



## **PetroEnergy Resources Corporation Charter of the Board of Directors**

### **1. INTRODUCTION**

Pursuant to the Company's 2017 Manual on Corporate Governance, Articles of Incorporation, and By-Laws, and in consonance with the Code of Corporate Governance for Publicly-listed Companies and other applicable Philippine laws, rules and regulations, the Board of Directors adopted this Board Charter to formalize and clearly state the Board's roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter shall serve as a guide to the directors in the performance of their functions and shall be publicly available and posted on the Corporation's website. The Board Charter shall guide the directors on how to discharge their functions and shall provide the standards for evaluating the performance of the Board.

### **2. COMPOSITION OF THE BOARD**

- 2.1 **Number of Directors** – The Board shall have seven (7) members<sup>1</sup>, majority of whom shall be Non-Executive Directors, including at least three (3) Independent Directors or such number as to constitute at least one-third (1/3) of the members of the Board, whichever is higher.<sup>2</sup>

A ***“Non-Executive Director”*** is a director who has no executive responsibility and does not perform any work related to the operations of the Corporation. An ***“Independent Director”*** is a person who is independent of Management and the controlling shareholder, and is 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.<sup>3</sup>

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<sup>1</sup> Sixth Article, Amended Articles of Incorporation; Section 1, Article IV of the Amended By-Laws

<sup>2</sup> Clause 4.5.1 of the 2017 Manual on Corporate Governance

<sup>3</sup> Item 7 – Definition of Terms, Introduction, Code of Corporate Governance for Publicly-listed Companies

- 2.2 Board Competencies and Diversity<sup>4</sup>** – The Board shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the Company's industry/sector.

The Board shall always ensure that it has an appropriate mix of competence and expertise and shall encourage board diversity to avoid groupthink and ensure that optimal decision-making is achieved. The board diversity shall include diversity in gender, age, ethnicity, culture, skills, competence and knowledge. For this purpose, the Board, in consultation with the Corporate Governance Committee, shall regularly review its composition.

### **3. ELECTION OF DIRECTORS, TERM OF OFFICE, AND RESIGNATION/REMOVAL**

- 3.1 Nomination** – The Directors shall be nominated and elected by stockholders during the Regular Annual Stockholders' Meeting held on any day of July as may be determined by the Board of Directors.<sup>5</sup>

Any shareholder, including minority shareholders, shall have the right to nominate candidates for the Board. The list of names of the nominees shall be submitted to the Corporate Governance Committee, through the Office of the Corporate Secretary, at least forty-five (45) days prior to the date of the Annual Stockholders' Meeting wherein the election of directors will be held.

- 3.2 Share Ownership / Antagonistic-Competitor** – Any stockholder having at least one (1) share registered in his name may be elected director, provided, however, that no person shall qualify or be eligible for nomination or election as director if such person is an antagonistic-competitor of the Company, or has direct or indirect interest disadvantageous or inimical to the Company, as may be defined in the By-Laws.<sup>6</sup>

- 3.3 Board Nomination and Election Policy** – The Board shall adopt a Board Nomination and Election Policy. This policy shall include the review and evaluation of the qualifications and disqualifications of all persons nominated to the Board, and shall include how nominations are accepted from minority shareholders<sup>7</sup>.

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<sup>4</sup> Clause 4.1 of the 2017 Manual on Corporate Governance

<sup>5</sup> Section 1, Article IV of the By-Laws

<sup>6</sup> Section 2, Article IV of the By-Laws

<sup>7</sup> Clause 4.2.6 of the 2017 Manual on Corporate Governance

- 3.4 **Term of Office** – Directors shall hold office for a term of one (1) year immediately upon their election and until their successors shall have been elected and qualified in accordance with the By-Laws.<sup>8</sup>
- 3.5 **Term Limit for Independent Directors** – Independent Directors shall serve for a maximum cumulative term of nine (9) years, reckoned from 2012. After which, the Independent Director shall be perpetually barred from re-election as such in the Company, but he/she may continue to qualify for nomination and election as a regular director. The term of the Independent Director may be extended subject to meritorious justifications and stockholders' approval.<sup>9</sup>
- 3.6 **Directorship of Non-Executive Directors in Publicly-Listed Companies** – The Non-Executive Directors of the Board should concurrently serve as directors to 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 Company.<sup>10</sup>
- 3.7 **Filling of Vacancy** – Any vacancy occurring in the Board other than by removal by the stockholders or by expiration of term may be filled for the unexpired term by a majority vote of the remaining members of the Board if still constituting a quorum, otherwise, a special meeting of the stockholders shall be called for the purpose.<sup>11</sup>
- 3.8 **Resignation** – Any director may resign at any time by giving notice to the President or to the Corporate Secretary. The resignation shall take effect at the time specified therein. The acceptance of the resignation shall not be necessary to make it effective.<sup>12</sup>

## 4. BOARD MEETINGS

- 4.1 **Regular Meetings** – Regular meetings of the Board, either held in person or through teleconferencing/videoconferencing, shall be held quarterly on such date as may be designated by the President or other presiding officer. Meetings may be held either in the Philippines or outside thereof as the President or other

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<sup>8</sup> Sec. 22, The Corporation Code of the Philippines

<sup>9</sup> Recommendation 5.3, Code of Corporate Governance for Publicly-listed Companies

<sup>10</sup> Recommendation 4.2, Code of Corporate Governance for Publicly-listed Companies

<sup>11</sup> Section 4, Article IV of the By-Laws

<sup>12</sup> Section 8, Article IV of the By-Laws

presiding officer may designate.<sup>13</sup> Notice of such meetings shall be given at least five (5) business days prior to the date of the meetings. A director may waive this requirement, either expressly or impliedly.<sup>14</sup> Tentative schedules of meetings for a particular year shall be sent out to directors not later than the fourth quarter of the preceding year.

- 4.2 **Special Meetings** – Special meetings of the Board, either held in person or through teleconferencing/videoconferencing, shall be held at any time and place at the call of the President or upon the written demand of three (3) directors made upon the President. Notice of such special meetings shall be given at least one (1) day prior to the date of such meetings.<sup>15</sup> A director may waive this requirement, either expressly or impliedly<sup>16</sup>.
- 4.3 **Organizational Meetings** – The Board shall meet for the purpose of organization, election, and the transaction of other business as soon as practicable, after the annual election of directors, on the same day and the same place at which regular meetings of the Board are held. Notice of such meeting need not be given. Such meeting may be held at any other time and place which shall be specified in a notice given at least one (1) day prior to the date of such meeting or in a consent and waiver of notice thereof signed by all directors.<sup>17</sup>
- 4.4 **Matters for Discussion in Meetings** – in any Board meeting, decisions may be made on matters not included in the distributed meeting agenda only if there are no objections posed by any member of the Board.
- 4.5 **Quorum and Decision** – A majority of the directors shall constitute a quorum for the transaction of Company business, and every decision of a majority of the quorum duly assembled as Board shall be valid as a Company act, provided, however, that the issuance of additional shares of stock of any class shall not be valid as a Company act unless approved by the affirmative vote of the majority of the directors.<sup>18</sup> Election of corporate officers shall likewise require the affirmative vote of the majority of the directors.<sup>19</sup>

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<sup>13</sup> Section 5, Article IV of the By-Laws

<sup>14</sup> Section 53, The Corporation Code of the Philippines

<sup>15</sup> Section 6, Article IV of the By-Laws

<sup>16</sup> Section 52. The Corporation Code of the Philippines

<sup>17</sup> Section 7, Article IV of the By-Laws

<sup>18</sup> Section 9, Article IV of the By-Laws

<sup>19</sup> Section 25, The Corporation Code of the Philippines

- 4.6 **Chairman of the Meeting** – The Chairman of the Board, or the President in the absence of the Chairman, shall preside over all meetings of the Board and of the stockholders.<sup>20</sup>
- 4.7 **Meeting of Non-Executive Directors** – the Non-Executive Directors shall meet without the presence of executive directors at least once a year to ensure that proper checks and balances are in place within the Company.<sup>21</sup>

## 5. DUTIES AND RESPONSIBILITIES OF THE BOARD

The Board shall have the following duties, powers, and attributes, in addition to those assigned to it by existing laws rules and regulations and the Company's By-Laws which are not set forth herein:

- 5.1 **Duty of Care and Loyalty** – The Board members 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.<sup>22</sup>
- 5.2 **Oversight over the Development of Business Objectives and Strategy** – The Board shall oversee the development of and approve the Company's business objectives and strategy, and monitor their implementation, in order to sustain the Company's long-term viability and strength. The Board shall review and guide corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance and oversee major capital expenditures, acquisitions and divestitures.<sup>23</sup>
- 5.3 **Adoption of Succession-Planning Program** – The Board shall be responsible for ensuring and adopting an effective **succession-planning program** for directors, key officers and Management to ensure growth and a continued increase in the shareholders' value. This shall include adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the Company.<sup>24</sup>

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<sup>20</sup> Sections 5 and 6, Article V of the By-Laws

<sup>21</sup> Clause 4.5.7 of the 2017 Manual on Corporate Governance

<sup>22</sup> Clause 4.2.1 of the 2017 Manual on Corporate Governance

<sup>23</sup> Clause 4.2.2 of the 2017 Manual on Corporate Governance

<sup>24</sup> Clause 4.2.4 of the 2017 Manual on Corporate Governance

- 5.4 **Alignment of Remuneration** – The Board shall align the remuneration of key officers and Board members with the long-term interests of the Corporation.<sup>25</sup>
- 5.5 **Adoption of Nomination and Election Policy** – The Board shall adopt a formal and transparent Board Nomination and Election Policy that shall include the procedure in accepting nominations from minority shareholders and the review of the qualifications of nominated candidates.<sup>26</sup>
- 5.6 **Ensure that Policy on Related Party Transactions is in Place** – The Board shall have the 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 (RPT Policy), particularly those which pass certain thresholds of materiality.<sup>27</sup>
- 5.7 **Assess the Performance of Management** – The Board shall be primarily responsible for approving the selection and assessing the performance of the Management.<sup>28</sup>
- 5.8 **Set the Standard of Management Performance** – The Board shall establish an effective Performance Management Framework that will ensure that the Management, including the CEO, and personnel's performance is at par with the standards set by the Board and Senior Management.<sup>29</sup>
- 5.9 **Oversee Internal Control System** – The Board shall oversee that an appropriate Internal Control System is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, Board members, and shareholders.<sup>30</sup>
- 5.10 **Oversee Enterprise Risk Management Framework** – The Board shall oversee that a sound **Enterprise Risk Management (ERM) Framework** is in place to effectively identify, monitor, assess and manage key business risks.<sup>31</sup>

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<sup>25</sup> Clause 4.2.5 of the 2017 Manual on Corporate Governance

<sup>26</sup> Clause 4.2.6 of the 2017 Manual on Corporate Governance

<sup>27</sup> Clause 4.2.10 of the 2017 Manual on Corporate Governance

<sup>28</sup> Clause 4.2.11 of the 2017 Manual on Corporate Governance

<sup>29</sup> Clause 4.2.12 of the 2017 Manual on Corporate Governance

<sup>30</sup> Clause 4.2.13 of the 2017 Manual on Corporate Governance

<sup>31</sup> Clause 4.2.14 of the 2017 Manual on Corporate Governance

## **6. THE CHAIRMAN OF THE BOARD**

The Board shall be headed by a competent and qualified Chairperson, which shall be an individual different from the individual holding the position of the President and Chief Executive Officer.<sup>32</sup> The Chairman shall preside over all meetings of the Board and shall exercise such other powers and perform such duties as the Board may from time to time fix or delegate.<sup>33</sup> The roles and responsibilities of the Chairman include, among others, the following<sup>34</sup>:

- 6.1 Make 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.
- 6.2 Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions.
- 6.3 Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors.
- 6.4 Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management.
- 6.5 Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors.
- 6.6 Make sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

## **7. THE LEAD DIRECTOR**

The Board should designate a Lead Director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer are held by one person. This lead director has sufficient authority to lead the Board in cases where management has clear conflicts of interest. The functions of the lead director include, among others, the following<sup>35</sup>:

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<sup>32</sup> Clause 4.5.4 of the 2017 Manual on Corporate Governance

<sup>33</sup> Section 5, Article V of the By-Laws

<sup>34</sup> Clause 4.2.3 of the 2017 Manual on Corporate Governance

<sup>35</sup> Clause 4.5.5 of the 2017 Manual on Corporate Governance

- 7.1 Serve as an intermediary between the Chairman and the other directors when necessary;
- 7.2 Convene and chair meetings of the non-executive directors; and
- 7.3 Contribute to the performance evaluation of the Chairman, as required.

## **8. THE PRESIDENT AND CHIEF EXECUTIVE OFFICER**

The President shall have the powers and duties of a Chief Executive Officer, as follows<sup>36</sup>:

- 8.1 Determine the Company's strategic direction and formulate and implement its strategic plan on the direction of the business;
- 8.2 Communicate and implement the Company's vision, mission, values and overall strategy and promote any organization or stakeholder change in relation to the same;
- 8.3 Oversee the operations of the Company and manage human and financial resources in accordance with the strategic plan;
- 8.4 To have a good working knowledge of the Company's industry and market and keep up-to-date with its core business purpose;
- 8.5 Direct, evaluate and guide the work of the key officers of the Company;
- 8.6 Manage the Company's resources prudently and ensure a proper balance of the same;
- 8.7 Provide the Board with timely information and interface between the Board and the employees;
- 8.8 Build the corporate culture and motivate the employees of the Company; and
- 8.9 Serve as the link between internal operations and external stakeholders.

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<sup>36</sup> Clause 4.5.4 of the 2017 Manual on Corporate Governance



## 9. THE CORPORATE SECRETARY

The Board shall ensure that it is assisted in its duties by a Corporate Secretary who shall not be a member of the Board of Directors. The Corporate Secretary shall be primarily responsible to the Company and its shareholders and not to the Chairman or President of the Corporation and has, among others, the following duties and responsibilities<sup>37</sup>:

- 9.1 Assist the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of board and committee meetings and the annual board calendar, and shall assist the chairs of the Board and its committees to set agendas for those meetings;
- 9.2 Safe keep and preserve the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Corporation;
- 9.3 Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Corporation, and advise the Board and the Chairman on all relevant issues as they arise;
- 9.4 Work fairly and objectively with the Board, Management and stockholders and contribute to the flow of information between the Board and Management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- 9.5 Advise on the establishment of board committees and their terms of reference;
- 9.6 Inform members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five (5) working days in advance, and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- 9.7 Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- 9.8 Perform required administrative functions;
- 9.9 Oversee the drafting of the by-laws and ensure that they conform with regulatory requirements; and

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<sup>37</sup> Clause 4.1.7 of the 2017 Manual on Corporate Governance

9.10 Performs such other duties and responsibilities as may be provided by the SEC.

## **10. BOARD COMMITTEES<sup>38</sup>**

Board committees shall be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration.

All established committees shall have publicly available Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters shall provide the standards for evaluating the performance of the Committees.

The Board shall establish the following board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities:

10.1 Audit Committee that shall also exercise the functions of a Related-Party Transactions Committee;<sup>39</sup>

10.2 Corporate Governance Committee;<sup>40</sup> and

10.3 Board Risk Oversight Committee.<sup>41</sup>

## **11. COMPENSATION OF THE BOARD**

The Directors shall be entitled to receive reasonable per diems as may be approved by resolution of the Board, and such compensation (other than per diem) as may be authorized by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting, but in no case shall the total yearly compensation of Directors exceed ten percent (10%) of the net income before income tax of the Corporation during the preceding year.<sup>42</sup>

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<sup>38</sup> Clause 4.3 of the 2017 Manual on Corporate Governance

<sup>39</sup> Clause 4.3.1 of the 2017 Manual on Corporate Governance

<sup>40</sup> Clause 4.3.2 of the 2017 Manual on Corporate Governance

<sup>41</sup> Clause 4.3.3 of the 2017 Manual on Corporate Governance

<sup>42</sup> Section 12, Article IV of the By-Laws

## 12. ORIENTATION AND CONTINUING EDUCATION PROGRAM FOR DIRECTORS

The Company shall provide an orientation program for first-time directors, for at least eight (8) hours, which shall include SEC-mandated topics on corporate governance and an introduction to the Company's business, Articles of Incorporation, By-Laws, Code of Ethics and Business Conduct, and Manual on Corporate Governance. An annual continuing training program, for at least four (4) hours, shall likewise be provided for all directors, which shall cover courses on corporate governance matters relevant to the Company, including audit, internal controls, risk management, sustainability and strategy.<sup>43</sup>

## 13. ANNUAL PERFORMANCE EVALUATION OF THE BOARD

The Board shall conduct an Annual Self-Assessment of its performance, including the performance of the Chairman, the President, the individual members and committees.<sup>44</sup> The Board shall have in place a system that provides, at the minimum, 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.<sup>45</sup>

## 14. MISCELLANEOUS

**14.1 Annual Review** – This Board Charter shall be reviewed by the Corporate Governance Committee annually. Changes as a result of the review shall be endorsed to the Board for approval.

**14.2 Effectivity** – This Board Charter shall take effect upon the approval by the Board of Directors and shall apply prospectively.<sup>46</sup>

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<sup>43</sup> Clause 4.1.3 of the 2017 Manual on Corporate Governance

<sup>44</sup> Clause 4.6.1 of the 2017 Manual on Corporate Governance

<sup>45</sup> Clause 4.6.2 of the 2017 Manual on Corporate Governance

<sup>46</sup> Approved by the Board during its Regular Board Meeting held on May 21, 2019.




**HELEN Y. DEE**  
Chairman



**MILAGROS V. REYES**  
President/Director



**CESAR A. BUENAVENTURA**  
Lead Independent Director



**BASIL L. ONG**  
Independent Director



**ELISEO B. SANTIAGO**  
Independent Director



**YVONNE S. YUCHENGCO**  
Treasurer/Director



**RAUL M. LEOPANDO**  
Director