



## **BOARD CHARTER**

*(Amended November 2017)*

### **INTRODUCTION**

#### **Complementary to Law and Articles**

The Board Charter (the “Charter”) governs the relationship between the board committees and the board of directors as provided in the charters of the committees which were approved and adopted by the board. The Charter is intended to complement or supplement the Corporation Code of the Philippines, the Corporation’s articles of incorporation and by-laws, issuances of the Securities and Exchange Commission (SEC), Philippine Stock Exchange, Inc. (PSE) and other applicable laws, rules and regulations.

### **SECTION 1: BOARD COMPOSITION**

- 1. Number of Directors** – The Corporation’s Board is composed of nine (9) directors, two (2) of whom shall be Independent Directors, who are elected by the stockholders.<sup>1</sup>
- 2. Positions** - The membership of the Board may be a combination of executive and non-executive directors (which include independent directors). The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.<sup>2</sup>
- 3. Committees** - The Board shall constitute the proper committees to assist it in good corporate governance. Pursuant to the Corporation’s Manual on Corporate Governance, the Board must have the following committees: **(a) Audit and Related Party Transaction, (b) Board Risk Oversight, (c) Corporate Governance (with functions of Nomination and Election and Compensation and Remuneration), and (d) Executive Committee.**

---

<sup>1</sup> Manual on Corp. Governance 3.1

<sup>2</sup> Manual on Corp. Governance 3.1

4. **Board Profile** – The Board, in consultation with the **Corporate Governance Committee (CG)**, shall be responsible to review the profile of its size and composition, considering the nature of its business and subsidiaries, and the desired expertise and background of the board members.
5. **Independence** – The Board shall have at least two (2) independent directors or consist at least 20% of the members of the board as required by the rules of the SEC and the PSE. Provided further, that the Corporation may choose to have more independent directors in the Board than as required in the Corporation’s By-Laws.

For this purpose, an "independent director" shall mean a person who apart from his fees and shareholdings, is independent of management and substantial shareholders free from any business or other relationship 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.<sup>3</sup>

## **SECTION 2: ELECTION OF THE BOARD**

1. **Nomination of Directors** - Candidates for the Board of Directors shall be nominated by a stockholder of the Corporation. Pursuant to the Corporation Code, any stockholder who holds at least one (1) share of stock shall be entitled to nominate and elect a candidate for Board position. **The stockholder shall submit a nomination letter to the Board of Directors together with the written consent of the nominee at least 60 days before the scheduled date of the annual stockholders’ meeting. The Board shall endorse the nomination to the CG Committee (which functions as the Nomination and Election Committee) who shall then review and pre-screen the qualifications of each candidate in accordance to the qualifications and disqualifications set in the Corporation’s By-Laws and Manual on Corporate Governance.** The CG Committee must ensure that these qualifications are aligned with the corporate strategic direction of the Corporation. The shortlist of candidates shall be disclosed in the Definitive Information Statement to be distributed to the stockholders.
2. **Manner of Election** – A majority of the outstanding shares of stocks in person or represented by proxy, shall be sufficient at a stockholders’ meeting to constitute a quorum for the election of directors. A person who holds at least one (1) common share

---

<sup>3</sup> Amended By-Laws Article IV

of stock of the Corporation is eligible to be nominated and elected as a director.<sup>4</sup>

3. **Term of Office** – The elected members of the board of directors shall hold office for one (1) year, until their successors are elected and qualified.<sup>5</sup>
4. **Term limits for Independent Directors** – The Independent Director shall serve for a maximum cumulative term of nine (9) years. The cumulative period shall start from the year 2012 in accordance with the rules and circulars of the SEC. After which, the independent director shall be perpetually barred from re-election as such in the same company, but he/she may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.<sup>6</sup>
5. **Resignation** - Any director of the Corporation may resign at any time by giving written notice to the Chairman of the Board and the Corporate Secretary of the Corporation. The resignation of any director shall take effect as of the date of its acceptance by the Board of Directors.<sup>7</sup>

### **SECTION 3: BOARD MEETINGS**

1. **Regular Meetings** - Regular meetings of the Board of Directors shall be held every quarter on such date, time and at principal office or such place as may be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board, the Vice Chairman, the President and Chief Executive Officer, or a majority of the Board of Directors of the Corporation.<sup>8</sup>

The Corporate Secretary shall schedule all regular board and committee meetings at the start of the financial year.

2. **Board Attendance** – Each director must attend at least 75% of all the board meetings held during the year<sup>9</sup>.

---

<sup>4</sup> Amended By-Laws Article III

<sup>5</sup> Amended By-Laws Article III

<sup>6</sup> SEC Memo Circular No. 4 S-2017

<sup>7</sup> Amended By-Laws Article III Section 11

<sup>8</sup> Amended By-Laws Article III Section 7

<sup>9</sup> ACGS E.3.3

3. **Organizational Meetings** -The Board of Directors shall meet for the purpose of organization, election of officers and the transaction of other business, as soon as practicable after each annual election of directors or on the same day, and if practical at the same place at which regular meetings of the stockholders are held.<sup>10</sup>
4. **Notice of Meetings** – Notice of either regular or special meetings shall be sent to each director at least five (5) business days before the date of meeting. The notice of meeting shall include the time and place of the meeting and the agenda subjects to be discussed. Each Director is free to raise at any Board meeting subjects that are not on the agenda for that meeting. Subject to any applicable notice requirements, Directors having items to suggest for inclusion on the agenda for future Board meetings should advise the Chairman well in advance of such item.<sup>11</sup>
5. **Quorum** - A quorum at any meeting of the directors shall consist of two-thirds of the number of directors fixed in the Articles of Incorporation, provided, however that an independent director shall always be in attendance.<sup>12</sup> However, the absence of an independent director shall not affect the quorum requirements if he is duly notified of the meeting but deliberately and without justifiable cause, fails to attend the meeting. Resolutions of the Board of Directors shall be decided upon by at least 2/3 of the members of the board.<sup>13</sup>
6. **Conduct of the Meetings** –
  - a. **Board of Directors** - Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, the Vice-Chairman, or in the absence of the latter, the President and Chief Executive Officer, or if none of the foregoing is in office and present and acting, by any other director chosen by the Board. The Corporate Secretary shall act as secretary of every meeting, and if he is unable to do so, the Chairman of the meeting shall appoint a secretary of the meeting.<sup>14</sup>
  - b. **Board Committees - Members of the Board Committees should attend committee meetings at least twice a year, except for the Audit Committee**

---

<sup>10</sup> Amended By-Laws Article III Section 6

<sup>11</sup> Amended By-Laws Article III Section 8

<sup>12</sup> Amended By-Laws Article III Section 9

<sup>13</sup> ACGS E.3.4

<sup>14</sup> Amended By-Laws Article III Section 10

**which should meet at four times (4) times every year.**

- c. **Board Meeting Materials** – The board of directors must be provided meeting materials at least five (5) business days in advance of the board meeting<sup>15</sup>.
7. **Executive Sessions** – The independent and non-executive directors must meet separately at least once during the year without any executives present.<sup>16</sup>
8. **Minutes of the Meetings** – Minutes of the meeting shall be taken and recorded by the Corporate Secretary and signed by the Chairman of the Board or the person who were appointed to take notes during the meeting.
9. **Attendance in Board Meeting** - The members of the Board should attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Commission.

Independent directors should always attend board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings<sup>17</sup>.

The Chairman, Chief Executive Officer or Committee Chairpersons may from time to time invite corporate officers, other employees and advisors to attend Board or committee meetings whenever deemed appropriate.

Directors are encouraged to attend all annual meetings of shareholders.

#### **SECTION 4: BOARD DUTIES AND RESPONSIBILITIES**

1. ***Duties and Responsibilities of the Board*** – the Board of Directors is responsible to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, the stockholders and other stakeholders. To ensure a high

---

<sup>15</sup> ACGS E.3.5

<sup>16</sup> ACGS E.3.6

<sup>17</sup> New Manual on Corporate Governance 2.4

standard of best practice for the Corporation, its stockholders and stakeholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and responsibilities, aside from such powers prescribed in the SEC Code of Corporate Governance, the Corporation's Manual on Corporate Governance, By-Laws and other applicable laws:

- a. Formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.<sup>18</sup>
- b. Review of the mission and vision statement of the Corporation at least once a year or whenever deemed necessary<sup>19</sup>.**
- c. Review, monitor and oversee the implementation of the corporate strategy at least once a year.
- d. Adopt, implement and monitor compliance with the Company's Code of Conduct.
- e. Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.
- f. Review, evaluate and approve, on a regular basis, long-range plans for the Company
- g. Established committees as prescribed in the SEC Code of Corporate Governance and the Corporation's Manual on Corporate Governance.
- h. Review and approve the Company's budget and forecasts
- i. Conduct annual performance assessment of the Chairman, President/CEO and the board members.
- j. Evaluate and approve major resource allocations and capital investments.
- k. Review the Corporation's material controls and risk management systems.

## **SECTION 5: THE CHAIRMAN OF THE BOARD**

The duties and responsibilities of the Chairman in relation to the Board may include, among others, the following:

- 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;

---

<sup>18</sup> New Manual on Corporate Governance 2.1

<sup>19</sup> ACGS E.1.5

- 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;
- e. Assures availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- f. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.
  - i. The roles of the Chairman and the CEO should, as much as practicable, be separate, to foster an appropriate balance of power, increased accountability and better capacity for independent decision making by the Board. A clear delineation of the functions between the Chairman and the CEO shall be made upon their election.
  - ii. If the positions of the Chairman and CEO are unified, proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives.<sup>20</sup>.

Likewise, the Chairman of the Board shall exercise the following functions:

- a. To preside over all the meetings of the Board of Directors and the stockholders;
- b. To initiate the development of corporate objectives and policies and formulate long range project, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation;
- c. To suggest additional functions or duties to any of the officers of the Corporation;
- d. To exercise such powers as may be incidental to his office and perform each duty as the Board of Directors may assign to him<sup>21</sup>.

The Chairman of the Board may assign the exercise or performance of any of the foregoing powers, duties and functions to any other officer(s) of the Corporation, subject always to their supervision and control.

---

<sup>20</sup> New Manual on Corporate Governance 2.2

<sup>21</sup> Amended By-Laws Article V Section 2

## **SECTION 6: THE PRESIDENT AND CHIEF EXECUTIVE OFFICER**

The President and Chief Executive Officer, elected by the Board from among its members, shall have administration and direction of the day-to-day business affairs of the Corporation. He/she shall exercise the following functions:

- a. To preside at the meetings of the Board of Directors and of the stockholders in the absence of the Chairman or the Vice-Chairman;
- b. To have general management and supervision of the business affairs and property of the Corporation;
- c. To ensure that the administrative and operational policies of the Corporation are carried out under his/her supervision and control;
- d. Subject to guidelines prescribed by law, to appoint, remove, suspend or discipline employees of the Corporation, prescribe their duties, and determine their salaries;
- e. To oversee the preparation of the budgets and the statements of accounts of the Corporation;
- f. To prepare such statements and reports of the Corporation as may be required of him/her by law;
- g. To represent the Corporation at all functions and proceedings, when authorized by the Chairman of the Board or the majority of the Board of Directors;
- h. To render annual reports to the Board of Directors and to the stockholders;
- i. To perform such duties as incident to his/her office or as entrusted to him/her by the Chairman of the Board, or Board of Directors;
- j. To sign certificates of stock along with the Corporate Secretary<sup>22</sup>.

**In addition to the duties imposed by the Board and responsibilities provided by the Corporation's By-Laws, the President has the following duties:**

- a. Determines the Corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;**
- b. Communicates and implements the Corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;**
- c. Oversees the operations of the Corporation and manages human and financial resources in accordance with the strategic plan;**
- d. Has a good working knowledge of the Corporation's industry and market and keeps up-to-date with its core business purpose;**
- e. Directs, evaluates and guides the work of the key officers of the Corporation;**

---

<sup>22</sup> Amended By-Laws Article V Section 4



- f. **Manages the Corporation's resources prudently and ensures a proper balance of the same;**
- g. **Provides the Board with timely information and interfaces between the Board and the employees;**
- h. **Builds the corporate culture and motivates the employees of the Corporation; and**
- i. **Serves as the link between internal operations and external stakeholders.**<sup>23</sup>

## **SECTION 7: THE CORPORATE SECRETARY**

1. **General Access** - The Corporate Secretary assists the Board. He/she must be available to provide his/her services to the Board.
2. **Responsibilities** – The Corporate Secretary sees to it that the board follows correct procedures and that the board complies with its obligations under law and the company's articles of incorporation. The following are the responsibilities of the Corporate Secretary under the provisions of the Corporation's By-Laws and the New Manual on Corporate Governance:
  - a. The Corporate Secretary shall record all the votes and proceedings of the meeting of Stockholders and of the Board of Directors in a book kept for that purpose.
  - b. He/she shall have charge of the corporate seal of the Corporation. He/she shall keep at the principal office of the Corporation the stock and transfer book and therein keep a record of all the stock, the names of stockholders alphabetically arranged with the addresses to which notices may be sent, the installments paid and unpaid on all stock for which subscription has been made and the date of payment of any installment, a statement of every alienation, sale of transfer of stock made, the date thereof and by and to whom made.
  - c. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation.
  - d. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
  - e. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the

---

<sup>23</sup> New Manual on Corporate Governance 5.4

- Board and its committees, and the Board and its stakeholders, including shareholders;
- f. Advises on the establishment of board committees and their terms of reference;
  - g. Informs members of the Board, in accordance with the by-laws, of the agenda of their meeting at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
  - h. He/she should attend all stockholders and board meetings.
  - i. The company secretary shall assist the Chairman of the board in organizing the board's activities including providing information, preparing an agenda, reporting of meetings, evaluations and training programs.
  - j. He/she shall perform such other duties as may be properly delegated to him/her<sup>24</sup>.

## **SECTION 8: BOARD COMMITTEES**

1. **The Committees - The board may appoint committees from among its members to perform specific tasks. The board shall establish the following committees<sup>25</sup>:**
  - a. **audit and related party transaction**
  - b. **board risk oversight**
  - c. **corporate governance (with functions of the nomination & election and remuneration and compensation committee)**

The board may, from time to time, establish or maintain additional committees as necessary or appropriate.

2. **Committee Reporting** – Each committee must promptly inform the Board of the actions it has taken and major developments of which it becomes aware.
3. **Committee Charters** - The Charters shall indicate the roles and responsibilities of the committee, its composition and how it should perform its duties. It will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board.

---

<sup>24</sup> Amended By-Laws Article V Section 10 and New Manual on Corporate Governance 1.4

<sup>25</sup> New Manual of Corporate Governance, Item 3

## **SECTION 9: COMPENSATION OF BOARD MEMBERS**

Each director shall receive a reasonable per diem for his attendance at every meeting of the Board. Subject to the approval of the stockholders owning at least a majority of the outstanding capital stock, directors may also be granted such compensation (other than per diems) provided however, that the total yearly compensation of directors, as such directors, shall not exceed ten (10%) percent of the net income before income tax of the Corporation during the preceding year<sup>26</sup>.

The form and amount of Directors' compensation will be determined and approved by the Compensation and Remuneration Committee in accordance with the policies and principles set forth in its charter, and the Compensation and Remuneration Committee will conduct an annual review of Directors' compensation. The remuneration report will differentiate between executive and non-executive compensation.

Likewise, the company and its subsidiaries do not grant personal loans, guarantees or the like to board members.

## **SECTION 10: DIRECTORS' TRAINING AND DEVELOPMENT PROGRAM**

- 1. Induction Program** - Upon his or her election, each board member shall participate in an induction program that covers the company's strategy, general financial and legal affairs, financial reporting by the company, its compliance programs, the Code of Business Conduct and Ethics, any specific aspects unique to the company and its business activities, and the responsibilities as a board member.

The Company shall provide a comprehensive orientation or training for first-time directors for at least eight hours, while the annual continuing training shall be for at least four hours. This training will assist the new directors.<sup>27</sup>

- 2. Continuing Education Program** - In order to facilitate the Directors' fulfillment of their responsibilities, the management must provide the following:

---

<sup>26</sup> Amended By-Laws Article III Section 13

<sup>27</sup> New Manual on Corporate Governance 1.2.2

- a. Annual review to identify areas where the board members require further training or education
  - b. Educational programs supplemental to the initial orientation to explain the Company's business operations
  - c. Access to, or notice of, continuing educational programs that are designed to keep Directors abreast of the latest developments in corporate governance matters and critical issues relating to the operation of public company boards.
  - d. Periodic visits to operating units, plants and mine sites.
- 3. Costs** - The costs of the induction course and any training or education shall be paid for by the company.

#### **SECTION 11: ANNUAL PERFORMANCE EVALUATION OF THE BOARD**

The Board of Directors will conduct an annual self-evaluation to determine whether it and its Committees are functioning effectively. The Corporate Governance Committee shall solicit comments from all Directors and report annually to the Board. The annual performance assessment must be divided into four sets:

- a. Board Appraisal
- b. Director Appraisal
- c. Committee Appraisal
- d. CEO Appraisal

The NOMELEC shall conduct an annual review of the performance of the board as well as the performance of individual board and the CEO. The process and the criteria in conducting the board, committees and CEO assessment will be formulated by the Corporate Governance Committee.

#### **SECTION 12: SUCCESSION PLANNING FOR MANAGEMENT**

The Board will evaluate potential successors and approve management succession strategies and plans for the President/CEO and other executive officers of the Company. The President/CEO should at all times, make available his or her recommendations and evaluations

of potential successors, along with a review of any development plans recommended for such individuals.

### **SECTION 13: OTHER PROVISIONS**

- 1. Conflict of Interests** – A board member must report immediately to the Chairman any conflict of interest or potential conflict of interest and shall report all relevant information on this matter under the provision of the Code of Business Conduct and Ethics.
- 2. Holding and Trading Securities** – Board members are required to report any holding or trading of Company’s securities within three (3) trading days to the PSE and SEC. Board members shall be refrained to trade the company’s securities during a black out period in compliance with PSE Disclosure Rules and Insider Trading Policy.
- 3. Report on Change of Ownership** – Board members shall notify the Chief Compliance Officer within one trading day of all changes in his beneficial ownership, direct and indirect, of the Corporation’s securities, under the provisions of the PSE Disclosure Rules and SEC Implementing Rules and Regulations.
- 4. Confidentiality** – No board member shall, during his or her membership, disclose any information of a confidential nature regarding the business of the company. He/she shall not use the confidential information of the Corporation for his/her personal benefit.

### **SECTION 14: CHARTER REVIEW**

This Charter must be reviewed by the Board of Directors at least once a year or as often as deemed necessary. Any amendments and revisions to this Charter must be reviewed and approved by the Board prior to dissemination to the board members and posting it to the Corporation’s website.