

SMC GLOBAL POWER HOLDINGS CORP.
THE CHARTER OF THE BOARD OF DIRECTORS
(Adopted on 30 October 2020)

This Charter of the Board of Directors (the “Board Charter”) sets out the purpose, membership and qualifications, structure and operations, duties and responsibilities of the Board of Directors (the “Board”) of SMC Global Power Holdings Corp. (the “Corporation”) and the procedures which guide the conduct of its functions.

1. PURPOSE

The Board Charter aims to formalize and clearly state the roles, responsibilities, and accountabilities of the Board in carrying out its fiduciary duties, by summarizing the pertinent provisions set out in the Corporation’s Amended By-laws (the “Amended By-laws”), the Amended Manual on Corporate Governance (the “Amended Manual”), the Revised Corporation Code of the Philippines (“RCC”), and the Securities Regulation Code (“SRC”) and its Implementing Rules and Regulations.

The Board Charter shall serve as a guide to the directors in the performance and discharge of their functions and responsibilities, as well as to set the standards for evaluating the performance of the Board.

2. POWERS, DUTIES AND RESPONSIBILITIES OF THE BOARD

2.1 Powers of the Board

Pursuant to the Amended By-laws, unless otherwise provided by law, the corporate powers of the Corporation shall be exercised, all business conducted and all property of the Corporation controlled and held by the Board of Directors to be elected by and from among the stockholders and by officers elected by the Board of Directors.¹ Without prejudice to such powers as may be granted by law, the Board of Directors shall also have the following powers²:

- a) from time to time, to make and change rules and regulations not inconsistent with these by-laws for the management of the Corporation’s business and affairs;
- b) to purchase, receive, take or otherwise acquire for and in the name of the Corporation, any and all properties, rights, or privileges, including securities and bonds of other corporations, for such consideration and upon such terms and conditions as the Board may deem proper or convenient;
- c) to sell, lease, exchange, assign, transfer or otherwise dispose of any property, real or personal, belonging to the Corporation whenever in its judgment, its interests would thereby be promoted;

¹ Article III, Section 1, Amended By-laws.

² Article III, Section 1, Amended By-laws.

- d) to invest the funds of the Corporation in other corporations or for purposes other than those for which the Corporation was organized, subject to such stockholders' approval as may be required by law;
- e) to incur such indebtedness as the Board may deem necessary, to issue evidence of indebtedness including without limitation, notes, deeds of trust, bonds, debentures, or securities, subject to such stockholders approval as may be required by law, and/or pledge, mortgage, or otherwise encumber all or part of the properties of the Corporation;
- f) to make provisions for the discharge of the obligations of the Corporation as they mature, including payment for any property, stocks, bonds, debentures or other securities of the Corporation lawfully issued for the purpose;
- g) to authorize the issuance of shares out of the unissued capital stock of the Corporation's authorized capital stock and the re-issuance or disposition of treasury shares;
- h) with regard to shares issued in total or partial payment of debts contracted by the Corporation, for whatsoever properties it may have acquired or in payment of services rendered to the Corporation, to impose such conditions regarding the transfer of said shares as it may deemed convenient, subject, however, to the limitation fixed by law;
- i) to establish pension, retirement, bonus, or other types of incentives or compensation plans for the employees, including officers and directors of the Corporation;
- j) to determine whether any, and if any, what part of the surplus profits of the Corporation arising from its business or retained earnings available for declaration as dividends, shall be declared as dividends, subject to the provisions of law;
- k) to prosecute, maintain, defend, compromise or abandon any lawsuit in which the Corporation or its officers are either plaintiffs or defendants in connection with the business of the Corporation and to settle all claims for or against the Corporation on such terms and conditions as it may deem fit;
- l) upon recommendation of the Chairman and Chief Executive Officer and in accordance with the applicable provisions of these by-laws, to determine and prescribe the qualifications, duties, terms of office, compensation, remuneration, incentives and other benefits of officers and/or employees. Pursuant thereto, to appoint or elect or enter into contracts with such officers and/or employees, under such terms and conditions as the Board may determine to be in the best interests of the Corporation;
- m) upon recommendation of the Chairman and Chief Executive Officer, to create other offices it may deem necessary and determine how such officers will be filled;
- n) to create, by a resolution passed by a majority of all members of the Board, an Executive Committee of three (3) members, all of whom shall be directors of the Corporation.

The Executive Committee, when the Board is not in session, shall have and may exercise the powers of the Board in the management of the business and affairs of the Corporation except those powers specifically limited by law or by the Board. The Board shall have the power at any time to remove and replace the members of, and fill vacancies in, the Executive Committee.

- o) to create, by resolution passed by a majority of all members of the Board, one or more standing or special committees of directors, including, but not limited to, the Corporate Governance Committee, Audit and Risk Oversight Committee, and Related Party Transaction Committee, with such composition, powers and duties as may be specified in the enabling resolution;
- p) to delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business of the Corporation to any standing or special committee or to any officer or agent and to appoint any person to be agent of the Corporation with such powers and upon such terms as may be deemed fit;
- q) to appoint any corporation, association, partnership, or entity duly organized and registered in accordance with the laws of the Republic of the Philippines as general managers or management consultants or technical consultants, under such terms and conditions and for such compensation as the Board may determine;
- r) to guarantee, for and on behalf of the Corporation, obligations of the other corporations in which it has lawful interest;
- s) to appoint trustees who for the benefit of the Corporation, may receive and retain such properties as may belong to the Corporation or in which it has interest, and to execute such deeds and performs such acts as may be necessary to transfer the ownership of said properties to its trustees;
- t) to enter into any transaction, obligation or contract and perform such acts and execute such deeds as it may deem essential for the proper administration of the Corporation's property, business and affairs or the accomplishment of any of the purposes of which the Corporation was organized;
- u) to assure every officer and employee of the Corporation, the free exercise and enjoyment of their political beliefs without discrimination or preference, to the extent allowed by law, and to ensure that the Corporation shall not engage in partisan political activities;
- v) to select the external auditor;
- w) to resolved doubts as to the meaning, interpretation and application of these by-laws, implement the provisions thereof and act on any matter not covered by these by-laws in accordance with law, rules and regulations.

2.2 General Responsibilities of the Board

The Amended Manual on Corporate Governance (the “Amended Manual”), sets out the general responsibilities of the Board³, as follows:

- a) It shall be the Board’s responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness and profitability in a manner consistent with its fiduciary responsibility of promoting the value of the Corporation, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Corporation’s articles of incorporation and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to shareholders and other stakeholders. The Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and all shareholders and other stakeholders. The Board must exercise their business judgment in considering and reconciling the interests of various stakeholders, including shareholders.
- b) The Board should oversee the development of and approve the Corporation’s business objectives and strategy, and monitor their implementation, in order to sustain the Corporation’s long-term viability and strength. The Board is responsible for formulating the Corporation’s vision, mission, values, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management’s performance.
- c) The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.
- d) To show full commitment to the Corporation, a director should devote the time and attention necessary to properly and effectively perform his duties and responsibilities, including sufficient time to be familiar with the Corporation’s business.
- e) A director’s office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness, and in the best interest of the Corporation. He should exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.
- f) Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.
- g) The Board shall establish a Board Charter that formalizes and clearly states its roles, responsibilities, and accountabilities in carrying out its fiduciary duties. The Board Charter will serve as a guide to the directors in the performance of their functions and will be made publicly available.

³ Section 2.2.1 (a), Amended Manual.
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2.3 Specific Duties and Functions of the Board

In order to ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders, the following are the specific duties and functions of the Board as set out in the Amended Manual⁴:

- a) implement a process of selection aligned with the strategic direction of the Corporation to ensure the right mix of competent directors and officers with diverse background, expertise and competencies and who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;
- b) set the qualification standards for its members to facilitate the selection of potential nominees for board seats which shall also serve as the benchmark for the evaluation of their respective performance;
- c) appoint competent, professional, honest and highly-motivated Management officers and adopt an effective succession planning program for directors, Management and key officers to ensure the continuous and consistent growth of the Corporation, including a retirement policy for directors and key officers, and to promote dynamism in the Corporation;
- d) provide sound strategic policies and guidelines on major capital expenditures and other programs to sustain the Corporation's long-term viability and strength, and periodically evaluate and monitor the implementation of such policies and strategies;
- e) ensure that the Corporation complies with all relevant laws, regulations and best business practices;
- f) align the remuneration of key officers and Board members with the long-term interests of the Corporation and, in doing so, formulate and adopt a policy specifying the relationship between remuneration and performance;
- g) identify the stakeholders of the Corporation in the community in which it operates or are directly affected by its operations, and formulate corporate disclosure policies and procedures to ensure comprehensive, accurate, reliable, timely and effective communication to the Corporation's shareholders and other stakeholders, as well as agencies regulating the Corporation, in a manner that gives a fair and complete picture of the Corporation's financial condition, results and business operations;
- h) establish and maintain an effective investor relations program that will keep the Corporation's shareholders and stakeholders informed of important developments in the Corporation. If feasible, the Corporation's Chief Finance Officer shall exercise oversight responsibility over this program;
- i) adopt a system of internal checks and balances, and to review regularly the effectiveness thereof;

⁴ Section 2.2.1 (b), Amended Manual
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- j) adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code of Business Conduct and Ethics should be properly disseminated to the Board, senior management and employees. It should also be disclosed and made available to the public through the Corporation's website;
- k) ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies;
- l) identify key risk areas and key performance indicators and monitor these factors with due diligence;
- m) properly discharge Board functions by meeting regularly or at such times and frequency as may be needed. Independent views during Board meetings shall be given due consideration. All such meetings shall be duly minuted;
- n) develop a formal and transparent board nomination and election policy that includes how it will accept nominations from its shareholders, review the qualifications of nominated candidates, and assess the effectiveness of the Board's processes and procedures in the nomination, election, or replacement/removal of a director. The process of identifying the quality of directors should be aligned with the strategic directions of the Corporation.
- o) formulate and implement policies and procedures that would ensure the integrity, fairness and transparency of related party transactions ("RPTs") between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major shareholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board, and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. Such policies shall include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions, and encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations;
- p) keep Board authority within the powers of the institution as prescribed in the articles of incorporation, by-laws and in existing laws, rules and regulation;
- q) encourage use of alternative modes of dispute resolution that can amicably settle conflicts or differences between the Corporation and its shareholders or third parties, including regulatory agencies;
- r) constitute an Audit and Risk Oversight Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities;
- s) appoint a Compliance Officer as provided in Section 2.1 of the Amended Manual. In the absence of an appointment by the Board, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer;

- t) select and assess the performance of the Management led by the Chief Executive Officer and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Internal Audit Group Head, as may be applicable); and
- u) establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders; and
- v) develop a policy on the training of directors, including an orientation for first time directors and relevant annual continuing training for all directors.

2.4 Other Duties and Functions of the Board

(a) Recommendation on the Appointment of External Auditor

The Board, after consultations with the Audit and Risk Oversight Committee, shall recommend the external auditor (which shall be duly accredited by the SEC) for selection and appointment by the shareholders of the Corporation.⁵

(b) Appointment of the Chief Audit Executive or Internal Audit Group Head

The Board shall appoint a qualified Internal Audit Group Head who shall head the Internal Audit Group which shall perform the independent internal audit function that will provide an independent and objective assurance, and consulting services designed to add value and improve the Corporation's operations.⁶

(c) Dissemination of the Amended Manual

All directors, executives, division and department heads are tasked to ensure the thorough dissemination of the Amended Manual to all employees and related third parties, and to likewise enjoin compliance in the process.⁷

(d) Disclosure of Dealings

All directors and officers shall disclose to the Corporation any dealings in the Corporation's shares by the said directors and officers within five (5) business days.⁸

(e) Commitment to Respect Rights of Investors/Minority Interests

The Board is committed to respect the rights of the shareholders and minority interests.⁹

(f) Transparency in Shareholders' Meetings

The Board should be transparent and fair in the conduct of the annual and special shareholders' meetings of the Corporation.¹⁰

(g) Promotion of Shareholders' Rights

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of

⁵ Section 2.2.6 (b), Amended Manual.

⁶ Section 2.2.7 (a), Amended Manual.

⁷ Section 3.4, Amended Manual.

⁸ Section 4.4, Amended Manual.

⁹ Section 5.1.1, Amended Manual.

¹⁰ Section 5.1.2 (d), Amended Manual.

shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.¹¹

(h) Identification of Stakeholders

The Board shall identify the Corporation's various stakeholders and promote cooperation between them and the Corporation in creating wealth, growth and sustainability. Stakeholders in corporate governance include, but are not limited to, customers, employees, suppliers, shareholders, non-proprietary rights holders, investors, creditors, the community the Corporation operates in, society, the government, regulators, competitors, external auditors, among others.¹²

(i) Whistle-blowing Policy

The Corporation shall establish and maintain a whistleblowing policy that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to a unit tasked to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.¹³

2.5 Executive Committee

The by-laws of a corporation may create an executive committee, composed of three members of the board, to be appointed by the board. Said committee may act, by majority vote of all its members, on such specific matters within the competence of the board, as may be delegated to it in the by-laws or on a majority vote of the board, except with respect to: (1) approval of any action for which shareholders' approval is also required; (2) the filing of vacancies in the board; (3) the amendment or repeal of by-laws or the adoption of new by-laws; (4) the amendment or repeal of any resolution of the board which by its express terms is not so amendable or repealable; and (5) a distribution of cash dividends to the shareholders.¹⁴

The Amended By-laws provide that the Board of Directors has the power to create, by a resolution passed by a majority of all members of the Board, an Executive Committee of three (3) members, all of whom shall be directors of the Corporation. The Executive Committee, when the Board is not in session, shall have and may exercise the powers of the Board in the management of the business and affairs of the Corporation except those powers specifically limited by law or by the Board. The Board shall have the power at any time to remove and replace the members of, and fill vacancies in, the Executive Committee.¹⁵

¹¹ Section 5.1.9, Amended Manual.

¹² Section 5.2.1, Amended Manual.

¹³ Section 5.2.7, Amended Manual.

¹⁴ Section 34, Revised Corporation Code.

¹⁵ Article III, Section 1(n), Amended By-laws.

2.6 Board Committees

Pursuant to the authority of the Board to create, by resolution passed by all members of the Board, one or more standing or special committees with such composition, powers and duties as may be specified in the enabling resolutions of the Board¹⁶, the Board shall establish committees that focus on specific Board functions, particularly with respect to audit, risk management, RPTs, and other key corporate governance concerns, such as nomination and remuneration, to aid in the optimal performance of its roles and responsibilities. The Board committees should be composed only of board members. Each committee shall report regularly to the Board of Directors.¹⁷

The Board shall establish the following Committees, with duties and functions provided in the Amended Manual¹⁸:

(a) Audit and Risk Oversight Committee

The Board shall establish an Audit and Risk Oversight Committee to enhance its oversight capability over the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations, as well as oversight over the Corporation's enterprise risk management ("ERM") system to ensure its functionality and effectiveness.

The Committee may be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom should be Independent Directors. The Chairperson shall be an Independent Director and should not be the Chairman of the Board or of any other Committee. The members of the Committee shall have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance and at least one member of the Committee must have relevant thorough knowledge and experience on risk and risk management.

(b) Related Party Transaction Committee

The Board shall establish a Related Party Transaction Committee, which will be tasked with reviewing all material related party transactions ("RPTs") of the Corporation and may be composed of at least three (3) non-executive directors, two (2) of whom should be Independent Directors. The Chairperson shall be an Independent Director.

A director who has a potential interest in any related party transaction must recuse from voting on the approval of the related party transaction without prejudice to compliance with the requirements on self-dealings under Section 31 of the Revised Corporation Code.¹⁹

The Policy on RPTs is provided in the Amended Manual²⁰ as well in the Material RPT Policy adopted by the Board, which provides, among others, that: (i) all material

¹⁶ Article III, Section 1(o), Amended By-laws.

¹⁷ Section 2.2.2, Amended Manual.

¹⁸ Section 2.2.2, Amended Manual.

¹⁹ Section 52, Revised Corporation Code.

²⁰ Section 8, Amended Manual.

RPTs must be approved by at least two-thirds (2/3) of the Board, with majority of the independent directors approving the transaction, in accordance with the provisions of the Revised Corporation Code, SEC issuances and other related laws; and (ii) in evaluating the fairness of the transaction price in a proposed acquisition or disposal of assets, an independent party shall be appointed by the Board.

(c) Corporate Governance Committee

The Board shall establish a Corporate Governance Committee that will be tasked to assist the Board in the performance of its corporate governance responsibilities. It may be composed of at least three (3) directors, the majority of whom are Independent Directors. The Chairperson of the Committee shall be an Independent Director.

Each Committee shall report regularly to the Board of Directors. All established Committees shall have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters shall provide the standards for evaluating the performance of the Committees and its members and shall be fully disclosed on the Corporation's website.²¹

2.7 Oversight Functions of the Board

(a) Internal Control System²²

The Board shall have the following oversight responsibilities for ensuring the presence of appropriate, adequate, strong and effective internal control mechanisms:

- (i) establish organizational and operational controls commensurate with, among others, the nature and complexity of the business of the Corporation and its 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;
- (ii) ensure that an independent audit mechanism is in place to monitor the adequacy and effectiveness of the Corporation'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;
- (iii) select and appoint a Chief Executive Officer who possesses the ability, integrity and expertise essential for the position, and define, with the assistance of the Corporate Governance Committee, the duties and responsibilities of the Chief Executive Officer who is ultimately responsible for the Corporation's organizational and operational controls;
- (iv) evaluate proposed senior Management appointments;

²¹ Section 2.2.2, Amended Manual.

²² Section 2.2.1 (c), Amended Manual.

- (v) select and appoint qualified and competent Management officers;
- (vi) review the Corporation's human resources policies, conflict of interest situations, compensation program for employees, and Management succession plan;
- (vii) establish an internal control system, including a mechanism for monitoring and managing potential/actual conflicts of interest of Management, Board members, and shareholders;
- (viii) approve the Internal Audit Charter; and
- (ix) establish an effective performance evaluation framework, which includes the standard or criteria for assessment, that will ensure that the Management, including the Chief Executive Officer, and personnel's performance is at par with the standards set by the Board and senior Management.

(b) Enterprise Risk Management ²³

The Board shall oversee that a sound ERM framework is in place to effectively identify, monitor, assess and manage key business risks, which will guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. The ERM framework shall include activities such as the identification, sourcing, measurement, evaluation, mitigation and monitoring of risks.

2.8 The Chairman of the Board & Chief Executive Officer, the President & Chief Operating Officer, and the Lead Independent Director²⁴

(a) The Chairman of the Board & Chief Executive Officer

- (i) The Board should be headed by a competent and qualified Chairman. The roles of the Chairman of the Board and the Chief Executive Officer are unified in the case of the Corporation. The proper checks and balances are laid down to ensure that the Board of Directors obtains the benefit of independent views and perspectives.²⁵
- (ii) Under the Amended By-laws, he shall exercise the following functions²⁶:
 - (1) to preside at the meetings of the stockholders;
 - (2) to initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation;

²³ Section 2.2.1(c)(ii), Amended Manual.

²⁴ Section 2.2.3, Amended Manual.

²⁵ Section 2.2.3(a), Amended Manual.

²⁶ Article IV, Section 2, Amended By-laws.

- (3) to supervise and manage the business affairs of the Corporation upon the direction of the Board of Directors;
 - (4) to implement the administrative and operational policies of the Corporation under his supervision and control;
 - (5) To appoint, remove, suspend or discipline employees of the Corporation, prescribe their duties, and determine their salaries;
 - (6) To oversee the preparation of the budgets and the statements of accounts of the Corporation;
 - (7) To represent the Corporation at all functions and proceedings;
 - (8) To execute on behalf of the Corporation all contracts, agreements and other instruments affecting the interests of the Corporation which require the approval of the Board of Directors;
 - (9) To make reports to the Board of Directors and stockholders;
 - (10) To sign certificates of stock;
 - (11) To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.
 - (12) The Chairman and Chief Executive Officer may assign the exercise or performance of his powers, duties and functions to any other officer(s), subject always to his supervision and control.
- (iii) In addition to his responsibilities as Chairman under the Amended By-laws of the Corporation, the Chairman of the Board has the following roles and responsibilities²⁷:
- (1) ensure that the meetings of the Board are held in accordance with the by-laws of the Corporation or as the Chairman may deem necessary;
 - (2) supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of Management and the directors, and make certain that the meeting's agenda focuses on strategic matters, including the overall risk appetite of the Corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
 - (3) guarantee that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions;

²⁷ Section 2.2.3(b), Amended Manual.

- (4) facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
 - (5) ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
 - (6) assure the conduct of proper orientation for first-time directors and continuing training opportunities for all directors;
 - (7) make sure that performance of the Board is evaluated at least one a year and discussed/followed up on, if necessary; and
 - (8) maintain qualitative and timely lines of communication and information between the Board and Management.
- (iv) As Chief Executive Officer, he is responsible for the general supervision, administration and management of the business of the Corporation. He shall likewise have the power and duty to establish general administrative and operating policies, and initiate and develop programs and policies for management training and development, as well as executive compensation plans. In addition, he has the following roles and responsibilities, among others²⁸:
- (1) determine the Corporation's strategic direction and formulate and implement its strategic plan on the direction of the business;
 - (2) communicate and implement the Corporation's vision, mission, values and overall strategy and promote any organization or stakeholder change in relation to the same;
 - (3) oversee the operations of the Corporation and manage human and financial resources in accordance with the strategic plan;
 - (4) have a good working knowledge of the Corporation's industry and market and keep up-to-date with its core business purpose;
 - (5) direct, evaluate and guide the work of the key officers of the Corporation;
 - (6) manage the Corporation's resources prudently and ensure a proper balance of the same;
 - (7) provide the Board with timely information and interface between the Board and the employees;
 - (8) build the corporate culture and motivate the employees of the Corporation; and
 - (9) serve as the link between internal operations and external stakeholders.

²⁸ Section 2.2.3(c), Amended Manual.
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- (v) The Chairman of the Board & Chief Executive Officer shall exercise such other powers and perform such other duties and functions as the Board of Directors may, from time to time, assign.²⁹

(b) The President & Chief Operating Officer

The President & Chief Operating Officer shall have supervision and direction of the day-to-day business affairs of the Corporation. The President & Chief Operating Officer shall exercise such powers and perform such duties and functions as may be assigned to him by the Chairman & Chief Executive Officer and the Board of Directors, from time to time³⁰.

(c) Lead Independent Director³¹

- (i) To ensure that the Independent Directors shall be free to express and advocate independent views and perspectives, and that abuse of power and authority and potential conflict of interest are avoided, the Board of Directors shall additionally designate a Lead Independent Director from among the Independent Directors, which Lead Independent Director shall have sufficient authority to lead the Board in cases where Management has clear conflicts of interest.
- (ii) The Lead Independent Director shall have, among others, the following functions:
 - (1) serve as an intermediary between the Chairman of the Board and the other directors when necessary;
 - (2) convene and chair meetings of the non-executive directors; and
 - (3) contribute to the performance evaluation of the Chairman of the Board, as required.
- (iii) The Lead Independent Director shall perform such other responsibilities as the Board of Directors may assign to him.

3. MEMBERSHIP AND QUALIFICATIONS

3.1 Composition

As set out in the Amended Manual³², compliance with the principles of good corporate governance shall start with the Board of Directors. The Corporation shall be headed by a competent, working Board to foster the long-term success of the Corporation, and to sustain its competitiveness and growth in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.

²⁹ Section 2.2.3(d), Amended Manual.

³⁰ Article IV, Section 4, Amended By-laws; Section 2.2.4, Amended Manual

³¹ Section 2.2.3(e), Amended Manual.

³² Section 2.2.1, Amended Manual

The members of the Board of Directors shall not be less than five (5) but not more than fifteen (15), and shall be elected in accordance with the Corporation's by-laws and applicable laws. The Board shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the Corporation's industry/sector. The Board shall always ensure that it has an appropriate mix of competence and expertise composed of members with diverse backgrounds and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

The membership of the Board of Directors may be a combination of executive and non-executive directors (which shall include Independent Directors). The Board shall be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

Under Article Sixth of the Amended Articles of Incorporation ("Amended Articles"), the number of directors of the corporation shall be seven (7). As set out in the Amended By-laws, at least three (3) of whom or such number as to constitute at least one-third of the members of the Board of Directors, whichever is higher, shall be independent directors³³.

3.2 Qualifications and Disqualifications

The Board of Directors shall be composed of members from diverse backgrounds to ensure that optimal decision-making is achieved³⁴.

As such, all the directors must possess the qualifications and none of the disqualifications prescribed by law, rules or regulations, and the Amended By-laws.³⁵

The list of qualifications and disqualifications of directors and officers set forth below is without prejudice to qualifications or other disqualifications, that the SEC, the primary regulatory agency, or the Philippine Competition Commission may impose in the promotion of good corporate governance or as a result of a sanction in administrative proceedings.³⁶

(a) Qualifications

In addition to the qualifications for membership in the Board provided for in the Revised Corporation Code, the SRC and other relevant laws, the members of the Board of Directors shall have the following qualifications³⁷:

³³ Article III, Section 2, Amended By-laws.

³⁴ Section 2.2.1(e), Amended Manual.

³⁵ Article III, Section 2, Amended By-laws.

³⁶ Section 26, Revised Corporation Code.

³⁷ Section 2.2.1(e)(i), Amended Manual.

- (i) holds at least five hundred (500) shares of stock of the Corporation³⁸; and a director shall be qualified to hold office only upon pledging the five hundred (500) common shares registered in his name to the Corporation to answer for his conduct³⁹;
- (ii) at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- (iii) at least twenty one (21) years old;
- (iv) has proven to possess integrity and probity; and
- (v) is assiduous.

(b) Disqualifications

(i) Conflict of Interest

Under the Amended By-laws⁴⁰, no person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:

- (1) If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of ten percent (10%) or more of any outstanding class of shares of, any corporation (other than one in which the corporation owns at least thirty percent (30%) of the capital stock) engaged in a business which the Board, by at least three-fourths vote, determines to be competitive or antagonistic to that of the Corporation; or,
- (2) If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of ten percent (10%) or more of any outstanding class of shares of, any other corporation or entity engaged in any line of business of the Corporation, when in the judgment of the Board, by at least three-fourths vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or,
- (3) If the Board, in the exercise of its judgment in good faith, determine by at least three-fourths vote that he is the nominee of any person set forth in (a) or (b).

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relationship.

(ii) Permanent Disqualifications

Any of the following shall be a ground for permanent disqualification of a director of the Corporation⁴¹:

³⁸ Article III, Section 2, Amended By-laws.

³⁹ Article III, Section 2, Amended By-laws.

⁴⁰ Article III, Section 2, Amended By-laws.

⁴¹ Section 2.2.1(e)(ii), Amended Manual.

- (1) Any person 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 SRC; (b) arises out of the 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 house or as an affiliated person of any of them;
- (2) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC, *Bangko Sentral ng Pilipinas* ("BSP"), or any court or administrative body of competent jurisdiction from: (a) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company, or as an affiliated person of any of them; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in both (a) and (b) of this paragraph, or willfully violating the laws that govern securities and banking activities.
- (3) The disqualification shall also apply if (a) such person is currently the subject of an order of the SEC, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Revised Corporation Code, SRC or any other law administered by the SEC or BSP, or under any rule or regulation issued by the SEC or BSP; (b) such person has otherwise been restrained from engaging in any activity involving securities and banking; or (c) 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;
- (4) Any person convicted by final judgment or order of a competent judicial or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts or transgressions;
- (5) Any person who has been adjudged by final judgment or order of the SEC, BSP or a competent court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the SRC, the Revised Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP;
- (6) 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 listed in the foregoing paragraphs;
- (7) Any person judicially declared to be insolvent;

- (8) Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Revised Corporation Code and SRC, committed within five (5) years prior to the date of his election or appointment⁴²; and
 - (9) Other grounds as the SEC may provide pursuant to the Revised Corporation Code, the SRC, and other related laws, and such other grounds as imposed by the Philippine Competition Commission in its promotion of good corporate governance or as a sanction in its administrative proceedings⁴³.
- (ii) Temporary Disqualifications

Any of the following shall be a ground for the temporary disqualification of a director⁴⁴:

- (1) Refusal to fully disclose the extent of his business interest or comply with disclosure requirements as required under the SRC and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- (2) Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;
- (3) Dismissal, removal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the SEC. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal, removal or termination;
- (4) If the beneficial equity ownership of an Independent Director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;
- (5) If any of the judgments or orders cited in the grounds for the permanent disqualification of directors has not yet become final; and

⁴² As also provided in Section 276, Revised Corporation Code.

⁴³ Section 26 of the Revised Corporation Code provides that a person shall be disqualified from being a director or officer of any corporation if, within five (5) years prior to the election or appointment as such, the person was (a) convicted by final judgement (1) of an offense punishable by imprisonment for a period exceeding six (6) years, (2) for violating this Code, and (3) for violating the SRC; (b) found administratively liable for any offense involving fraud acts; and (c) by a foreign court or equivalent foreign regulatory authority for acts violations or misconduct similar to those enumerated in paragraphs (a) and (b).

⁴⁴ Section 2.2.1(e)(ii), Amended Manual.

- (6) If any person earlier elected as Independent Director of the Corporation becomes an officer, employee or consultant of the Corporation.

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 disqualification shall become permanent, except in the case of temporary disqualification where the Independent Director becomes an officer, employee or consultant of the Corporation, in which case such disqualified Independent Director shall become eligible for election as Independent Director after the lapse of two (2) years from the termination of his officership, employment or consultancy with the Corporation.

3.3 Independent Directors

(a) Definition

An Independent Director is a person who, apart from his shareholdings and fees received from the Corporation, is independent of management, and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the exercise of his independent judgment in carrying out his responsibilities as a director.⁴⁵

(b) Number of Independent Directors

The Corporation shall endeavor to have at least three (3) Independent Directors or such number as to constitute at least one-third of the members of the Board, whichever is higher.⁴⁶

(c) Qualifications of an Independent Director⁴⁷

The Board should ensure that its Independent Directors possess all the qualifications and none of the disqualifications of an Independent Director to hold the position at the time of his election and/or re-election as an Independent Director.

Each nominee for Independent Director shall submit a certification to this effect, in such form and substance as may be required by the SEC, before his election.

An Independent Director shall have the following qualifications, in addition to the qualifications required for Directors:

- (i) is not, or has not been a senior officer or employee of the Corporation unless there has been a change in the controlling ownership of the Corporation;
- (ii) is not, and has not been in the two (2) years immediately preceding the election, a director of the Corporation; a director, officer, employee of the Corporation's subsidiaries, associates, affiliates or related companies; or a

⁴⁵ Section 22, Revised Corporation Code; Article III, Section 2, Amended By-laws.

⁴⁶ Section 2.2.1(f), Amended Manual; Article III, Section 2, Amended By-laws.

⁴⁷ Section 2.2.1(f), Amended Manual.

director, officer, employee of the Corporation's substantial shareholders and its related companies;

- (iii) has not been appointed in the Corporation, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within two (2) years immediately preceding his election;
- (iv) is not an owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates or related companies;
- (v) is not a relative of a director, officer, or substantial shareholder of the Corporation or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- (vi) is not acting as a nominee or representative of any director of the Corporation or any of its related companies;
- (vii) is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Philippine Dealing & Exchange Corp. or the Philippine Stock Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- (viii) is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the two (2) years immediately preceding the date of his election;
- (ix) does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the Corporation or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;
- (x) is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial shareholders within the two (2) years immediately preceding the date of his election; and
- (xi) is not employed as an executive officer of another company where any of the Corporation's executives serve as directors.

Related companies, as used herein refer to (1) the Corporation's holding/parent company; (2) its subsidiaries; and (3) subsidiaries of its holding/parent company.

(d) Election of Independent Directors

Independent directors must be elected by the shareholders present or entitled to vote in absentia during the election of directors.⁴⁸

(e) Term of Independent Directors⁴⁹

The Board's Independent Directors shall serve for a maximum cumulative term of nine (9) years. Upon reaching this limit, an Independent Director should be perpetually barred from re-election as such in the Corporation, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Corporation needs to retain an Independent Director who has served for nine (9) years, the Board shall provide meritorious justifications and seek shareholders' approval during the annual shareholders' meeting.

3.4 Nominations for the Election of Directors

All nominations for the election of directors by the stockholders shall be submitted in writing to the Board of Directors through the Corporate Secretary on or before January 20 or at such earlier or later date that the Board of Directors may fix.⁵⁰ In addition, the relevant provisions of the Amended Manual, as may be amended from time to time, and applicable rules and regulations of the SEC shall be considered in all nominations for independent directors by the stockholders.⁵¹

3.5 Election of Directors

The Board of Directors shall be elected from among the holders of stocks in the Corporation⁵², subject to their possession of all of the qualifications and none of the disqualifications set out in the Amended By-laws, the Amended Manual, and relevant laws, rules and regulations.

Pursuant to the Revised Corporation Code⁵³, the following provisions shall govern the election of directors:

- (a) At all elections of directors, there must be present, either in person or by representative authorized to act by written proxy, the owners of a majority of the outstanding capital stock.
- (b) When so authorized in the by-laws or by a majority of the Board of Directors, the stockholders may also vote through remote communication or *in absentia*; provided, that the right to vote through such modes may be exercised in corporations vested with public interest, notwithstanding the absence of a provision in the by-laws of such corporations. A stockholder who participates through remote communication or *in absentia*, shall be deemed present for purposes of quorum.

⁴⁸ Section 22, Revised Corporation Code.

⁴⁹ Section 2.2.1(f)(ii), Amended Manual.

⁵⁰ Article III, Section 2, Amended By-laws.

⁵¹ Article III, Section 2, Amended By-laws.

⁵² Section 23, Revised Corporation Code.

⁵³ Section 23, Revised Corporation Code.

- (c) The election must be by ballot if requested by any voting stockholder.
- (d) Every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election.
- (e) Said stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected; provided, however, that no delinquent stock shall be voted.
- (f) Nominees for directors receiving the highest number of votes shall be declared elected.
- (g) If no election is held, or the owners of majority of the outstanding capital stock are not present in person, by proxy, or through remote communication or not voting *in absentia* at the meeting, such meeting may be adjourned and the corporation shall proceed in accordance with Section 25 of the Revised Corporation Code.

3.6 Term of Office

The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.⁵⁴

Each director shall hold office until the next annual election and his successor is duly elected, unless he resigns, dies or is removed prior to such election.⁵⁵

3.7 Resignation

A director may, at any time, submit his written resignation which shall be effective as of the date of its acceptance by the Board of Directors.⁵⁶

3.8 Removal

The Board by majority vote of the members may remove or replace a director for just causes or when he possesses the disqualifications prescribed by law, rules or regulations.⁵⁷

Any director of the Corporation may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock; provided, that such removal shall take place either at a regular meeting of the Corporation or at a special meeting called for the purpose, and in either case, after previous notice to

⁵⁴ Article III, Section 2, Amended By-laws.

⁵⁵ Section 9.9, Amended Manual.

⁵⁶ Article III, Section 2, Amended By-laws.

⁵⁷ Article III, Section 2, Amended By-laws.

stockholders or members of the Corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders of the Corporation for the purpose of removal of directors or trustees, or any of them, must be called by the Corporate Secretary on order of the President or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock. Should the Corporate Secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no Corporate Secretary, the call for the meeting may be addressed directly to the stockholders by any stockholder of the Corporation signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice as prescribed herein. Removal may be with or without cause; provided, that removal without cause may not be used to deprive minority stockholders of the right of representation to which they may be entitled under Section 23 of the Revised Corporation Code.⁵⁸

The SEC shall, *motu proprio* or upon verified complaint, and after due notice and hearing, order the removal of a director elected despite the disqualification, or whose disqualification arose or is discovered subsequent to an election. The removal of a disqualified director shall be without prejudice to other sanctions that the SEC may impose on the Board of Directors who, with knowledge of the disqualification, failed to remove such director or trustee.⁵⁹

3.9 Vacancies

Any vacancy occurring in the Board of Directors other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office and until his successor is duly elected and qualified.⁶⁰

The vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filled by election at the same meeting of stockholders without further notice, or at any regular or at any special meeting of stockholders called for the purpose, after giving notice as prescribed in the Amended By-laws.⁶¹

When the vacancy is due to term expiration, the election shall be held no later than the day of such expiration at a meeting called for that purpose. When the vacancy arises as a result of removal by the stockholders, the election may be held on the same day of the meeting authorizing the removal and this fact must be so stated in the agenda and notice of said meeting. In all other cases, the election must be held no later than forty-five (45) days from the time the vacancy arose. A director elected to fill a vacancy shall be referred to as replacement director and shall serve only for the unexpired term of the predecessor in office.

However, when the vacancy prevents the remaining directors from constituting a quorum and emergency action is required to prevent grave, substantial, and irreparable loss or damage to the Corporation, the vacancy may be temporarily filled from among the officers of the Corporation by unanimous vote of the remaining directors. The action by the designated director

⁵⁸ Section 28, Revised Corporation Code.

⁵⁹ Section 27, Revised Corporation Code.

⁶⁰ Article III, Section 3, Amended By-laws; Section 28, Revised Corporation Code.

⁶¹ Article III, Section 3, Amended By-laws.

shall be limited to the emergency action necessary, and the term shall cease within a reasonable time from the termination of the emergency or upon election of the replacement director, whichever comes earlier. The Corporation shall notify the SEC within three (3) days from the creation of the emergency board, stating therein the reason for its creation.⁶²

Any directorship to be filled by reason of an increase in the number of directors shall be filled only by an election at a regular or at a special meeting of stockholders duly called for the purpose, or in the same meeting authorizing the increase of directors or trustees if so stated in the notice of the meeting.⁶³

3.10 Compensation of Directors

Pursuant to the Revised Corporation Code, in the absence of any provision in the by-laws fixing their compensation, the directors or trustees shall not receive any compensation in their capacity as such, except for reasonable per diems; provided however, that the stockholders representing at least a majority of the outstanding capital stock may grant directors with compensation and approve the amount thereof at a regular or special meeting.

In no case shall the total yearly compensation of directors exceed ten percent (10%) of the net income before tax of the Corporation during the preceding year.

Directors of the Corporation shall not participate in the determination of their own per diems or compensation. An annual report of the total compensation of each director of the Corporation shall be submitted to its stockholders and the SEC.⁶⁴

The remuneration of key officers and Board members shall be aligned with the long-term interests of the Corporation and will vary depending on the individual performance of each director and officer as well as the Corporation's overall performance. It shall be consistent with the Corporation's culture and business strategy as well as the business environment in which it operates. The key considerations in determining proper compensation include the following: (1) the level of remuneration must be commensurate to the responsibilities of the role; and (2) remuneration pay-out schedules should be sensitive to risk outcomes over a multi-year horizon. Specific financial and non-financial metrics shall also be used to measure the performance of the directors and key officers of the Corporation. The Corporate Governance Committee shall also establish a formal and transparent procedure for determining the remuneration of directors and officers that is consistent with the Corporation's culture and business strategy as well as the business environment in which it operates.⁶⁵

Under the Amended By-laws, directors, as such, shall not receive any stated salary for their services, but by resolution of the Board, each director, shall receive a reasonable per diem allowance for his attendance at each meeting of the Board.⁶⁶

⁶² Section 28, Revised Corporation Code.

⁶³ Section 28, Revised Corporation Code.

⁶⁴ Section 29 and 177, Revised Corporation Code.

⁶⁵ Section 7, Amended Manual.

⁶⁶ Article III, Section 9, Amended By-laws.

4. DUTIES AND RESPONSIBILITIES OF DIRECTORS

4.1 General Duties and Responsibilities

A director shall have the following duties and responsibilities, as set out in the Amended Manual⁶⁷:

- (a) to conduct fair business transactions with the Corporation and to ensure that personal interest does not conflict with the interests of the Corporation. A director with any material or potential interest in any transaction affecting the Corporation should fully disclose his adverse interest, abstain from taking part in the deliberations for the same, and recuse from voting on the approval of the transaction;
- (b) to devote time and attention necessary to properly and effectively discharge his duties and responsibilities, including sufficient time to be familiar with the Corporation's business;
- (c) to act judiciously;
- (d) to exercise objective and independent judgment on all corporate affairs;
- (e) to have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Amended Articles of Incorporation and Amended By-laws, the rules and regulations of the SEC, and where applicable, the requirements of other regulatory agencies, and keep abreast of industry developments and business trends;
- (f) to observe confidentiality of all non-public information which he may acquire or learn by reason of his position as a director;
- (g) to ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment;
- (h) to attend a seminar or training program on corporate governance, at least once a year, which shall be conducted by a duly accredited training provider of the SEC; and
- (i) to act in the interest of the Corporation at all times.

4.2 Attendance and Participation in Meetings

A director shall have the following duties and responsibilities regarding meetings, as set out in the Amended Manual⁶⁸:

- (a) The directors should attend and actively participate in all meetings of the Board, Committees, and shareholders in person or through tele-/video-conferencing conducted in accordance with the rules and regulations of the SEC, except when

⁶⁷ Section 2.2.1(d), Amended Manual.

⁶⁸ Section 2.2.1(g), Amended Manual.

justifiable causes, such as illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

- (b) Independent Directors should always attend Board meetings. Absence of Independent Directors in Board meetings shall not affect the quorum requirement, unless otherwise provided in the by-laws of the Corporation and applicable laws, rules and regulations. However, the Board may, to promote transparency, require the presence of at least one (1) Independent Director in all its meetings.
- (c) The non-executive directors shall have separate periodic meetings with the External Auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the Corporation. The meetings should be chaired by the Lead Independent Director.

4.3 Policy on Multiple Board Seats⁶⁹

A director shall exercise due discretion in accepting and holding directorships other than in the Corporation, provided that, in holding such other directorships, such director shall ensure that his capacity to diligently and efficiently perform his duties and responsibilities as a director of the Corporation is not compromised.

The non-executive directors of the Board should not concurrently serve as directors more than ten (10) public companies and/or registered issuers to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the Corporation. However, the maximum concurrent directorships shall be five (5) public companies and/or registered issuers if the director also sits in at least three (3) publicly-listed companies.

A director should notify the Board where he is an incumbent director before accepting a directorship in another company.

4.4 Reports to be Filed by Directors, Officers and Principal Stockholders under SRC Rule 23

Every person who is, directly or indirectly, the beneficial owner of ten percent (10%) or more of any class of any security of a company which satisfies the requirements of Subsection 17.2 of the SRC, or who is a director or an officer of the issuer of such security, shall:

- (a) Within ten (10) calendar days after the effective date of the registration statement for that security, or within ten (10) calendar days after he becomes such beneficial owner, director or officer, subsequent to the effective date of the registration statement, whichever is earlier, file a statement with the SEC, and with the Exchange, if the security is listed on an Exchange, on Form 23-A indicating the amount of securities of such issuer of which he is the beneficial owner;

⁶⁹ Section 2.2.1(i), Amended Manual.

- (b) Within ten (10) calendar days after the close of each calendar month thereafter, if there has been any change in such ownership during the month, file a statement with the SEC and with the Exchange, if the security is listed on an Exchange, on Form 23-B indicating his ownership at the close of the calendar month and such changes in his ownership as have occurred during that calendar month;
- (c) Notify the SEC if his direct or indirect beneficial ownership of securities falls below ten percent (10%), or if he ceases to be an officer or director of the Issuer. After filing such notification, he shall no longer be required to file Form 23-B. However, a newly appointed officer, who has no beneficial ownership over the shares of the company, shall notify the SEC of such fact within ten (10) calendar days from such appointment.
- (d) If the security is listed on an Exchange, the report shall be filed on that Exchange in accordance with the rules of the Exchange, but not more than five (5) calendar days after such person became beneficial owner. The filing with the Exchange may be deemed as filing with the SEC pursuant to a Memorandum of Agreement between the Exchange and the SEC; Provided that, the Memorandum of Agreement shall provide for the ability of the Commission to download and upload the same information made available to the Exchange.

In determining whether a person is the beneficial owner, directly or indirectly, of more than ten percent (10%) of any class of any registered security, such class shall be deemed to consist of the amount of such class which has been issued.

For the purpose of determining the percentage of ownership of voting trust certificates or certificates of deposit for securities, the class of voting trust certificate or certificates of deposit shall consist of the entire amount of issuable voting trust certificates or certificates of deposit.

A person filing a statement pursuant to Rule 23 of the SRC otherwise than as the direct beneficial owner of any security shall specify the nature of his beneficial ownership in such security.

SRC Forms 23-A and 23-B provide that:

- (1) A person is directly or indirectly the beneficial owner of any equity security with respect to which he has or shares:
 - (a) Voting power which includes the power to vote, or to direct the voting of, such security; and/or
 - (b) Investment power which includes the power to dispose of, or to direct the disposition of, such security.
- (2) A person will be deemed to have an indirect beneficial interest in any equity security which is:
 - (a) held by members of a person's immediate family sharing the same household;

- (b) held by a partnership in which such person is a general partner;
- (c) held by a corporation of which such person is a controlling shareholder; or
- (d) subject to any contract, arrangement or understanding which gives such person voting power or investment power with respect to such security.

4.5 Contracts between Corporations with Interlocking Directors

Except in cases of fraud, and provided the contract is fair and reasonable under the circumstances, a contract between two or more corporations having interlocking directors shall not be invalidated on that ground alone; provided, that if the interest of the interlocking director in one corporation is substantial and his interest in the other corporation or corporations is merely nominal, he shall be subject to the provisions of Section 31 of the RCC insofar as the latter corporation or corporations are concerned. Stockholdings exceeding twenty (20%) percent of the outstanding capital stock shall be considered substantial for purposes of interlocking directors.⁷⁰

4.6 Disloyalty of a Director

Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Corporation, thereby obtaining profits to the prejudice of such Corporation, he must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable, notwithstanding the fact that the director risked his own funds in the venture.⁷¹

4.7 Liabilities of Directors

A director shall be liable for any act and/or omission in violation of laws, rules and regulations, which include, among others, the following:

- (a) Directors who wilfully and knowingly vote for or assent to patently unlawful acts of the Corporation or who are guilty of gross negligence or bad faith in directing the affairs of the Corporation or acquire any personal or pecuniary interest in conflict with their duty as such directors shall be liable jointly and severally for all damages resulting therefrom suffered by the Corporation, its stockholders or members and other persons.⁷²
- (b) When a director or officer attempts to acquire or acquires, in violation of his duty, any interest adverse to the Corporation in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Corporation and must account for the profits which otherwise would have accrued to the Corporation.⁷³

⁷⁰ Section 32, Revised Corporation Code.

⁷¹ Section 33, Revised Corporation Code.

⁷² Section 30, Revised Corporation Code.

⁷³ *Ibid.*

- (c) In relation to Section 10.1 (k) of the SRC, the Corporation and its directors and officers shall be held liable (in proper cases) in the event Sections 8 and 12 of the Securities Regulation Code are violated as when (i) the number of persons holding the exempt security under Section 10.1(k) exceeds nineteen (19) within a twelve (12) month period or (ii) the sale, offer for sale, or distribution of a security, which is not exempt or which does not fall under an exempt transaction, is actively solicited from or marketed to nonqualified buyers in the Philippines by any entity, including its agents, representatives, employees or any person acting on its behalf.⁷⁴
- (d) Any disclosure signed and filed with the SEC and the Exchange where the securities of the Corporation are listed, or released to the news media by any director, executive officer or a principal (as defined under Section 23 of the SRC) of the Corporation shall be considered as part of a current report on SEC Form 17-C and deemed as an official filing of the Corporation if it does not deny the subject information within two (2) days from the filing or release of the disclosure. Any misleading statement, misrepresentation or omission of a material fact therein shall be considered the joint responsibility of the Corporation and the reporting director, officer or principal.⁷⁵
- (e) No director, officer or principal stockholder of the Corporation shall make a short sale in securities of the Corporation.⁷⁶

The term "short sale" shall mean any sale of a security which the seller does not own or any sale which is consummated by the delivery of a security borrowed by, or for the account of the seller with the commitment of the seller or securities borrower to return or deliver said securities or their equivalent to the lender on a determined or determinable future date. A person shall be deemed to own a security if: (1) he or his agent has title to it; (2) he has purchased, or has entered into an unconditional contract, binding on both parties thereto, to purchase it and has not yet received it; (3) he owns a security convertible into or exchangeable for it and has tendered such security for conversion or exchange; (4) he has an option to purchase or acquire it and has exercised such option; or (5) he has rights or warrants to subscribe to it and has exercised such rights or warrants provided, however, that a person shall be deemed to own securities only to the extent he has a net long position in such securities.⁷⁷

- (f) A director is considered an "insider" under Section 3.8 of the SRC, and as such, shall be liable for insider trading in case of any violation of the provisions of Section 27 of the SRC, SRC Rule 27 and other related rules and regulations.
- (g) It shall be unlawful for any director or officer of, or any owner of any securities issued by, any Corporation required to file any document, report or other information under the SRC or any rule or regulation of the SEC, without just cause, to hinder, delay or obstruct the making or filing of any such document, report, or information.⁷⁸

⁷⁴ SRC Rule 10.1.2.1.

⁷⁵ SRC Rule 17.1.1.2.

⁷⁶ SRC Rule 24.2-2.8.

⁷⁷ SRC Rule 24.2-2.1.

⁷⁸ SRC Rule 51.3.

- (h) The Corporation and every person who signed the registration statement, and every director who was a director in the Corporation at the time of filing of the registration statement or any part, supplement or amendment thereof, among other persons set out in SRC Rule 56, shall be liable for untrue statement of a material fact in such registration statement or omits to state a material fact or necessary to make such statements not misleading therein.⁷⁹

5. STRUCTURE AND OPERATIONS

5.1 Meetings

Regular meetings of the Board of Directors shall be held once a month on such dates and at places as may be called by the Chairman & Chief Executive Officer. Special meetings of the Board of Directors may be called at the instance of the Chairman & Chief Executive Officer or upon written request of a majority of all members of the Board. Meetings of the Board shall be held at the principal office of the Corporation or at such other place as may be designated in the notice.⁸⁰

5.2 Notice

Notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be communicated by the Corporate Secretary to each director personally, or by telephone, telegram, or by written message. A director may waive this requirement, either expressly or impliedly.⁸¹

5.3 Quorum and Voting

- (a) Under the Amended By-laws, a majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business; provided, at least one (1) independent director is present.⁸²
- (b) Unless otherwise provided by law or the Amended By-laws, every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act.⁸³
- (c) As required under the Revised Corporation Code, the following matters require a greater number of vote from the directors, together with the requisite vote of the stockholders of the Corporation:
- (i) Amendment of Articles of Incorporation — by a majority vote of the board of directors and the vote or written assent of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock⁸⁴;

⁷⁹ SRC Rule 56.

⁸⁰ Article III, Section 4, Amended By-laws.

⁸¹ Article III, Section 5, Amended By-laws.

⁸² Article III, Section 6, Amended By-laws; There are a total of seven (7) directors per Amended Articles of Incorporation of the Corporation.

⁸³ Article III, Section 8, Amended By-laws.

⁸⁴ Section 15, Revised Corporation Code.

- (ii) Filling of Vacancies in the office of director other than by removal by the stockholders or members or by expiration of term — by a vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, said vacancies must be filled by the stockholders in a regular or special meeting called for that purpose⁸⁵;
- (iv) Extension or Shortening of Corporate Term — by a majority vote of the board of directors and ratified at a meeting by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock⁸⁶;
- (v) Increase or Decrease of Capital Stock — by a majority vote of the board of directors and, at a stockholder's meeting duly called for the purpose, two-thirds (2/3) of the outstanding capital stock⁸⁷;
- (vi) Incur, Create or Increase Bonded Indebtedness — by a majority vote of the board of directors and, at a stockholder's meeting duly called for the purpose, two-thirds (2/3) of the outstanding capital stock⁸⁸;
- (vii) Sale or Other Disposition of Assets — by a majority vote of its board of directors, when authorized by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, in a stockholder's meeting duly called for the purpose⁸⁹;
- (viii) Investment of Corporate Funds in Another Corporation or Business or for any Other Purpose — by a majority of the board of directors or trustees and ratified by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, at a stockholder's meeting duly called for the purpose⁹⁰;
- (ix) Declaration of Stock Dividends — by the board of directors⁹¹ with the approval of stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose;
- (x) Entering into a Management Contract. — by the board of directors and by stockholders owning at least the majority of the outstanding capital stock, of both the managing and the managed corporation, at a meeting duly called for the purpose: Provided, that (1) where a stockholder or stockholders representing the same interest of both the managing and the managed corporations own or control more than one-third (1/3) of the total outstanding capital stock entitled to vote of the managing corporation; or (2) where a majority of the members of the board of directors of the managing corporation also constitute a majority of the members of the board of directors of the managed corporation, then the management contract must be approved by

⁸⁵ Section 28, Revised Corporation Code.

⁸⁶ Section 36, Revised Corporation Code.

⁸⁷ Section 37, Revised Corporation Code.

⁸⁸ *Ibid.*

⁸⁹ Section 39, Revised Corporation Code.

⁹⁰ Section 41, Revised Corporation Code.

⁹¹ Section 42, Revised Corporation Code.

the stockholders of the managed corporation owning at least two-thirds (2/3) of the total outstanding capital stock entitled to vote. No management contract shall be entered into for a period longer than five (5) years for any one (1) term⁹²;

- (xi) Amendments to, Repeal of By-laws; Adoption of New By-laws — by a majority vote of the board of directors and the owners of at least a majority of the outstanding capital stock, at a regular or special meeting duly called for the purpose. The owners of two-thirds (2/3) of the outstanding capital stock may delegate to the board of directors or trustees the power to amend or repeal any by-laws or adopt new by-laws: Provided, that any power delegated to the board of directors or trustees to amend or repeal any by-laws or adopt new by-laws shall be considered as revoked whenever stockholders owning or representing a majority of the outstanding capital stock shall so vote at a regular or special meeting⁹³;
- (xii) Approval of the Plan of Merger or Consolidation — by majority vote of each of the board of directors or trustees of the constituent corporations of the plan of merger or consolidation and the affirmative vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock of each corporation⁹⁴;
- (xiii) Amendment to the Plan of Merger or Consolidation — by majority vote of the respective boards of directors or trustees of all the constituent corporations and ratified by the affirmative vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock of each of the constituent corporations⁹⁵;
- (xiv) Voluntary Dissolution (where no creditors are affected) — by majority vote of the board of directors or trustees, and by a resolution duly adopted by the affirmative vote of the stockholders owning at least two-thirds (2/3) of the outstanding capital stock⁹⁶; and
- (xv) Voluntary dissolution (where creditors are affected) — by a majority of its board of directors or other officers having the management of its affairs, verified by its president or secretary or one of its directors or trustees, and by the affirmative vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock at a meeting of its stockholders or members called for that purpose.⁹⁷

(d) Dealings of Directors or Officers with the Corporation⁹⁸

A contract of the Corporation with one or more of its directors or officers or their spouses and relatives within the fourth civil degree of consanguinity or affinity is

⁹² Section 43, Revised Corporation Code.

⁹³ Section 47, Revised Corporation Code.

⁹⁴ Section 76, Revised Corporation Code.

⁹⁵ *Ibid.*

⁹⁶ Section 134, Revised Corporation Code.

⁹⁷ Section 135, Revised Corporation Code.

⁹⁸ Section 31, Revised Corporation Code.

voidable, at the option of such Corporation, unless all the following conditions are present:

- (i) that the presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
- (ii) that the vote of such director was not necessary for the approval of the contract;
- (iii) that the contract is fair and reasonable under the circumstances;
- (iv) that in case of material contracts, the same is approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the material contract; and
- (v) that in case of an officer, the contract has been previously authorized by the board of directors.

Where any of the first three (3) conditions set forth in the preceding paragraph is absent, in the case of a contract with a director, such contract may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock; provided, that full disclosure of the adverse interest of the directors involved is made at such meeting and the contract is fair and reasonable under the circumstances.

5.4 Conduct of Meetings

Meetings of the Board of Directors shall be presided over by the Chairman & Chief Executive Officer, or in his absence, by any other director chosen by the Board. The Corporate Secretary, or in his absence any person appointed by the chairman of the meeting, shall act as secretary of every meeting.⁹⁹

5.5 Meetings by Teleconference, Videoconference or Similar Modes

Meetings of the Board may be called and held by teleconferencing, videoconferencing or through similar modes of modern communication technology in accordance with relevant rules and regulations promulgated by the SEC in respect thereof from time to time. In addition to the secretary of such meeting maintaining written minutes, such meetings shall be properly recorded in tapes, discs and/or other recording materials and such materials shall be properly stored for safekeeping.

5.6 Record of Meetings

Full minutes of the proceedings of, and resolutions made during, Board meetings, shall be kept by the Corporate Secretary. Notices, minutes, agenda and materials presented during the Board meetings will be made available to any member of the Board upon request to the Corporate Secretary.

5.7 Other Attendees

⁹⁹ Article III, Section 7, Amended By-laws.

As necessary, the Board may invite members of management and the organizational staff to attend the Board meetings to provide relevant information or data necessary for the matters for discussion during the Board meetings. At the discretion of the Board, separate meetings with any member of the Corporation's management may be held, whenever it is deemed appropriate by the Board for the exercise of its functions.

5.8 Access to Resources and to Adequate and Timely Information

Management shall provide the Board with complete, adequate and timely information about the matters to be taken up during their meetings. Upon reasonable request, the directors, individually or as a group, may seek external legal counsel or independent professional advice in the discharge of their duties at the expense of the Corporation, which expense must be reasonable. The members of the Board shall be given independent access to Management and the Corporate Secretary.¹⁰⁰

5.9 Authority

The Board shall have the authority to conduct or order the investigation into any matter within its scope of responsibility and all directors, officers and employees of the Corporation are enjoined to cooperate as requested by the Board, without interference or censorship by management.

6. PERFORMANCE EVALUATION

6.1 Periodic Assessment¹⁰¹

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

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees.

The Board's self-assessment system shall provide, at the minimum, criteria and process to determine the performance of the Board, the individual directors and the Committees and should allow for a feedback mechanism from the shareholders.

The Compliance Officer shall establish an evaluation system to determine and measure compliance with the Amended Manual, the Code of Corporate Governance, rules and regulations of all governance issuances of regulatory agencies.

The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's Annual Report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.

¹⁰⁰ Section 2.2.1(h), Amended Manual.

¹⁰¹ Section 6, Amended Manual.

The entire assessment process shall be documented and shall form part of the records of the Corporation. The appraisal or performance report and the standards/criteria used to assess each director shall be submitted by the Corporation to the SEC annually.¹⁰²

6.2 Annual Review

This Board Charter shall be reviewed and updated, as may be required and deemed appropriate from time to time. Copies of this Board Charter shall be provided to all members of the Board. It shall likewise be made publicly available to any requesting party upon written request to the Corporate Secretary and shall be posted on the website of the Corporation.

7. TRAINING

To ensure that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Corporation, an annual continuing training program shall be developed as recommended by the Board through the Corporate Governance Committee. This shall include courses on the developments in the business and regulatory environments, including emerging risks relevant to the Corporation as well as training on audit, internal controls, risk management, sustainability and strategy.

The Board of Directors and key officers of the Corporation, including the Corporate Secretary and Compliance Officer, shall attend an annual continuing training aimed at promoting their effective performance and continuing qualification in carrying out their duties and responsibilities (including training on corporate governance matters) which shall be conducted by duly accredited training providers of the SEC.

First-time directors shall attend an orientation program, to ensure that they are appropriately apprised of their duties and responsibilities, before beginning their directorships and throughout their tenure. The orientation program covers SEC-mandated topics on corporate governance and an introduction to the Corporation's business, articles of incorporation, and Code of Business Conduct and Ethics.¹⁰³

8. PENALTIES FOR NON-COMPLIANCE

To strictly observe and implement the provisions of the Amended Manual, the following penalties shall be imposed, after notice and hearing, on the Corporation's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of the Amended Manual:

- In case of first violation, the subject person shall be reprimanded.
- Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation. This shall not be applicable to directors.

¹⁰² Section 177, Revised Corporation Code.

¹⁰³ Section 6, Amended Manual.

- For third violation, the maximum penalty of removal from office shall be imposed. With regard to directors, the provision of Section 27 of the Revised Corporation Code shall be observed.

The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

The pertinent provisions of the Revised Corporation Code, the SRC and its Implementing Rules and Regulations, and other relevant laws, rules and regulations shall govern the imposition of penalties for violations of their respective provisions.

9. AMENDMENT

This Board Charter shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by a resolution of the Board.

This Board Charter was adopted by the Board of Directors on 30 October 2020.