



FIRST PHILIPPINE HOLDINGS CORPORATION BOARD CHARTER

1. Introduction

It is the responsibility of the Board of Directors (the “Board”) to foster the long-term success of First Philippine Holdings Corporation (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, and in proper cases, its shareholders as a whole.¹ The Board shall exercise all corporate powers and manage the business and property of the Corporation in accordance with good corporate governance.²

These provisions are complementary to the requirements regarding the Board and Board members contained in the Articles of the Corporation, the By-laws and the New Manual for Corporate Governance.

2. Composition of the Board

a. Number of Directors

The Board shall be at least five (5) and not more than fifteen (15) in number, subject to such change as may be determined by the stockholders in accordance with law.³

b. Qualifications of Directors

The Corporation shall endeavor to have directors whose collective working knowledge, experience or expertise is relevant to the Corporation’s current activities and holdings.⁴ All directors shall be stockholders in their own right, and shall be elected, qualified and nominated in accordance with the Corporate Code, the rules and regulations prescribed by the Securities and Exchange Commission or such other relevant government agency or body, especially in connection with the nomination and election of independent directors.⁵

A director shall have the following qualifications at the time he is duly elected and qualified and throughout his term of office:

- i. Holder of at least one (1) share of stock of the Corporation, and

¹ By-laws, Article II, Section 1.

² New Manual for Corporate Governance

³ By-laws, Article II, Section 2, paragraph 1; New Manual for Corporate Governance.

⁴ New Manual for Corporate Governance, Section 4.1.

⁵ By-laws, Article II, Section 2, paragraph 1.

- ii. Personal integrity, capacity to read and understand financial statements, absence of conflict of interest with the Corporation (subject to the discretion of the Board), time availability and motivation.⁶

In addition, the Corporation should endeavor to have a Board that has diversity in terms of gender, race, culture, religion, ethnicity, as well as age, skills, competence and knowledge.⁷

The Corporation may use professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the Board of Directors.

c. Disqualifications of Directors

Any stockholder may be elected Director, provided, however, that 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. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:

- i. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business or activity which the Board, by at least two-thirds 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
- ii. If he is "an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% 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 and in the judgment of the Board, by at least two-thirds vote of the directors present constituting a quorum, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or
- iii. If the Board, in the exercise of its judgment in good faith, determines by at least two thirds vote of the directors present constituting a quorum that he is the nominee of any person set forth in (i) or (ii).

In addition, no person shall qualify or be eligible for nomination as a director if:

- i. There is a finding against him by final and executory judgment by the Securities and Exchange Commission or a court or other administrative body of competent

⁶ New Manual for Corporate Governance, Section 6.2.4.

⁷ New Manual for Corporate Governance, Section 4.1; FPH Gender Equality and Diversity Policy.

- jurisdiction of a willful serious violation, or willful aiding, abetting, counseling, inducing, or procuring of the serious violation of, any material provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or *Bangko Sentral ng Pilipinas*, or any material rule, regulation or order of the Commission or *Bangko Sentral ng Pilipinas*;
- ii. He is judicially declared insolvent;
 - iii. There is a finding against him by final judgment by a foreign court or equivalent regulatory authority with competent jurisdiction of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; or
 - iv. He previously committed patently unlawful act(s) and/or other act(s) deemed prejudicial or inimical to the reputation and/or interest of the Corporation;
 - v. He committed acts causing undue injury to the Corporation, its subsidiaries or affiliates or committed acts causing injury to another corporation while acting as a director therein; or
 - vi. He previously committed gross negligence or bad faith in directing the affairs of another corporation where he served as a director or officer.⁸

d. Multiple Board Seats

A director should exercise sound judgment in accepting other directorships outside the Corporation. He may accept directorships outside the Corporation which, in his opinion, do not hinder him from his obligation to diligently perform his duties and functions in the Corporation. This policy does not cover directorships in the Corporation's subsidiaries and affiliates as well as subsidiaries and affiliates of such companies. In all instances, a director should notify the Board before accepting a directorship in another company.

The Board may, in its discretion, provide a maximum number of directorships in publicly listed companies that a director may have.⁹

The restrictions on multiple board seats shall apply to all directors of the Corporation.

e. Independent Directors

There shall be at least two (2) Independent Directors or such Independent Directors as shall constitute at least twenty percent (20%) of the members of the Board of Directors, whichever is lesser.¹⁰ However, as a publicly listed corporation, the Corporation shall endeavor to have at least three (3) independent directors or such independent directors as shall constitute at least one third of the members of the Board, whichever is higher, to the extent practicable.¹¹

The qualifications of an Independent Director are as follows:

⁸ By-laws, Article II, Section 3.

⁹ New Manual for Corporate Governance, Section 4.7.

¹⁰ By-laws, Article II, Section 2, paragraph 2.

¹¹ New Manual for Corporate Governance, Section 4.1.

- i. An independent director shall mean a person other than an officer or employee of the Corporation, its parent or subsidiaries, or any other individual having a relationship with the Corporation that would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director. An independent director shall submit to the Corporate Secretary a confirmation that he holds no interests with the Corporation extending beyond a qualifying share within a reasonable time after his election and/or re-election as an independent director.
- ii. An independent director is a person who, apart from his fees and shareholdings, is independent of Management and 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 in the Corporation.
- iii. An independent director possesses the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

An independent director refers to a person who, ideally:

- i. is not a director or officer or substantial stockholder of the Corporation or of its related companies or any of its substantial Shareholders (other than as an independent director of any of the foregoing);
- ii. is not a relative of any director, officer or substantial shareholder of the Corporation, any of its related companies or any of its substantial Shareholders. For this purpose, relatives includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
- iii. is not acting as a nominee or representative of a substantial shareholder of the Corporation, any of its related companies or any of its substantial Shareholders;
- iv. has not been employed in any executive capacity by the Corporation, any of its related companies or by any of its substantial Shareholders within the last five (5) years;
- v. is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three (3) years immediately preceding the date of his election;
- vi. does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the Corporation or any of its related companies or substantial Shareholders, other than such transactions that are conducted at arm's length and

- could not materially interfere with or influence the exercise of his independent judgment;
- vii. is one who ceased to be a regular director in the preceding two (2) years prior to qualification as an independent director;
 - viii. has not been appointed in the Corporation, its subsidiaries, associates, affiliates or related companies as Chairman Emeritus, Ex-Officio Director/Officer or Member of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three (3) years immediately preceding his election; is not, or has not been a senior officer or employee of the Corporation unless there has been a change in the controlling ownership of the Corporation;
 - ix. is not, and has not been in the three (3) years immediately preceding the election, a director of the Corporation; a director, officer, employee of the Corporation's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Corporation's substantial Shareholders and its related companies;
 - x. is not an owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates or related companies;
 - xi. is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
 - xii. is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial Shareholders; and
 - xiii. is not employed as an executive officer of another company where any of the Corporation's executives serve as directors.

When used in relation to a corporation subject to the requirements above:

- i. Related corporation means another corporation which is: (a) its holding or parent corporation, (b) its subsidiary, or (c) a subsidiary of its holding or parent corporation; and
- ii. Substantial shareholder means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

Each independent director should serve for a maximum of nine (9) years in accordance with applicable laws, rules and regulations. After such period, the independent director

should be perpetually barred from re-election as such in the same corporation, but may continue to qualify for nomination and election as a non-independent director. In the instance that a corporation wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek Shareholders' approval during the annual Shareholders' meeting.

An independent director shall be disqualified as such during his tenure under the following instances or causes:

- i. He becomes an officer or employee of the Corporation, or becomes any of the persons enumerated under the disqualifications of a director; and
- ii. His beneficial security ownership exceeds 10% of the outstanding capital stock of the Corporation where he is such director.¹²

i. Non-executive Directors

The Corporation's Board may be composed of a majority of non-executive directors to the extent practicable. The non-executive directors should possess the necessary qualifications and stature to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances. As much as possible, they should concurrently serve as directors up to only a maximum of five (5) publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the Corporation. Exceptions may be granted only in meritorious cases such as due to the concerned director's exceptional experience, stature and his ability to accommodate the additional demands that may be made on his time and abilities due to the multiple appointments.¹³

j. Training of Directors

New directors should be familiarized with the Corporation's operations, Senior Management and its business environment and be inducted in terms of their fiduciary duties and responsibilities as well as in respect of the Board's expectations, and the Corporate Code of Conduct and Ethics. New directors shall likewise be given an orientation on matters and topics mandated by the SEC on corporate governance. If new directors have no board experience, they should receive orientation in their unaccustomed responsibility. Orientation or, in proper cases, subject to the Board's assessment on skills and trainings needed, training opportunities for existing and potential directors should be identified and appropriate development or action undertaken on at least an annual basis. The annual trainings shall serve to ensure that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Corporation.¹⁴

¹² New Manual for Corporate Governance, Section 6.2.5

¹³ *Id.*

¹⁴ New Manual for Corporate Governance, Section 19

3. Board Meetings

There shall be an organizational meeting of the Board of Directors immediately after their election, of which meeting no notice shall be required. Thereafter regular meetings may be held at such times and in such places, and upon such notice, if any, as the Board may, by resolution, prescribe.¹⁵ As much as possible, the Board holds monthly regular meetings.¹⁶

Special meetings of the Board may be called by the President or by written request of any four directors, upon at least one day's notice of the time and place of holding the same, given personally or by letter, telegram, telephone, facsimile transmission, electronic mail or short messaging system (SMS). Meetings may be held at, any time and place without notice if all the directors are present or if those not present waive notice in writing before or after the meeting.¹⁷

Directors shall attend such meetings, either in person or via teleconference or videoconference or by any other technological means as may be allowed by law, except when a justifiable reason prevents his attendance.¹⁸

The directors shall act only as a Board, and the individual directors shall have no power as such. A majority of the whole member of directors shall constitute a quorum for the transaction of business, and every decision of a majority of the quorum duly assembled as a board shall be valid as a corporate act; but one or more directors present at the time and place for which a meeting shall have been called may adjourn any meeting from time to time until a quorum shall be present.¹⁹

In any meeting of the Board, an independent director shall always be in attendance. However, the absence of an independent director may not affect the quorum requirement if he is duly notified of the meeting but fails to attend the meeting notwithstanding such notice.²⁰

The non-executive directors, shall have separate meetings to ensure that proper checks and balance are in place within the Corporation including with the external auditor and heads of the internal audit, compliance and risk functions without any executive present. The meetings should be chaired by the lead independent director, if one is appointed, or by the director so chosen by the non-executive directors.²¹

4. Duties and Responsibilities of the Board of Directors

a. General Responsibilities

¹⁵ By-laws, Article II, Section 5

¹⁶ New Manual for Corporate Governance, Section 4.5

¹⁷ By-laws, Article II, Section 5.

¹⁸ New Manual for Corporate Governance, Section 4.5.

¹⁹ By-laws, Article II, Section 6.

²⁰ New Manual for Corporate Governance, Section 4.1.

²¹ *Id.*

- i. Foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its corporate objectives and fiduciary responsibility, which it shall exercise in the best interest of the Corporation, and in proper cases, its shareholders as a body (“Shareholders”) and other stakeholders.
- ii. Conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities
- iii. Apply high ethical standards, taking into account the interests of all stakeholders
- iv. Institute adequate internal control mechanisms and exert its best efforts to ensure best practices, keeping in mind its objective of steering the Corporation towards sustained profitability.
- v. Act on a fully informed basis and shall exercise care, skill, judgment, good faith and due diligence in the conduct and management of the business of the Corporation within the scope and authority provided in the Corporation’s Articles of Incorporation, By-Laws, policies and applicable laws and regulations.
- vi. Act in the best interest of the Corporation
- vii. Take into account the interest and welfare of the Shareholders and other stakeholders.
- viii. Identify the Corporation’s various stakeholders and promote cooperation between them and the Corporation in creating wealth, growth and sustainability
- ix. Establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders
- x. Adopt a transparent framework and process that allows stakeholders to communicate with the Corporation and to obtain redress for the violation of their rights.

b. Specific Responsibilities

- i. Determine and oversee the development of the Corporation’s purpose and values, its vision and mission, objectives and the strategies to achieve its purpose and to implement and monitor implementation of the foregoing in order to ensure that the Corporation survives and thrives;
- ii. Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management’s overall performance;
- iii. Ensure that adequate procedures, systems and practices that protect the Corporation’s assets and reputation are in place and are maintained. In cases of mergers and/or acquisitions, including the acquisition or disposal of assets, the Board shall ensure an independent party is appointed, if still needed and to the extent practicable, to evaluate the fairness of the transaction price;
- iv. Be guided by all relevant laws, regulations and codes of best practices;
- v. Monitor the effectiveness of management policies and decisions;
- vi. Establish a process for the selection of qualified and competent directors and corporate officers and ensure that such directors and corporate officers remain qualified and competent for their positions individually and collectively throughout their terms to enable the Board to fulfill its roles and responsibilities and respond to

- the needs of the organization based on the evolving business environment and strategic direction;
- vii. Ensure that the Corporation communicates with Shareholders and other stakeholders effectively by providing the Shareholders and other stakeholders relevant and timely information, including periodic reports and an annual report of its performance as well as its prospects through publicly available reports submitted to the regulatory authorities;
 - viii. Establish and maintain an investor relations program that will keep the Shareholders informed of important developments in the Corporation;
 - ix. Adopt a system of checks and balances within the Board and/or its Committees. A review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times;
 - x. Identify key risk areas and performance indicators and monitor these factors to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability;
 - xi. The Board may create such offices as may be deemed necessary to carry out the provisions of this Manual;
 - xii. Identify the Corporation's stakeholders in the community in which the Corporation operates or are affected by its operations and formulate a relevant communications policy affecting them;
 - xiii. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;
 - xiv. As may be deemed proper by the Board, establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its Shareholders, and the Corporation and third parties, including the regulatory authorities;
 - xv. Appoint a Compliance Officer and Assistant Compliance Officer(s);
 - xvi. Establish a process to ensure that the composition of the Board has an appropriate mix of competence and expertise;
 - xvii. Review and guide corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans;
 - xviii. Set performance objectives, monitor implementation and corporate performance and oversee major capital expenditures, acquisitions and divestitures;
 - xix. Approve the selection and assess performance of Management;
 - xx. Ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position;
 - xxi. Make sure that the internal controls are in place to ensure the Corporation's compliance with the Code of Conduct and Ethics (or its equivalent) and its internal policies and procedures;
 - xxii. Adopt an effective succession planning program for directors, key officers and Management to ensure growth and a continued increase in the Shareholders' value and adopt a policy on the retirement age for directors and key officers as part of

- Management succession and to promote dynamism in the Corporation, subject to exceptions as deemed necessary by the Corporation, such as expertise, abilities or stature that the Corporation needs;
- xxiii. Align the remuneration of key officers and Board members with the long-term interests of the Corporation;
 - xxiv. Have overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality;
 - xxv. Establish an effective performance management framework that will ensure that the Management and personnel's performance is at par with the standards set by the Board and Senior Management;
 - xxvi. Approve the Internal Audit Charter;
 - xxvii. Oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks;
 - xxviii. Encourage active shareholder participation by sending the notice of annual and special Shareholders' meeting with sufficient and relevant information to allow for sufficient time to consider the agenda and matters to be voted upon, to the extent practicable;
 - xxix. Encourage active shareholder participation by making the result of the votes taken during the most recent annual or special Shareholders' meeting publicly available the next working day, to the extent practicable. In addition, the minutes of the annual and special Shareholders' meeting should be available on the company website within five (5) business days from the end of the meeting or as soon as possible thereafter;
 - xxx. Make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner;
 - xxxi. Appoint an Investor Relations Officer (IRO) to ensure constant engagement with its Shareholders and who shall be present at every Shareholders' meeting, as much as practicable;
 - xxxii. Establish policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance;
 - xxxiii. Make a stand against corrupt practices by adopting an anti-corruption policy and program in its Corporate Code of Conduct and Ethics; and
 - xxxiv. 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 an independent member of the Board, Management representative or a unit created to handle whistleblowing concerns.²²

5. The Chairman of the Board

The Board should be headed by a competent and qualified Chairman. The Chairman of the Board, or in his absence, the Vice-Chairman, shall preside at all meetings of the Board. Among other duties, the Chairman shall:

²² New Manual for Corporate Governance, Section 4.3.

- a. Ensure that the meetings of the Board are held in accordance with the By-Laws or as the Chairman may deem necessary;
- b. Ensure that the agenda of the meetings 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;
- c. In coordination with the Corporate Secretary, taking into consideration the suggestions of the Chief Executive Officer, Management and the directors, supervise the preparation of the agenda of the meetings;
- d. Assist in ensuring compliance with the Manual;
- e. Maintain lines of communication and information between the Board and Management;
- f. Guarantee that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions.²³

6. Corporate Secretary

The Corporate Secretary and the Assistant Corporate Secretary/ies shall be Filipino citizens and residents of the Philippines. As far as practicable, the Corporate Secretary and the Compliance Officer shall be separate individuals. The Corporate Secretary should not be a member of the Board and should annually attend training on corporate governance.²⁴

The Secretary shall keep the minutes of all meetings of the Board of Directors, and the minutes of all meetings of the stockholders. He shall attend to the giving and serving of all notice of the Corporation. He may sign with the President in the name of the Corporation all contracts authorized by the Board of Directors or by the Executive Committee. He shall have charge of such books and papers as the Board of Directors or the Executive Committee may direct, and shall perform all of the duties incident to the office of secretary and such other duties as may be assigned to him by the Board of Directors or by the Executive Committee.²⁵

7. Board Committees

The Board of Directors shall have the power, among other things, to create Committees and other bodies as may be necessary or beneficial in the operation and internal regulation of the Corporation. Such Committees shall have such powers and functions as may be delegated to them by the Board or as defined in the Manual of Corporate Governance except those that may not be delegated under the Corporation Code. The Board shall have the power to appoint and remove the members of such Committees and may at any time, with or without cause, dissolve any of such Committees.²⁶

²³ New Manual for Corporate Governance, Section 9.2.

²⁴ New Manual for Corporate Governance, Section 9.4.

²⁵ By-laws, Article III, Section 6.

²⁶ By-laws, Article II, Section 9.

The Board shall create a Corporate Governance Committee,²⁷ Compensation and Remuneration Committee,²⁸ an Audit Committee,²⁹ a Finance and Investment Committee,³⁰ a Board Risk Oversight Committee,³¹ and may create a Related Party Transaction Committee.³²

All established committees should be required to have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters should provide the standards for evaluating the performance of the Committees and should be fully disclosed on the company website.³³

8. Compensation of the Board

By resolution of the Board, each director shall receive a reasonable per diem for his attendance at each meeting of the Board of Directors, or of the Executive Committee or of other Committees created by the Board. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.³⁴

9. Incorporation by Reference

This Charter shall incorporate by reference all applicable policies and issuances of the Corporation, the separate Board Committee and by the Board of the Directors.

As approved by the Corporate Governance Committee and effective this 9th day of September 2019.

OSCAR M. LOPEZ
Chairman

²⁷ New Manual for Corporate Governance, Section 6.2.1.

²⁸ New Manual for Corporate Governance, Section 6.3.

²⁹ New Manual for Corporate Governance, Section 6.4.1.

³⁰ New Manual for Corporate Governance, Section 6.5.1.

³¹ New Manual for Corporate Governance, Section 6.6.1.

³² New Manual for Corporate Governance, Section 6.7.1.

³³ New Manual for Corporate Governance, Section 6.7.

³⁴ By-laws, Article II, Section 7.