

# **ABS-CBN HOLDINGS CORPORATION**

## **BOARD CHARTER**

### I. Composition of Board of Directors

The Board shall be composed of directors with a collective working knowledge and experience that is relevant to the Corporation's industry and who are qualified during their term for their positions individually and collectively.

The number of directors as provided in the Articles of Incorporation and By-Laws shall be at least five (5).

### II. Non-Executive Directors

A majority of directors shall be non-executive directors, as much as possible, which include independent directors, who shall possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances. The non-executive directors shall have separate periodic meetings, which shall be chaired by the lead independent director.

The non-executive directors of the Board shall ideally serve as directors to a maximum of five (5) publicly listed companies to ensure they have sufficient time to fully prepare for meetings, challenge management's proposals or views, and to oversee the long-term strategy of the Corporation.

The Corporation shall have at least two (2) independent directors or such number of independent directors that constitutes one-third (1/3) of the members of the Board, whichever is higher. The Board shall ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

An independent director shall serve a maximum cumulative term of nine (9) years. After which, the independent director should be perpetually barred from re-election as such but may continue to qualify for nomination and election as a non-independent director. Should the Corporation want to retain an independent director who has already served for nine years, the Board shall provide meritorious justification for such and seek shareholders' approval during the annual shareholders' meeting.

A director shall notify the Board where he is an incumbent director before accepting a directorship in another company.

The Board recognizes the benefits of board diversity for ensuring that optimal decision-making is achieved. It shall develop a policy that aims to achieve diversity in gender, age, skills, and competence, among others.

### III. Duties and Functions of the Board

It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders, and other stakeholders.

The Board has the following duties and responsibilities:

- a. The Board shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Corporation and all shareholders.
- b. The Board shall oversee the development of and approve the Corporation's business objective and strategy, and monitor implementation, in order to sustain the Corporation's long term viability and strength.
- c. The Board shall be responsible for ensuring and adopting an effective succession-planning program for directors to ensure growth and a continued increase in shareholders' value.
- d. The Board shall align the remuneration of board members with the long-term interests of the Corporation and shall formulate and adopt a policy specifying the relationship between remuneration and performance.
- e. The Board shall adopt a formal and transparent nomination and election policy.
- f. The Board shall be responsible for ensuring that there is a policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring material transactions.
- g. The Board shall ensure that there is a sound risk management policy to effectively identify, monitor, assess and manage key business risks.
- h. The Board shall adopt a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties.
- i. The Board shall establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities. The composition, functions and responsibilities of all committees established shall be contained in a publicly available committee charter.
- j. The Board shall ensure that basic shareholder rights are disclosed in the Manual of Corporate Governance and the Corporation's website.
- k. The Board shall have the overall responsibility for ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of the Corporation's shareholders and other stakeholders.

- I. The Board shall approve material related party transactions (RPTs) prior to entering into said transactions, or ratify material RPTs should it be determined that all RPTs with the same related party within a 12-month period meets the aggregate threshold of at least 10% of the Corporation's total assets. An external independent party shall be appointed to evaluate the fairness of the terms of material RPTs. All individual material RPTs shall be approved by at least two-thirds (2/3) vote of the Board, with at least a majority of the independent directors voting to approve.

#### IV. Specific Duties and Responsibilities of a Director

A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Corporation towards long term viability.

A director should observe the following norms of conduct:

- a. Conduct fair business transactions with the Corporation and ensure that his personal interest does not conflict with the interest of the Corporation. He should inhibit himself from participating in the board discussion, deliberation, and decision-making concerning any issue or transaction where he may be conflicted.
- b. Devote time and attention necessary to properly and effectively perform his duties and responsibilities. He should devote sufficient time to familiarize himself with the Corporation's business. He should be constantly aware of and knowledgeable with the Corporation's operations to enable him to meaningfully contribute to the Board's work.
- c. Act judiciously. Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.
- d. Exercise independent judgment. A director should view each problem or situation objectively.
- e. Have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including its Articles of Incorporation and By-Laws, the rules and regulation of the SEC and, where applicable, the requirements of relevant regulatory agencies. A director should keep abreast with industry developments and business trends in order to promote the Corporation's competitiveness.
- f. Observe confidentiality. A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director.
- g. Report his dealings and transactions in the Corporation's shares within three (3) days after the transaction.
- h. A director shall fully disclose to the Board all material facts related to material RPTs, as well as, any direct and indirect financial interest he may have in any transaction or matter that may affect or is affecting the Corporation. Such disclosure shall be made

at the board meeting where the material RPT will be presented for approval and before the completion or execution of the material RPT.

- i. A director shall abstain from participating in discussions and voting on any transaction in which he has personal interest. In case there is a refusal to abstain, such director's attendance shall not be counted for purposes of determining approval.

#### V. Qualifications of a Director

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

- a. Holder of at least one (1) share of stock of the Corporation; and
- b. Personal integrity, capacity to read and understand financial statements, absence of conflicts of interest with the Corporation (subject to the discretion of the Board), time availability and motivation.

The directors should attend and actively participate in all meetings of the Board, committees, and shareholders in person or through teleconferencing or videoconferencing conducted in accordance with the rules and regulations of the SEC, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In board and committee meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarification and explanations.

#### VI. Qualifications of an Independent Director

An independent director shall mean 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 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 interest with the Corporation within a reasonable time after his election and/or re-election as an independent director.

An Independent Director refers to a person who, ideally:

- a. 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;
- b. Is not, and has not been in the three years immediately preceding the election, a director of the Corporation; a director, officer, employee of the covered Corporation's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Corporation's substantial shareholders and its related companies;
- c. 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;
- d. Is not an owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates or related companies;
  - e. Is not a relative of a director, officer, or substantial shareholder of the covered company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
  - f. Is not acting as a nominee or representative of any director of the Corporation or any of its related companies;
  - g. 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 Philippine Stock Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
  - h. 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;
  - i. 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. Disqualification of a Director

The following shall be grounds for the permanent disqualification of a director:

- a. Conviction by final judgment or order by a competent judicial or administrative body of any crime that (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code (SRC); (ii) 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 (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person or any of them;
- b. Final judgment or order of the SEC or any court or administrative body of competent jurisdiction which enjoins a person, by reason of misconduct, from (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house,

- or investment company; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities. The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, SRC or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained 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;
- c. Conviction by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
  - d. Final judgment or order of the SEC, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law administered by the SEC or BSP, or any of its rule, regulation or order;
  - e. Judicial declaration of insolvency;
  - f. Final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs a to e above;
  - g. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment; and
  - h. Other grounds as the SEC may provide.

The Board may consider any of the following as a ground for the temporary disqualification of a director:

- a. Absence in 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 due to illness, death in the immediate family or serious accident. The disqualification applies for purposes of the succeeding election;
- b. Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the SEC. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination;
- c. If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. This disqualification is from being elected as an independent director is lifted if the limit is later complied with; and

- d. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

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.

The Board shall have the final decision to determine the qualification or disqualifications of a Director.

#### VIII. Board Meetings

The Board shall hold regular meetings and may convene for special meetings as may be required by business exigencies in accordance with the provisions of the By-Laws. The dates for the regular board meetings shall be set at the beginning of the year. A director shall attend such meetings, either in person or through teleconferencing or videoconferencing as may be allowed by law, except when a justifiable reason prevents his attendance. A director shall be physically present at least at 50% of the meetings of the Board, and at least at 75% of the meetings of the Board if through teleconferencing or videoconferencing.

When important decisions are on the agenda, in particular when issues that will have significant impact on the character of the Corporation are on the agenda, for purposes of determining the quorum of the meeting, two-thirds (2/3) of the directors should be present.

The minutes of Board meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration.

#### IX. Remuneration of Directors

The levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or based on corporate and individual performance.

Consistent with the By-Laws and by resolution of the Board, each director shall receive a reasonable per diem for his attendance at each meeting of the Board or of the committees created by the Board.

#### X. Assessment of Board Performance

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment should be supported by an external facilitator.

The Board shall determine the criteria and formulate the process for the annual assessment of its performance, the performance of each individual director, and that of board committees, which shall include a feedback mechanism from the shareholders.

The Board shall have in place a system that provides criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders.

#### XI. Disclosure and Transparency

The Board shall establish corporate disclosure policies and procedure to ensure comprehensive, accurate, reliable and timely reports to stockholders and other stakeholders. Each of such report shall give a fair and complete picture of the Corporation's financial condition, results and business operations.

The Corporation shall have a policy requiring all directors and officers to disclose to the Corporation any dealing in the Corporation's shares within three (3) business days.

The Board shall fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.

The Corporation shall provide a disclosure of its policies and procedure for setting Board and executive remuneration, and the level and mix of the same in the remuneration on an individual basis, including termination and retirement provisions.

The Corporation shall disclose its policies governing RPTs. The material RPTs entered into during a reporting year shall be disclosed in the Corporation's Integrated Annual Corporate Governance Report.

An advisement report on a material RPT shall be filed with the Securities and Exchange Commission within three (3) calendar days from the execution date of the transaction.

The Corporation shall make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its stockholders and other stakeholders. An independent party should be engaged to evaluate the fairness of the transaction price on the acquisition or disposal of significant assets.

#### XII. Orientation Program and Training

New directors shall be familiarized with the Corporation's operations, management and its business environment and be inducted in terms of their fiduciary duties and responsibilities as well as of the Board's expectations. New directors with no previous board experience shall attend an orientation program. Directors shall attend relevant annual continuing training.

### XIII. Confidentiality and Use of Material Insider Information

The directors shall observe confidentiality of material, inside, non-public information acquired by reason of their office and will not use and/or disclose any information to any other person without the authority of the Board.

The Corporation considers insider trading a very serious offense, and within the ambit of law, shall not permit the continued service of any director who has been convicted of insider trading.

### XIV. Policy on Conflict of Interest

The directors shall always put the interest of the Corporation above personal interest. Except for the per diem for attending board and committee meetings and profit based annual compensation, the directors shall not directly derive any personal profits or advantage by reason of their position in the Corporation.

All directors are required to disclose any interest in any transactions of the Corporation that may place them in a conflict of interest position. If an actual or potential conflict of interest should arise, it should be fully disclosed and the concerned director should not participate in the decision-making process.

Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Corporation, thereby obtaining profits to the prejudice of the Corporation, the director must account to the latter for all such profits, unless his act has been ratified by a vote of the stockholders representing two-thirds (2/3) of the outstanding capital stock of the Corporation.

When a director attempts to acquire or acquires, in violation of his duty, any interest adverse to the Corporation in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Corporation and must account for the profits which otherwise would have accrued to the Corporation.

### XV. Disclosure

This Board Charter shall be fully disclosed on the company's website.