

To aid in ensuring compliance with the principles of sound corporate governance, the Board shall constitute Committees including without limitation a Nomination Committee, a Compensation and Remuneration Committee, an Audit Committee, a Finance and Investments Committee and a Corporate Governance Committee.

#### **3.5.1 Appointment of Members of the Board Committees**

(a) The Board shall appoint the members and chairman (from among the members) of each Board Committee following the annual meeting of stockholders at which the directors are elected. In case of vacancy in the Committee, the Board shall appoint a replacement who will fill the vacancy at any meeting of the Board.

(b) The Board shall ensure that the Nomination Committee shall have as members at least five (5) Directors (two of whom must be an Independent Directors); the Compensation and Remuneration Committee shall have as members at least five (5) Directors ( one of whom must be an Independent Director); the Audit Committee shall have as members at least five (5) Directors, two of whom must be an Independent Directors, including the Chairman of the Audit Committee; the Finance and Investments Committee shall have as members at least nine (9) Directors (one of whom must be an Independent Director) and the Corporate Governance Committee shall have as members at least six (6) Directors ( one of whom must be an Independent Director). Each member of the Audit Committee must have an



understanding at least, or competence, at most, of the Company's financial management system and environment.

### **3.5.2 Charters of the Board Committees**

(a) Each Board Committee shall have a Charter which shall define and govern among other matters, the objectives, composition, membership qualifications and disqualifications, duties and responsibilities, conduct of meetings, and procedure for escalation to the Board of decisions of such Board Committee.

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

### **3.5.3 Principal Duties and Responsibilities of the Board Committees**

The principal duties and responsibilities of the Nomination Committee, Audit Committee, Corporate Governance Committee, Compensation and Remuneration Committee and Finance and Investments Committee, shall be those set out below.

#### **3.5.4. Nomination Committee**

(a) To pre-screen and shortlist candidates nominated to become member of the Board in accordance with the qualifications and disqualifications and such other factors which the Nomination Committee may deem appropriate such as judgment, skill, experience with other business organizations of a size comparable to that of the Company and the interplay of a candidate's experience with the experience of other Directors.

(b) To consider and recommend to the Board the temporary disqualifications of a Director based on any of the following grounds:

(i) refusal to fully disclose the extent of business interest as required under the Securities Code and its Implementing Rules and Regulations; provided that this disqualifications shall be in effect as long as said refusal persists;

(ii) absence or non-participation for whatever reason(s) for more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, provided that this disqualification applies for purposes of the succeeding election;

(iii) dismissal/termination from directorship in another Company, the shares of which are listed on the Exchange, for cause; provided that this disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;

(iv) being under preventive suspension by the Company; and

- (v) conviction that has not yet become final involving offenses referred to in the grounds for the disqualifications of directors set out above.
- (c) To determine whether a candidate's directorship in other Companies would affect his capacity to serve and perform his duties as Director diligently and recommend to the Board any limit on the number of directorship in other Company of a Director, taking into consideration the following factors:
  - (i) the nature of the business of the Company;
  - (ii) the number of directorship/active membership and officership of a Director in other companies or organizations;
  - (iii) any possible conflict of interest; and
  - (iv) the age of the Director.
- (d) To ensure that the Company shall have at least two (2) independent Directors or such Independent Directors shall constitute at least twenty percent (20%) of the members of the Board, whichever is lesser;
- (e) To identify and recommend Directors to fill vacancies in any of the Board Committees, taking into consideration the factors set out in the respective Charters of said Committees as well as any other factors it deems appropriate.

### **3.5.5 Compensation and Remuneration Committee**

- (a) To establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of officers and other key personnel and provide oversight over the remuneration of officers and other key personnel, ensuring that their compensation is consistent with the Company's culture, strategy and control environment.
- (b) To designate the amount of remuneration which shall be in a sufficient level to attract and retain officers and other key personnel who are needed to run the Company successfully.
- (c) To develop a form on Full Business Interest Disclosures as part of the pre-employment requirements for all incoming officers, executives and other key personnel which, among other requirements, compel all such officers, executives and key personnel to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict with their performance of duties.
- (d) To disallow any Director to decide his remuneration.

(e) To prepare a clear, concise and understandable disclosure of the compensation of the Company's officers and other key personnel for the previous fiscal year and the ensuing year which are required to be included in the Company's annual report, proxy/information statements and other reports pursuant to the Securities Code and its Implementing Rules and Regulations.

(f) To review the Company's Personnel Policy Manual, to strengthen provisions on conflict of interest, salaries and benefits, promotions and career advancement directives and to ensure compliance by all personnel concerned with all statutory requirements that must periodically be met in the continued possession of their respective posts.

### **3.5.6 Audit Committee**

(a) To assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;

(b) To provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the company. This function shall include regular receipt from Management of information on risk exposures and risk management activities;

(c) To perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

(d) To review the annual internal audit plan to ensure its conformity with the objectives of the company. The plan shall include the audit scope, resources and budget necessary to implement it;

(e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

(f) To organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;

(g) To monitor and evaluate the adequacy and effectiveness of the company's internal control system, including financial reporting control and information technology security;

(h) To review the reports submitted by the internal and external auditors;

(i) To review quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:

- i) Any change/s in accounting policies and practices
  - ii) Major judgmental areas
  - iii) Significant adjustments resulting from the audit
  - iv) Going concern assumptions
  - v) Compliance with accounting standards
  - vi) Compliance with tax, legal and regulatory requirements
- (j) To coordinate, monitor and facilitate compliance with laws, rules and regulations;
- (k) To evaluate and determine the non-audit work, if any of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the company's annual report;
- (l) To establish and identify the reporting line of the Internal Auditor to enable him to properly fulfil his duties and responsibilities. He shall functionally report directly to the Audit Committee.

The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

### **3.5.6 Corporate Governance Committee**

- a) To oversee the review and assessment of the adequacy of the corporate governance principles and policies of the Company, including the Manual, the Code, to ensure that they are appropriate for the Company and are in compliance with applicable laws, regulations and listing standards, and to recommend any desirable changes to the Board;
- b) To review and advise the Board from time to time with respect to the governance structure and business practices of the Company in relation to maintenance of good governance and ethical standards;
- c) To oversee the development of and recommend to the Board for approval a system for evaluating and measuring compliance with the Manual, Code and other corporate governance laws, rules and regulations;

- d) To consider, resolve and decide any corporate governance issues that arise from time to time and develop appropriate recommendations to the Board including sanctions or penalties, as may be necessary;
- e) To monitor the compliance and adherence by the Company to all Board and Committee policies as well as applicable laws and regulations relating to corporate governance;
- f) To take such other actions in relation to the Company's corporate governance practices and related matters that are in the best interest of the Company as the Committee shall deem appropriate or as may be otherwise required by governmental or regulatory bodies having jurisdiction.

#### **3.5.7 Finance and Investments Committee**

- a) To oversee the management of the funds and assets of the Corporation;
- b) To review the financial reports and statements of the Company; and ensure that Management keeps and maintains a complete and accurate record of all financial transactions in the corresponding books of accounts of the Company; and ensure that Management present and report to the Board timely and accurate financial information on the Company;
- c) To review the operating budgets of the Company, including Management's financial planning and strategies and recommend approval or adoption thereof by the Board;
- d) To review all major capital expenditures and investments of the Company and recommend approval or adoption thereof by the Board;
- e) To review and recommend capital or debt raising options or activities which may be undertaken by the Company; and
- f) To review the capital structure of the Company and recommend to the Board measures to address any and all issues relative to the capital structure and shares of the Company.

#### **3.5.8 Duty to Report to the Board**

Each Board Committee shall report or submit to the Board a summary of the actions taken by such Committee.

### **3.6 The Chairman**

The Chairman shall have the following duties:

- a) The Chairman shall ensure that the meetings of the Board are held regularly in accordance with By-laws of the Company, following, whenever possible, a schedule of meetings adopted by the Board for the year, whenever the Chairman deems it necessary for the Board to hold meetings;
- b) He shall supervise the preparation of the agenda of each Board meeting, in coordination with the Corporate Secretary, taking into consideration the requirements and suggestions of the Board and Management; and
- c) He shall maintain qualitative and timely lines of communication and information between the Board and Management.

### **3.7 The Chief Executive Officer (CEO)**

The CEO shall exercise overall supervision, management and administration of the business affairs of the Company, ensuring management of the Company's business affairs in a sound and prudent manner. He shall execute and implement the policies, strategies and goals and objectives of the Company, as approved and adopted by the Board of Directors and shall see to it that organization and procedural controls are adequate and effective to ensure reliability and integrity of financial and operational information. He shall provide the Board with a balanced and understandable account of the Company's performance, financial condition and business prospects and opportunities on a regular basis.

### **3.8 The Chief Operating Officer (COO)**

The COO shall be responsible for the day-to-day management and operations of the Company, in line with the policies, strategies and goals and objectives of the Company, as approved and adopted by the Board of Directors. He shall be responsible for ensuring the effectiveness and efficiency of operations, the safeguarding of funds and assets of the Company and compliance with laws, rules, regulations and contracts.

### **3.9 The Treasurer**

The Treasurer shall be the chief financial officer of the Company and as such, he shall be responsible for (1) the custody and management of all funds and assets of the Company; (2) keeping and maintaining a complete and accurate record of all receipts and disbursements of funds and other financial transactions in the corresponding books of accounts of the

Company; (3) rendering and presenting in a timely and accurate manner, such financial reports and statements as may be required by the Board of Directors; and (4) financial planning, strategy, and forecasting to ensure the long-term viability and stability of the Company.

### **3.10 The Corporate Secretary and Assistant Corporate Secretary**

The Corporate Secretary and Assistant Corporate Secretary shall be Filipino citizens and residents of the Philippines. As officers of the Company, they shall at all times strive to achieve perfection in the performance of their functions and undertake that no surprises are likely to come from them. Likewise, loyalty to mission, vision and specific business objectives of the Company shall form an important part of their duties.

They shall have the following responsibilities:

- a) Gather and analyze all documents, records and other information essential to the conduct of their duties and responsibilities to the Company;
- b) Secure a complete schedule of Board meetings at least for the current year and put the Board on notice of such schedule and the agenda of each meeting;
- c) Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations;
- d) Attend all Board meetings, ensure that Board procedures are being followed or complies with and maintain records of such meetings; and
- e) Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the Directors during Board meetings.

### **3.11 Compliance Officer**

To ensure adherence to sound corporate governance principles and best practices, the Chairman shall designate a Compliance Officer who shall hold the position of at least Vice President or its equivalent. He shall have direct reporting responsibilities to the Chairman.

#### **3.11.1 Duties of the Compliance Officer**

The Compliance Officer shall perform the following duties:

- a) To monitor compliance with the provisions and requirements of this Manual, the Code and such other laws, circulars, rules and requirements issued in relation thereto;

- b) To appear before the Commission upon due receipt of a summon on matters relating to the Company's compliance with this Manual, the Code and such other laws, circulars, rules and regulations issued in relation thereto;
- c) To assist the Corporate Governance Committee in the investigation of violation(s) of the provisions of the Manual and in determining the recommended penalty for such violation(s), subject to further review and approval of the Board;
- d) To issue a certification every January 30<sup>th</sup> of each year on the extent of the Company's compliance with the provisions of this Manual for the immediately preceding fiscal year of the Company, explaining if necessary the reason(s) for the latter's deviation from the same; and
- e) To identify, monitor and control compliance risks.

### **3.11.2 Disclosure of Appointment of Compliance Officer**

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

## **4. Adequate and Timely Information**

To enable the members of the Board to properly fulfil their duties and responsibilities, Management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matter brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the Company's expense.



## **5. Accountability and Audit**

A) The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensive assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

Thus, it is essential that Management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.

Management should formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

- (i) The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- (ii) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company should be maintained;
- (iii) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets and compliance with contracts, laws, rules and regulations;
- (iv) The Company should consistently comply with the financial reporting requirements of the Commission;
- (v) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Company, should be changed with the same frequency. The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

B) The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the Company, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time provide internal audit services to the Company. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as independent auditor, or does not pose a threat to his independence.

If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the Company's annual and current reports. The report shall include a discussion of any disagreement between him and the Company on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the Company failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Company to the external auditor before its submission.

If the external auditor believes that any statement made in an annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

## **6. 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;
- (vi) Right to dividends; and
- (vii) 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.

## **7. Governance Self-Rating**

The Board shall create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in this Code.

The creation and implementation of such self-rating system, including its salient features, may be disclosed in the Company's annual report.

## **8. 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.

## **9. Monitoring and Assessment**

9.1 Each Committee shall report regularly to the Board of Directors.

- 9.2 The Corporate Governance Committee shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under this Manual.
- 9.3 The establishment of such evaluation system, including the features thereof, shall be disclosed in the Company's annual report or in such form of report that is applicable to the Company. The adoption of such performance evaluation system must be covered by a Board approval.
- 9.4 This Manual shall be subject to quarterly review unless another frequency is adopted by the Board.

#### **10. Penalties for Non-Compliance with the Manual**

- 10.1 To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed by the Board, after due notice and hearing, on the Company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff who have been found in violation of any of the provision of this Manual:
- a) In case of first violation, the subject person shall be given a written warning;
  - b) In case of second violation, the subject person shall be given a written reprimand.
  - c) In case of third violation, the subject person shall be subject to suspension from office, without pay, the duration of which shall depend on the gravity of the violation.
  - c) For fourth violation, the maximum penalty of removal from office shall be imposed.
- 10.2 The commission of a fourth violation of this Manual by any member of the Board of the Company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.
- 10.3 The Compliance Officer shall be responsible for initiating investigations for violations of the Manual, through due notice and hearing, and shall submit to the Chairman of the Corporate Governance Committee, the results of such investigation, including the recommended penalty which may be imposed for such violation, for further review and approval of the Board.

This Revised Manual on Corporate Governance shall take effect upon approval of the Board.