



## **BOARD CHARTER**

*(Amended August 2016)*

### **INTRODUCTION**

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

The Board Charter (the “Charter”) governs the relationship between the Board Committees and the Board as contained in the charters of the committees which have been 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 which 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 Corporation Governance, the Board must have the following committees: (a) Audit; (b) Nomination and Election; (c) Compensation and Remuneration; (d) Risk Oversight; and **(e) Corporate Governance.**
- 4. Board Profile** – The Board, in consultation with the Nomination and Election Committee, 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.

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

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

- 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, 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 Nomination and Election Committee (NOMELEC) together with the written consent of the nominee. The NOMELEC shall 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 NOMELEC 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 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 Directors can serve as such for five (5) consecutive years, 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>6</sup>

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

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

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

<sup>6</sup> SEC Memo Circular No. 9

- 5. Re-election of Independent Directors** – After completion of the five (5)-year service period, an Independent Director shall be ineligible for election as such in the same company unless the Independent Director has undergone a “cooling off” period of two (2) years, provided that during such period, the Independent Director concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as Independent Director in the same company.<sup>7</sup>

An Independent Director re-elected as such in the same company after the “cooling off” period can serve for another four (4) consecutive years.<sup>8</sup>

After serving as Independent Director for nine (9) years,<sup>9</sup> the Independent Director shall be perpetually barred from being elected as such in the same company without prejudice to being elected as Independent Director in other companies outside of the business conglomerate, where applicable, under the same conditions provided for in the rules and regulations of the Securities and Exchange Commission (SEC).
- 6. Resignation** - Any director of the Corporation may resign at any time by giving written notice to the Chairman of the Corporation. The resignation of any director shall take effect as of the date of its acceptance by the Board of Directors.<sup>10</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>11</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>12</sup>
- 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

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<sup>7</sup> SEC Memo Circular No.9

<sup>8</sup> ACGS E.2.6

<sup>9</sup> ACGS E.2.6

<sup>10</sup> Amended By-Laws Article III Section 11

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

<sup>12</sup> ACGS E.3.3

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>13</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>14</sup>

**5. Quorum** - A quorum at any meeting of the directors shall consist of a majority of the number of directors, provided, however that an Independent Director shall always be in attendance.<sup>15</sup> For major board decisions, a minimum quorum of at least 2/3 is required.<sup>16</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>17</sup>

b. **Board Committees** - Members of the Board Committees should attend committee meetings at least twice a year, except for the Audit Committee **and Corporate Governance Committee** which should meet at least four (4) times every year.<sup>18</sup>

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>19</sup>

**7. Executive Sessions** – The independent and non-executive directors must meet separately at least once during the year without any executives present.<sup>20</sup>

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<sup>13</sup> Amended By-Laws Article III Section 6

<sup>14</sup> Amended By-Laws Article III Section 8

<sup>15</sup> Amended By-Laws Article III Section 9

<sup>16</sup> ACGS E.3.4

<sup>17</sup> Amended By-Laws Article III Section 10

<sup>18</sup> Manual on Corp. Governance Item 4

<sup>19</sup> ACGS E.3.5

<sup>20</sup> ACGS E.3.6

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>21</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 are 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, its stockholders and other stakeholders. To ensure a high 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. Review of the mission and vision statement of the Corporation every five (5) years or if deemed necessary.<sup>22</sup>
  - b. Review, monitor and oversee the implementation of the corporate strategy at least once a year.
  - c. Adopt, implement and monitor compliance with the Corporation’s Code of Conduct.
  - d. 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.
  - e. Review, evaluate and approve, on a regular basis, long-range plans for the Corporation.

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<sup>21</sup> Manual on Corporate Governance 3.2.5

<sup>22</sup> ACGS E.1.5

- f. Established committees as prescribed in the SEC Code of Corporate Governance and the Corporation's Manual on Corporate Governance.
- g. Review and approve the Corporation's budget and forecasts.
- h. Conduct annual performance assessment of the Chairman, President/CEO and the board members.
- i. Evaluate and approve major resource allocations and capital investments.
- j. 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. Ensure that the meetings of the Board are held in accordance with the By-Laws or as the Chair may deem necessary;
- b. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the President/CEO, Management and the directors; and
- c. Maintain qualitative and timely lines of communication and information between the Board and Management.<sup>23</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; and
- 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>24</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.

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

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<sup>23</sup> Manual on Corporate Governance 3.1.1

<sup>24</sup> Amended By-Laws Article V Section 2

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; and
- j. To sign certificates of stock along with the Corporate Secretary.<sup>25</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 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

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<sup>25</sup> Amended By-Laws Article V Section 4

- installment, a statement of every alienation, sale or 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. He/she should attend all stockholders and Board meetings.
  - e. The Corporate 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.
  - f. He/she shall perform such other duties as may be properly delegated to him/her<sup>26</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>27</sup>:
  - a. Audit;
  - b. Nomination and Election;
  - c. Compensation and Remuneration;
  - d. Risk Oversight; and
  - e. **Corporate Governance.**

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.

## **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)

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<sup>26</sup> Amended By-Laws Article V Section 10

<sup>27</sup> Manual of Corporate Governance, Item 4



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>28</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 Corporation 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 Corporation's strategy, general financial and legal affairs, financial reporting by the Corporation, its compliance programs, the Code of Business Conduct and Ethics, any specific aspects unique to the Corporation and its business activities, and the responsibilities as a Board member.
- 2. Continuing Education Program** - In order to facilitate the Directors' fulfillment of their responsibilities, the management must provide the following:
  - 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 Corporation'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; and
  - 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 Corporation.

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

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<sup>28</sup> Amended By-Laws Article III Section 13

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; and
- d. CEO Appraisal.

The NOMELEC shall conduct an annual review of the performance of the Board as well as the performance of individual Board members 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 Corporation. 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 Corporation’s securities within three (3) trading days to the PSE and SEC. Board members shall be refrained to trade the Corporation’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 Corporation. 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.