



## CHARTER OF THE BOARD OF DIRECTORS

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### Document Revision History

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### Document Control

This document shall be reviewed annually by the ACE Enexor, Inc. Corporate Governance and Nomination Committee.

## CHARTER OF THE BOARD OF DIRECTORS

### Section 1. INTRODUCTION

The Board of Directors (the “Board”) of ACE Enexor, Inc. (the “Corporation” or “ACEX”) is the supreme authority in matters of governance and in overseeing the business of the Corporation. Within their authority under the Corporation Code and other applicable laws and the By-laws of the Corporation (the “By-laws”), the Directors, acting as a Board, have the fullest powers to regulate the concerns of the Corporation according to their best judgment.<sup>1</sup>

The Board is responsible for promoting and adhering to the principles and best practices of corporate governance, for fostering the long-term success of the Corporation and for securing its sustained competitiveness in the global environment in a manner consistent with its fiduciary responsibility. The Board shall exercise its powers and duties in the best interest of the Corporation, its shareholders and other stakeholders.

### Section 2. COMPOSITION OF THE BOARD

**1. Number of Directors** – The Board shall have nine (9) members, elected individually by stockholders entitled to vote at the annual shareholders’ meeting. Majority of the board should be non-executive directors (NEDs).<sup>2</sup>

**2. Board Competencies and Diversity** – The Board shall be composed of members who possess the necessary knowledge, skills and experience required to properly perform the duties of the Board. The Board shall adopt a policy on diversity that encourages the selection of an appropriate mix of competent Directors, each of whom can add value and independent judgment in the formulation of sound corporate strategies and policies. Diversity includes business experience, age, gender and ethnicity. With respect to gender, the Board shall commit to ensure appropriate representation of women in the Board to the greatest extent possible.

**3. Review of Board Profile** – The Board shall regularly review its composition, taking into account the evolving requirements of the Corporation, and best practices in corporate governance.

### Section 3. BOARD INDEPENDENCE AND CONFLICT OF INTEREST

It is the responsibility of each Director to promote the best interest of the Corporation. Therefore, in making decisions, they should only pursue the interest of the Corporation, and must not consider their personal interest.

**1. Disclosure of Interest** – Each Director shall disclose any conflict of interest, annually through the Disclosure Form<sup>3</sup>, and their related parties through the Related Party Disclosure Form. A Director

<sup>1</sup> Revised Corporation Code, Sec. 22.

<sup>2</sup> Code of Corporate Governance for Publicly-Listed Companies (CG Code for PLCs), Recommendation 1.2; Corporate Governance Manual (CG Manual), Part One: Governance Structure, I. Board of Directors, Composition, Size; Revised ASEAN Corporate Governance Scorecard (ACGS), A.3.3

<sup>3</sup> CG Code for PLCs, Recommendation 8.3; ACGS, B.4.1.

with any material conflict of interest that has been determined to be permanent in nature shall be disqualified from the Board. Notwithstanding the precautions set by the annual disclosure of conflict of interest, a Director shall be prohibited from participating in the discussion of, and voting on, any matter where he has a conflict of interest in.<sup>4</sup>

**2. Dealing in Corporation's Shares** – In line with the insider trading policy of the Corporation, each Director is required to report to the Board within three (3) business days from dealing in the shares of stock of the Corporation (the “Shares”).<sup>5</sup>

**3. Target Number of Independent Non-executive Directors** – In line with best practice in corporate governance and in accordance with the ASEAN Standards, it is the Corporation's goal to have Non-executive Independent Directors comprise more than 50% of the Board.<sup>6</sup>

**4. Policy on Multiple Board Seats** – The Corporation shall ensure that adequate time and attention is given to the fulfilment of the Directors of their duties. The Independent Directors and Non-Executive Directors shall hold no more than five board seats in publicly-listed companies and Executive Directors shall hold no more than two board seats in listed companies outside the Corporation's group.<sup>7</sup> These limits may be waived by the Board at its discretion provided the interests of stockholders and stakeholders are not prejudiced.<sup>8</sup>

**5. Confidentiality Rule** – Directors shall keep confidential all the information contained in the confidential reports or discussions. They shall also ensure that all persons who have access to the same information likewise comply with this rule.

**6. Influence of Former Directors** – Former Directors shall not be allowed to exercise influence over the operations of the Corporation. The confidentiality rule applicable to incumbent Directors shall continue to apply to former Directors.

**7. Employment of Former Directors** – Notwithstanding the immediately preceding paragraph, an exception may be made if it is in the best interest of the Corporation, as determined by the incumbent Board, that a former Director take a certain position within the Corporation.

**8. Loans to Directors** – Directors may borrow money from the Corporation subject to review and approval to ensure that they are at arm's length, the terms are fair, and they will inure to the best interest of the Corporation and its shareholders, in accordance with the Corporation's Policy on Related Party Transactions.<sup>9</sup>

#### **Section 4. ELECTION OF DIRECTORS**

The Directors shall be elected by the Corporation's stockholders entitled to vote at the annual meeting in accordance with the By-laws and the Rules of Procedure for Annual Stockholders' Meeting.

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<sup>4</sup> CG Code for PLCs, Recommendation 5.6; ACGS, B.4.3.

<sup>5</sup> CG Code for PLCs, Recommendation 8.2; ACGS, B.3.1 and B.3.2.

<sup>6</sup> ACGS, (B)E.4.1.

<sup>7</sup> CG Code for PLCs, Recommendation 4.2; CG Manual, Part One: Governance Structure, I. Board of Directors, Directorship Limits; ACGS, E.2.8 and E.2.9.

<sup>8</sup> CG Manual, Part One: Governance Structure, I. Board of Directors, Directorship Limits.

<sup>9</sup> Related Party Transaction Policy; ACGS, B.4.4 and B.5.1

- 1. Nomination of Directors** – Pursuant to the Revised Corporation Code, any shareholder, including minority shareholders, shall have the right to nominate candidates for the Board.<sup>10</sup> The list of names of the nominees to the Board of Directors, together with the written consent of the nominees shall be filed with and submitted to the Corporate Governance and Nomination Committee through the office of the Corporate Secretary at least thirty (30) business days prior to the date set for the annual meeting wherein they will be elected.
- 2. Required Vote** – For the election of Directors, it is necessary for one-half plus one of the outstanding shares of stock to be present or represented in the annual stockholders' meeting. Stockholders casting votes through remote communication or in absentia, electronically or otherwise, shall be deemed present for purposes of determining the existence of a quorum.
- 3. Ownership of Corporation Shares** – No person shall be elected nor be competent to hold the office of Director unless at least one (1) share of stock of the Corporation shall stand in his name in the books of the Corporation at the time of his election.<sup>11</sup>
- 4. Ground for Disqualification for Nomination** – 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 in accordance with the By-laws, or if he is in possession of any of the grounds for disqualification provided in applicable laws, rules and regulation of the SEC, as may be amended from time to time.<sup>12</sup> Any Director who wilfully and knowingly voted or consented to patently unlawful acts of the Corporation, or who was found guilty of gross negligence or bad faith in directing the affairs of the Corporation, or who acquired any personal or pecuniary interest in conflict with his duty as such Director shall be disqualified from nomination or election to the Board of Directors.
- 5. Term of Office** – Directors shall hold office for a term of one (1) year, more or less, immediately upon their election and until their successors shall have been elected and qualified in accordance with the By-Laws.<sup>13</sup>
- 6. Filling of Vacancies** – Vacancies due to expiration of term shall be filled no later than the day the vacancy occurred at the annual stockholders' meeting. Vacancies arising from removal by the stockholders may be filled during the same meeting if so stated in the agenda and notice of meeting. In all other cases, the remaining Directors, if still consisting a quorum, may fill said vacancies by election from among the stockholders no later than forty-five (45) days from the time the vacancy arose. The stockholder so elected shall be referred to as replacement director and shall act as a member of the said Board only for the unexpired term of the predecessor in office.<sup>14</sup>
- 7. Emergency Board** – In case the remaining directors cannot constitute a quorum and emergency action is required to prevent grave, substantial or irreparable loss or damage to the corporation, the vacancy may be temporarily filled from among the officers of the corporation by the unanimous vote of the remaining directors. The designated director's actions shall be limited to any necessary

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<sup>10</sup> Revised Corporation Code, Sec. 23; CG Code for PLCs, Recommendation 13.1; CG Manual, Part Three. Promotion of Shareholders' Rights and Engagement of Stakeholders, I. Shareholders' Rights, Voting Rights; ACGS, A.3.2.

<sup>11</sup> Revised Corporation Code, Sec. 22; CG Manual, Part One: Governance Structure, I. Board of Directors, Qualifications and Disqualifications, Qualifications.

<sup>12</sup> Revised Corporation Code, Sec. 26; CG Code for PLCs, Recommendation 2.6; CG Manual, Part One: Governance Structure, I. Board of Directors, Qualifications and Disqualifications, Disqualifications.

<sup>13</sup> Revised Corporation Code, Sec. 22; CG Manual, Part One: Governance Structure, I. Board of Directors, Term.

<sup>14</sup> Revised Corporation Code, Sec. 28.

emergency action and the term shall cease within a reasonable time from the termination of the emergency or upon election of the replacement director, whichever comes first. The SEC must be notified within three (3) days from creation of the emergency board.<sup>15</sup>

## Section 5. INDEPENDENT DIRECTORS

**1. Independent Directors** – The Board shall have at least three (3) independent directors or such number as may be required by law and the rules of the Securities and Exchange Commission (SEC) and of the Philippine Stock Exchange (PSE).<sup>16</sup> To be considered independent, a Director shall, apart from his fees and shareholdings, hold no interests or relationships with the Corporation that may hinder his independence from the Corporation, Management, or shareholders which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director of the Corporation. For this purpose, an Independent Director shall submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with the Corporation, Management or controlling shareholder at the time of his election or appointment and/or re-election as a Director.<sup>17</sup> Reference may be made to the Independent Director portion of the Corporation’s Corporate Governance Manual for the requirements or criteria for a Director to qualify as an Independent Director.

**2. Lead Independent Director** – A Lead Independent Director shall be appointed if the Chairman of the Board is not independent from Management, such as when the positions of the Chairman of the Board and the Chief Executive Officer (CEO) are held by one person. The Lead Independent Director shall, among others: (a) intermediate between the Chairman of the Board and the other Directors, if and when needed; (b) convene and chair the periodic meetings of the Non-Executive Directors with the external auditor and heads of internal audit, compliance and risk, as may be needed; and (c) contribute to the performance evaluation of the Chairman of the Board.<sup>18</sup>

**3. Term Limits for Independent Directors** – Independent Directors can serve as such for a maximum cumulative term of nine (9) years,<sup>19</sup> provided that service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which the Independent Director position was relinquished or terminated.<sup>20</sup>

**4. Disassociation of Independent Directors** – After serving as Independent Director for nine (9) years, the Independent Director shall be perpetually barred from being elected as such in the Corporation, without prejudice to being elected as a non-Independent Director in the Corporation or as an Independent Director in other companies of the business conglomerate, where applicable, under the same conditions provided for in the rules and regulations of the Securities and Exchange Commission.<sup>21</sup>

<sup>15</sup> Revised Corporation Code, Sec. 28.

<sup>16</sup> Revised Corporation Code, Sec. 22; CG Code for PLCs, Recommendation 5.1; CG Manual, Part One: Governance Structure, I. Board of Directors, Independent Director, Number of Independent Director.

<sup>17</sup> SRC Rule 38.2, par. 2; CG Manual, Part One: Governance Structure, I. Board of Directors, Independent Director, Definition of Independent Director.

<sup>18</sup> CG Code for PLCs, Recommendation 5.5; CG Manual, Part One: Governance Structure, I. Board of Directors, Independent Directors, Lead Independent Director; ACGS E.4.5.

<sup>19</sup> The cumulative nine (9) year term is reckoned from 2012, in connection with SEC Memorandum Circular No. 9, Series of 2011.

<sup>20</sup> CG Code for PLCs, Recommendation 5.3; CG Manual, Part One: Governance Structure, I. Board of Directors, Independent Director, Term Limit; ACGS E.2.5.

<sup>21</sup> CG Code for PLCs, Recommendation 5.3; CG Manual, Part One: Governance Structure, I. Board of Directors, Independent Director, Term Limit.

**5. Retention of Independent Directors** – In case the Corporation wants to retain an Independent Director who has already served for nine (9) years, the Board should provide meritorious justification and seek shareholders' approval during the annual shareholders' meeting.<sup>22</sup>

## Section 6. BOARD MEETINGS

**1. Frequency of Meetings** – The Board shall meet at least six (6) times each calendar year scheduled in advance.<sup>23</sup> It shall hold meetings before the start of the financial year,<sup>24</sup> immediately after the annual stockholders' meeting, at least once every quarter, and on such other days that it may designate. It may be convened in special meeting by the Chairman or at the request of three (3) Directors.<sup>25</sup>

**2. Quorum** – Two-thirds (2/3) of the number of Directors as fixed in the articles of incorporation shall constitute a quorum for the transaction of corporate business, except for the election of officers which shall require the presence of all directors.<sup>26</sup>

**3. Attendance** – Participation of directors, including voting, at board meetings shall be in person or through remote communication, such as videoconferencing, teleconferencing or other alternative modes of communication, to the extent allowed and in accordance with applicable regulations. Participation cannot be done by proxy.<sup>27</sup> The presence of at least one (1) Independent Director may be required in all meetings. However, the absence of an Independent Director shall not affect the quorum requirement if he is duly notified of the meeting but notwithstanding such notice, fails to attend.<sup>28</sup> A Director who fails, without any justifiable cause, to attend at least seventy five percent (75%) of the total number of Board meetings during any term shall not be eligible for re-election.<sup>29</sup>

**4. Notice of Meeting** – Notice of meetings may be given by any customary means of communication (e.g. by electronic mail, in writing, by telephone, by telefax, etc.). The notice shall specify the time and place of the meeting and include a detailed agenda. As a rule, Board materials are to be distributed to all Directors at least five (5) business days prior to each Board meeting.<sup>30</sup>

**5. Chairman of the Meeting** – Board meetings shall be chaired by the Chairman of the Board or, in his or her absence, by the Vice Chairman.

**6. Matters for Discussion in Meetings** – In any Board meeting, decisions may be made on matters not included in the distributed meeting agenda only if there are no objections posed by any member of the Board.

**7. Minutes of the Meeting** – Minutes of the Board meetings shall be taken and recorded by the Office of the Corporate Secretary. Minutes shall be signed by the chairman of the meeting and by the individual who has been appointed to take notes during the meeting.

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<sup>22</sup> CG Code for PLCs, Recommendation 5.3; CG Manual, Part One: Governance Structure, I. Board of Directors, Independent Director, Term Limit.

<sup>23</sup> ACGS, E.3.2.

<sup>24</sup> ACGS, E.3.1.

<sup>25</sup> Revised Corporation Code, Sec. 52.

<sup>26</sup> ACGS, E.3.4; Revised Corporation Code, Sec. 52.

<sup>27</sup> Revised Corporation Code, Sec. 52.

<sup>28</sup> CG Manual, Part One: Governance Structure, I. Board of Directors, Conduct of Meetings.

<sup>29</sup> CG Manual, Part One: Governance Structure, I. Board of Directors, Qualifications and Disqualifications, Temporary Disqualifications; ACGS, E.3.3.

<sup>30</sup> ACGS E.3.6

**8. Non-Executive Sessions** – At least once a year, some or all of the Non-executive Directors must meet the external auditor and the heads of internal audit, compliance and risk functions, without any executives present. The meetings should be chaired by the lead independent director.<sup>31</sup>

## **Section 7. RESPONSIBILITIES OF THE BOARD**

**1. Duties, Powers and Attributes of the Board** – In addition to the duties, powers and attributes provided in laws and regulations and in the company’s By-Laws, the Board shall perform the following functions:

- (a) determine the period, manner and conditions under which the Corporation shall engage in the kinds of businesses referred to in Article II of the Articles of Incorporation;
- (b) determine the manner in which the corporate capital shall be invested, subject to the provisions of Article II of the By-Laws;
- (c) determine the creation of branches, agencies, office departments of any class, under the conditions it may deem convenient;
- (d) decide as to the safekeeping of the funds of the Corporation, open current accounts, fixed deposit accounts and savings accounts with any bank authorized to operate in the Philippines and/or abroad;
- (e) fix annually the percentage to be written off on all capital expenditures of the Corporation such as buildings, furniture and fixtures, etc. and determine the distribution of profits and dividends;
- (f) call special meetings of stockholders;
- (g) authorize any other person or persons it may deem fit, aside from the Chairman of the Executive Committee, to cancel mortgages or pledges executed as securities for loans and bonds when the mortgages have been repaid to the Corporation and when the bonds have been cancelled;
- (h) determine the time and manner of issuance of unissued stocks and treasury shares of the Corporation;
- (i) fix, upon the recommendation of the Chairman of the Executive Committee, the budget for administration expenses;
- (j) oversee the development of, review and approve the Corporation's business objectives and strategy and monitor their implementation to sustain its long-term viability and strength;
- (k) review annually the Corporation’s vision and mission statement;
- (l) establish Board Committees deemed necessary in running the affairs of the Corporation, which will have their respective Charters providing for their purposes, structures, operations, reporting processes and performance standards;
- (m) appoint advisory directors who can participate in board deliberations but whose functions shall be strictly advisory and non-voting;
- (n) select, appoint and assess the performance of the President, CEO, Chief Operating Officer (COO), and other senior officers including the Chief Finance Officer, Chief Risk Officer, Corporate

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<sup>31</sup> CG Code for PLCs, Recommendation 5.7; ACGS, E.3.5.

Secretary, Compliance Officer and Chief Audit Executive in accordance with the process and criteria set in the Corporate Governance and Nomination Committee Charter;

- (o) adopt a professional development program for employees and officers, and an effective succession planning program for Directors, key officers, and management in the Corporation in accordance with the criteria set in the Corporate Governance and Nomination Committee Charter;
- (p) establish an effective performance management framework to align Management's performance with the standards and criteria set by the Board and Senior Management;
- (q) formulate and adopt a policy for the Board's and key officers' compensation programs aligned with work required and performance against business plans;
- (r) provide sound written policies and strategic guidelines on key capital expenditures, and periodically evaluate and monitor implementation of such strategies;
- (s) make rules for the internal regulation of the Corporation and ensure compliance with all relevant laws, regulations and as far as possible, best business practices;
- (t) formulate a clear communication and disclosure policy and strategy to accurately, promptly, regularly, and effectively communicate with the SEC, the Philippine Stock Exchange (PSE) and the Corporation's stockholders and other stakeholders and oversee the proper and effective implementation thereof;
- (u) adopt a system of internal checks and balances within the Board and the Corporation for monitoring and managing potential conflicts of interest of the Management, the Board members and shareholders, that shall be regularly reviewed and updated to maintain its adequacy and effectiveness, and in this connection, approve the Internal Audit Charter;
- (v) ensure that there is sound Enterprise Risk Management (ERM) framework to identify and monitor key risks and key performance areas, and endeavour to provide appropriate technology and systems for the proper identification and monitoring thereof;
- (w) formulate and implement policies and procedures that would ensure the integrity, transparency and would guarantee fairness of related party transactions;
- (x) establish and make available an alternative dispute resolution mechanism in the Corporation through which intra-corporate disputes may be amicably settled;
- (y) create an internal self-rating system for the annual performance self-assessment of the Chairman of the Board, the individual Directors, the Board committees, the CEO, President and Chief Operating Officer and other key management officials in accordance with the process and criteria laid down in this Board Charter, and in line with the Corporation's plans and objectives;
- (z) develop a formal and transparent policy for nomination and election of Directors;
- (aa) be responsible for financial reporting and control, and in this connection, shall:
  - i. provide to all stockholders and other stakeholders relevant and timely information about the Corporation, including but not limited to quarterly reports and an annual report of the Corporation's performance, position and prospects through publicly available reports submitted to the SEC;



- ii. present a balanced and understandable assessment of the Corporation's position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;
- iii. explain its responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
- iv. report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
- v. maintain a sound system of internal control to safeguard stockholders' and other stakeholders' investment and the Corporation's assets;
- vi. ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls within the Corporation;
- vii. require the Chief Audit Executive to render to the Audit Committee an annual report on the Internal Audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management;
- (bb) recommend to the stockholders the appointment of external auditors, in accordance with the recommendation of the Audit Committee;
- (cc) create a procedure for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Corporation's expense, which expense shall be reasonable;
- (dd) create and design a Code of Conduct ("Code") with an anti-corruption policy and programs suitable to the needs of the Corporation and ensure proper and efficient implementation and monitoring of compliance with the Code, including providing appropriate orientation and training to the Board, senior management and employees;
- (ee) establish a suitable framework for whistleblowing 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 created to handle whistleblowing concerns and ensure its enforcement;
- (ff) adopt a globally-recognized standard or framework in reporting sustainability and non-financial issues such as economic, environmental, social and governance issues of the Corporation's business;
- (gg) establish policies, programs and procedures covering, among others, the following; (1) health, safety and welfare; (2) training and development; and (3) reward/compensation, that will encourage employees to actively participate in the realization of the Corporation's goals and in its governance<sup>32</sup>;
- (hh) determine the manner and conditions under which employees of the Corporation shall be granted pensions, retirement gratuity or life insurance protection;

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<sup>32</sup> CG Code for PLCs, Recommendations 2.1 to 2.11; CG Manual, Part One: Governance Structure, I. Board of Directors, Roles and Responsibilities, The Board.

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- (ii) institute, maintain, defend, compromise or drop any litigation in which the Corporation or its officers may be interested in as plaintiff or defendant in connection with the business of the Corporation and grant extension of time for the payment or settlement of any indebtedness in favor of the Corporation; and
- (jj) settle any doubts that may arise relative to the interpretation of the By-Laws and supply any omissions, reporting thereon to the stockholders' annual meeting for such action as it may see fit to take.

**2. Duties of Individual Directors** – In addition to the foregoing, each Director is expected to:

- (a) act in the best interest of the Corporation, the stockholders and the stakeholders in a manner characterized by transparency, accountability and fairness;
- (b) engage in fair business transactions with the Corporation and ensure that his personal interests do not create any bias when making Board decisions;
- (c) abstain from taking part in deliberations for transactions where he has a material interest in;
- (d) attend and actively participate in all meetings of the Board, the Board Committees where he is a member of, and the shareholders, except when prevented by justifiable causes;
- (e) act judiciously on a fully informed basis, in good faith and with due diligence and care;
- (f) exercise independent judgment;
- (g) have a working knowledge of the statutory and regulatory requirements affecting the Corporation;
- (h) keep confidential all non-public information acquired by reason of his Board membership;
- (i) ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment;
- (j) attend and participate in the training program of the Corporation; and
- (k) notify the Board, through the Corporate Secretary, before accepting a directorship in another Corporation.<sup>33</sup>

**3. Adherence to the Code of Conduct and Ethics** – The Board shall ensure that all Directors, executives and employees adhere to the Corporation's Code of Conduct and Ethics. The Board shall adopt measures for the strict implementation and monitoring of compliance with the Code.<sup>34</sup>

**4. Reporting Responsibility of the Management** – Management is primarily accountable to the Board for the Operations of the Corporation. As part of its accountability, it is obligated to provide the Board with complete, adequate information on the operations and affairs of the Corporation in a timely manner. Management shall inform the Board regularly, promptly and comprehensively about any issues concerning the Corporation's strategy, risk management and compliance. It shall regularly update the Board of the implementation of the Corporation's strategy and explain variances from the approved plans and targets.

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<sup>33</sup> CG Manual, Part One: Governance Structure, I. Board of Directors, Roles and Responsibilities, Each Director.

<sup>34</sup> CG Code for PLCs, Recommendations 7.1 and 7.2; ACGS, E.2.2 and E.2.3.

**5. Approval of the Financial Statements** – Based on the report by the Audit Committee, the Board shall, with the help of independent auditors, approve the financial statements of the Corporation.

**6. Approval of Annual Plans and Budgets** – The Board shall be responsible in approving the annual plans and budget of the Corporation, as well as the corresponding investments and personnel movements.

## Section 8. LIABILITY OF DIRECTORS

**1. Joint and Several Liability** – Directors who wilfully and knowingly vote or consent 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 jointly and severally liable for all damages resulting therefrom suffered by the Corporation, its stockholders and other stakeholders.<sup>35</sup>

**2. Liability as Trustee for the Corporation** – When a director 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.<sup>36</sup>

## Section 9. THE CHAIRMAN OF THE BOARD

**1. Powers of the Chairman** – The Chairman of the Board has the following powers:

- (a) To preside at all of stockholders' meetings and meetings of the Board;
- (b) To cast the deciding vote in case of a tie in the stockholders' meetings or in the Board meetings; and
- (c) To exercise such other powers which are given him in the By-laws.

**2. Roles and Responsibilities of the Chairman** – The Chairman of the Board has the following roles and responsibilities:

- (a) Makes certain that the meeting 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;
- (b) Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- (c) Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- (d) Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;

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<sup>35</sup> CG Manual, Part One: Governance Structure, I. Board of Directors, Liability of Directors.

<sup>36</sup> CG Manual, Part One: Governance Structure, I. Board of Directors, Liability of Directors

- (e) Allows the Board members to freely express their opinions about any matter being discussed;
- (f) Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors;
- (g) Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on; and
- (h) Performs such other responsibilities as the Board may impose upon him.<sup>37</sup>

## Section 10. CORPORATE SECRETARY

The Board shall ensure that it is assisted in its duties by a Corporate Secretary.<sup>38</sup> In addition to the duties provided in the By-Laws, the Corporate Secretary shall:

- (a) Assist the Board and the Board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
- (b) Safekeep and preserve the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Corporation;
- (c) Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Corporation, and advise the Board and the Chairman on all relevant issues as they arise;
- (d) Work fairly and objectively with the Board, Management and stockholders and contribute to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- (e) Advise on the establishment of Board committees and their terms of reference;
- (f) Inform members of the Board, in accordance with the By-Laws, of the agenda of their meetings at least five working days in advance, and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- (g) Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- (h) Perform required administrative functions;
- (i) Oversee the drafting and amendment of the By-Laws, as may be needed, and ensure that the provisions thereof conform to regulatory requirements; and
- (j) Perform such other duties and responsibilities as may be provided by the SEC, and as the Board may impose upon him.<sup>39</sup>

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<sup>37</sup> CG Code for PLCs, Recommendation 2.3; CG Manual, Part One: Governance Structure, I. Board of Directors, Leadership, Chairman of the Board.

<sup>38</sup> CG Code for PLCs, Recommendation 1.5.; ACGS E.3.7.

<sup>39</sup> CG Code for PLCs, Recommendation 1.5; CG Manual, Part One: Governance Structure, I. Board of Directors, Support from Key Officers, Corporate Secretary

## Section 11. BOARD COMMITTEES

- 1. Creation of Board Committees** – The Board may create such committees (each a “Board Committee”) as it may deem necessary to support it in the performance of its functions and in accordance with the By-Laws and to aid in good governance.<sup>40</sup>
- 2. Delegation of Rights and Responsibilities to the Board Committees** – The Board may delegate part of its rights and responsibilities to any of its committees. The committees shall be composed of Board members of the Corporation specifically chosen for their particular background and areas of expertise that will allow them to adequately perform the functions assigned to their committee.<sup>41</sup>
- 3. Board Committee Charters** – The Board shall adopt for each Board Committee a charter providing, among others, the composition of the Board Committee, the qualifications of the members, the powers, duties and responsibilities of the Board Committee and the rules governing the exercise of those powers or performance of the duties and responsibilities.<sup>42</sup>
- 4. Board Committees** – The Board shall constitute an Executive Committee<sup>43</sup>, an Audit Committee<sup>44</sup>, a Risk Management and Related Party Transactions Committee<sup>45</sup>, a Corporate Governance and Nomination Committee,<sup>46</sup> a Personnel and Compensation Committee<sup>47</sup>, and a Finance Committee<sup>48</sup>.

## Section 12. COMPENSATION OF THE BOARD

Directors shall be entitled to receive from the Corporation reasonable per diems.

Directors shall also be entitled to such other fees and other compensation for their services as Directors, as may be fixed in the by-laws or granted by the majority of the outstanding capital stock in at the regular or annual meeting. The level of compensation should be commensurate to the Corporation’s size and scope. The total yearly compensation of Directors shall not exceed one percent (1%) of the net income before income tax of the Corporation during the preceding year.

No director shall be involved in deciding his own remuneration during his incumbent term.<sup>49</sup>

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<sup>40</sup> Revised Corporation Code, Sec. 34; CG Code for PLCs, Recommendation 3.1.

<sup>41</sup> CG Code for PLCs, Recommendations 3.2 to 3.5; ACGS E.2.22.

<sup>42</sup> CG Code for PLCs, Recommendation 3.6; ACGS E.2.11, E.2.16, and E.2.21.

<sup>43</sup> Revised Corporation Code, Sec. 34; CG Manual, Part One: Governance Structure, I. Board of Directors, Board Committee, Executive Committee

<sup>44</sup> CG Code for PLCs, Recommendation 3.2; CG Manual, Part One: Governance Structure, I. Board of Directors, Board Committee, Audit Committee; ACGS E.2.21

<sup>45</sup> CG Code for PLCs, Recommendation 3.4; ACGS, (B)E.6.1.

<sup>46</sup> CG Code for PLCs, Recommendations 3.3 and 3.5; CG Manual, Part One: Governance Structure, I. Board of Directors, Board Committee, Corporate Governance and Nomination Committee; ACGS B.4.2 and E.2.8

<sup>47</sup> CG Manual, Part One: Governance Structure, I. Board of Directors, Board Committee, Personnel and Compensation Committee; ACGS E.2.13

<sup>53</sup> CG Manual, Part One: Governance Structure, I. Board of Directors, Board Committee, Finance Committee.

<sup>48</sup> CG Manual, Part One: Governance Structure, I. Board of Directors, Board Committee, Finance Committee.

<sup>49</sup> Revised Corporation Code, Sec. 29.

### **Section 13. ORIENTATION AND CONTINUING EDUCATION PROGRAMS FOR DIRECTORS**

Prior to assuming office, all new Directors shall undergo at the minimum an eight-hour orientation program on the Corporation's business and corporate structure, vision and mission, corporate strategy, Governance Codes and Policies, Articles of Incorporation, By-laws, Manual of Corporate Governance, Board and Committee Charters, SEC-mandated topics on corporate governance and other relevant matters essential for the effective performance of their duties and responsibilities.<sup>50</sup> Directors shall likewise attend a four-hour annual continuing training program, including courses on corporate governance, to further their knowledge and assist in their development as Directors at least once a year.<sup>51</sup> Directors are encouraged to assess their own training and development needs for the continuing training program.

### **Section 14. PERFORMANCE ASSESSMENT**

Annually, the Board shall carry out a formal performance assessment process whereby each Director will complete a questionnaire relating to the role, composition, processes, practices and behavior of the Board as a whole, its individual members, the Chairman and the Committees. Responses to the questionnaires are confidential and provided to the Compliance Officer, who shall report the aggregated results to the Board during the meeting immediately following the end of the assessment process. The performance assessment shall be regularly conducted by an independent third party consultant.<sup>52</sup> Attached as **Annex A** of this Charter are the guidelines in performing the annual performance assessment.

### **Section 15. MISCELLANEOUS**

- 1. Access to Information** – The Board shall have reasonably free and full access to all relevant information, data, records, properties and personnel of the Corporation.
- 2. Technical Assistance** – The Board may invite such members of Management and other persons to its meetings and may secure independent expert advice as it may deem desirable or appropriate.
- 3. Annual Review** – This Charter shall be periodically reviewed by the Board.
- 4. Effectivity** – This Charter shall take effect when approved by the Board and shall apply prospectively.

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<sup>50</sup> CG Code for PLCs, Recommendation 1.3; CG Manual, Part One: Governance Structure, I. Board of Directors, Training; ACGS, E.5.1.

<sup>51</sup> CG Code for PLCs, Recommendation 1.3; CG Manual, Part One: Governance Structure, I. Board of Directors, Training; ACGS, E.5.2.

<sup>52</sup> CG Code for PLCs, Recommendations 6.1 and 6.2; CG Manual, Part One: Governance Structure, I. Board of Directors, Performance Assessment; ACGS E.5.5, E.5.6 and E.5.7.

**Annex A****Guidelines in Conducting Performance Assessments**

Annual performance assessments of the Board, the individual Directors, the Board Committees, and the President and CEO and key management officials shall be conducted. An independent consultant shall be regularly engaged to conduct the performance evaluation of the Board, committees and individual directors.<sup>53</sup>

- I. For the performance assessment of the Board The Board shall conduct a self-evaluation where all the board members shall participate. In evaluating the Board's performance, the following criteria/factors shall be considered:
- (i) *Knowledge* – Whether the Board possesses adequate information on industry trends and overall business environment;
  - (ii) *Strategy and Implementation* – Whether the Board has adopted appropriate corporate strategy and whether the same has been effectively implemented;
  - (iii) *Risk Management* – Whether the Board has a keen understanding of the types of risks to which the Corporation may be exposed and would be vulnerable, and whether it has adopted appropriate systems and processes to manage these risks;
  - (iv) *Corporate Ethics* – Whether the Board has taken the lead role to ensure faithful compliance with all the applicable laws and rules, and the Corporation's By-laws, Manual of Corporate Governance, Code of Conduct and Ethics, and other relevant company policies; and
  - (v) *Internal Control/Oversight Function* – Whether the Board has taken reasonable steps to ensure that the Corporation is properly managed, including monitoring of the operational and financial results
- II. For the performance assessment of the Directors, the Board shall assess the performance of its individual members. In evaluating the performance of each Director, the following criteria/factors shall be considered:
- (i) *Knowledge* – Whether the Director has an in-depth knowledge of the Corporation's business and strategic direction;
  - (ii) *Participation* – Whether the Director attended all, some or only a few of the meetings of the Board and of the committees in which he/she is a member, and whether he/she made valuable contributions in the discussion of matters before the Board and/or the committees; and
  - (iii) *Fair Dealing* – Whether the Director conducted fair business transactions with the Corporation and ensured that his/her personal interest did not conflict with the interest of the Corporation
- III. For the performance assessment of the Board Committees The Board Committees shall assess their respective performance. The Board may conduct simultaneous evaluation of the

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<sup>53</sup> 58 CG Code for PLCs, Recommendation 6.1; CG Manual, Part One: Governance Structure, I. Board of Directors, Performance Assessment.

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performance of each Board Committee. In evaluating the performance of the Board Committees, the following criteria/factors shall be considered:

- (i) *Committee Organization* – Whether the Committee is composed of appropriate number of Directors with the right balance of skills, experiences and backgrounds to ensure the proper performance of the roles and responsibilities of the Committee;
  - (ii) *Committee Meetings* – Whether the Committee had adequate number of meetings to sufficiently focus on significant matters of concern; and (iii) *Committee Processes and Procedures* – Whether the Committee adopted processes and procedures to ensure timely resolution of matters before it.
- IV. For the performance assessment of the President and CEO, and other key management officials The Board shall assess the performance of the President and CEO, and other key management officials. In evaluating their performance, the following criteria/factors shall be considered:
- (i) *Compliance* – Whether the President and CEO, and other key management officials have taken steps to ensure the Corporation’s compliance with all the legal requirements in the management of its affairs;
  - (ii) *Administration* – Whether the President and CEO, and other key management officials have effectively managed the day-to-day operations of the Corporation towards the achievement of the organization’s goals and objectives;
  - (iii) *Knowledge, Skills and Competence* – Whether the President and CEO, and other key management officials possess appropriate knowledge, skills and competence essential to the due performance of duties;
  - (iv) *Corporate Ethics* – Whether the President and CEO, and other key management officials have consistently demonstrated integrity and observed the corporate core values; and
  - (v) *Board-Management Relationship* – Whether the President and CEO, and other key management officials have worked closely with the Board and provided the latter with complete, adequate information on the operations and affairs of the Corporation in a timely manner.
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