

## Section 4 BOARD OF DIRECTORS

### Subject 1 Composition, Qualifications and Disqualifications

#### Composition:

The Board shall be composed of eleven (11) Directors, three (3) of whom shall be Independent Directors.

A majority of the Board shall be composed of Non-Executive and/or Independent Directors, and shall be residents of the Philippines.

#### Qualifications of Directors:

In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:

1. At least a college graduate or, in the absence of such college degree or formal education, with sufficient experience in managing a business;
2. At least twenty-one (21) years old;
3. Shall have been proven to possess integrity and probity;
4. Shall be prudent.
5. Practical understanding of the business of the corporation;
6. Membership in good standing in relevant industry, business or professional organizations; and
7. Previous business experience.

For the non-executive directors, they should also possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

#### Disqualification of Directors

##### *Permanent Disqualification*

- (i) No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business or activity which competes with or is antagonistic to that of the Corporation or any of its subsidiaries and affiliates, which disqualification may be waived by a majority vote of the Board of Directors, upon the recommendation of the Nominations Committee. Without

limiting the generality of the foregoing, a person shall be deemed to be engaged in such business or activity:

- a. If he is an officer, manager, director or controlling person of, or the owner (either of record or beneficially) of five percent (5%) or more of any outstanding class of shares of any corporation (other than one in which the Corporation owns at least thirty percent (30%) of capital stock), or entity engaged in a business or activity which the Board of Directors, by at least a majority vote of the directors present constituting a quorum, determines to be competitive or antagonistic to that of the Corporation or its subsidiaries and affiliates; or,
  - b. If he is an officer, manager, director or controlling person of, or the owner (either of record or beneficially) of five percent (5%) or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Corporation or that of its subsidiaries and affiliates, where the Board of Directors, by at least a majority vote of the directors present constituting a quorum, determines such corporation or entity as being involved in acts violative of the laws against combinations in restraint of trade; or where the membership in the Board of Directors of the Corporation of such officer, manager, controlling person or owner of such persons and entities, in the judgment of the Board of Directors, by at least majority vote of the directors present constituting a quorum, may violate the laws against combinations in restraint of trade; or,
  - c. Being a nominee, as determined by the Board of Directors by at least a majority vote of directors present constituting a quorum, of any person set forth in the preceding clause (a) or (b).
- (ii) Any person convicted by final judgment of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury, or similar fraudulent acts or transgressions;
  - (iii) Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of election as a Director
  - (iv) Any person judicially declared to be insolvent;
  - (v) Any person convicted by final judgment by a competent court of a crime, or found liable or responsible by final decision or order by a competent administrative body for any violation that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
  - (vi) Any person who, by reason of misconduct, after hearing, is permanently

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

- (vii) The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been retrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization.
- (viii) Any person found guilty by final judgment by a foreign court or financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the preceding clause;
- (ix) Any person who has previously committed patently unlawful act(s) and/or other act(s) deemed inimical to the reputation and/or interest of the Corporation, its subsidiaries or affiliates;
- (x) Any person who has committed acts causing undue injury to the Corporation, its subsidiaries or affiliates, or committed acts causing injury to another corporation while acting as an officer or director therein
- (xi) Any person who has previously committed gross negligence or bad faith in directing the affairs or another corporation where he served as an officer or director;
- (xii) In the case of independent directors:
  - a. When he becomes an officer, employee or consultant of the same corporation; and
  - b. The additional grounds for disqualification shall be those provided under Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code.
- (xiii) Any person who is disqualified by such other grounds for disqualification of directors as may be provided by law and applicable regulations, including those provided for under the Code of Corporate Governance, the Corporation Code, the Securities Regulation Act, as well as those that may be approved by the Board of Directors

For purposes of the foregoing paragraphs, the term “subsidiary” as used in the foregoing paragraphs of this Section is defined as a corporation or entity in which the Corporation, directly or indirectly, owns, controls or has the power to vote at least a majority of the shares or interests. Likewise, the term “affiliate” as used in the preceding paragraphs is defined as a corporation or entity in which the Corporation directly or indirectly owns, controls or has the power to vote at least ten percent (10%) but not more than fifty percent (50%) of the shares or interests.

Furthermore, for purposes of determining whether or not a person is engaged in a business or activity which competes with or is antagonistic to that of the Corporation or any of its subsidiaries and affiliates, or if he is a controlling person, beneficial owner, or the nominee of another, or if he suffers from the foregoing qualifications, the Board of Directors may take into account such factors as business, professional and family relationships.

### ***Temporary Disqualification***

- (i) Refusal to fully disclose the extent of business interest as required under the Securities Code and its Implementing Rules and Regulations; provided that this disqualification shall be in effect as long as said refusal persists;
- (ii) Absence or non-participation for whatever reasons(s) for more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;
- (iii) Dismissal/termination from directorship in another corporation the shares of which are listed on the Exchange, for cause; provided that this disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- (iv) Being under preventive suspension by the Company; and
- (v) Conviction that has not yet become final involving offenses referred to in the grounds for the disqualification of directors set out above.
- (vi) In the case of independent directors,
  - a. his beneficial equity ownership in the corporation or any of its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;
  - b. In the case of independent directors, the additional grounds for temporary disqualification shall be those provided under Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code

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