



# ***Board Charter***

**AMENDED AS OF AUGUST 2022**

**PUBLIC**

*This document has been classified for public use.*



# Board Charter

Document No.:-

Version. No. 2.0

Governing policy:	N/A
Policy applies to:	<input type="checkbox"/> Company-wide <input checked="" type="checkbox"/> Specific group or employees only
Documented type:	<input checked="" type="checkbox"/> New <input type="checkbox"/> Revision of existing documented information
Policy document status:	<input type="checkbox"/> INITIAL DRAFT <input type="checkbox"/> INITIAL REVIEW <input type="checkbox"/> FINAL REVIEW <input checked="" type="checkbox"/> APPROVED
Policy / Process Control Review Authority:	<b>Compliance Management Group</b> Corporate Governance and Data Privacy Group
Compliance governance review officer:	<b>Atty. Laurice P. Esteban-Tuason</b> Corporate Compliance Officer
Board approval authority:	<b>Jose P. de Jesus</b> Chairman of the Board
Implementation effectivity date:	<b>AUGUST 2021 (original)</b> <b>AUGUST 2022 (amended)</b>
Approval Date of last revision	N/A
Effectivity Date of last revision	N/A
Date of governing policy review*	<b>AUGUST 2023</b>
	<b>*unless otherwise indicated, this policy will still apply beyond the review date.</b>
Related legislation, standards, policies, procedures, guidelines, and local protocols	<b>Manual on Corporate Governance</b>

**PUBLIC**

This document has been classified for public use.

## Table of Contents

1. Introduction .....	1
2. Composition of the Board .....	1
3. Board Meetings .....	6
4. Responsibilities of the Board .....	7
5. The Chairman of the Board .....	7
6. Corporate Secretary .....	8
7. Board Committees .....	8
8. Compensation of the Board .....	9
9. Assessment of the Board .....	9
10. Code of Conduct and Business Ethics .....	9
11. Related document references .....	10

## 1. Introduction

It is the responsibility of the Board of Directors (the “Board”) to foster the long-term success of Converge Information and Communications Technology Solutions, Inc. (the “Company”) and sustain its competitiveness in a manner consistent with its corporate objectives and the long-term best interests of its stockholders and other stakeholders.<sup>1</sup> All corporate powers shall be exercised, all business shall be conducted and, property of the Company shall be controlled by the Board of Directors<sup>2</sup>, who believes that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.<sup>3</sup>

These provisions are complementary to the requirements regarding the Board and Board members contained in the Articles of Incorporation of the Company, the Amended By-laws and the Amended Manual on Corporate Governance.

## 2. Composition of the Board

### A. NUMBER OF DIRECTORS

The Board shall be composed of seven (7) members who are elected by the shareholders’ during the Annual Stockholders’ Meeting.<sup>4</sup>

### B. QUALIFICATIONS OF DIRECTORS

The Company shall endeavor to have its Board composed of directors with collective knowledge, experience or expertise that is relevant to the Company’s industry or sector.<sup>5</sup> The Board shall always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.<sup>6</sup> The Board shall set a policy on board diversity in order to avoid groupthink and to ensure that optimal decision-making is achieved.<sup>7</sup> Every director must own at least one (1) share of the capital stock of the Company<sup>8</sup> and duly elected in accordance with the Amended Articles of Incorporation and Amended By-laws.

<sup>1</sup> Duties and Responsibilities of the Board, Page 4, Amended Manual on Corporate Governance

<sup>2</sup> By-laws, Article III, Section 1

<sup>3</sup> Objective, Page 1, Amended Manual on Corporate Governance

<sup>4</sup> Amended Articles of Incorporation, Sixth section; Composition of the Board, Page 3, Amended Manual on Corporate Governance

<sup>5</sup> Composition of the Board, Page 3, Amended Manual on Corporate Governance

<sup>6</sup> Composition of the Board, Page 3, Amended Manual on Corporate Governance

<sup>7</sup> Id.

<sup>8</sup> Section 22, Revised Corporation Code of the Philippines

## C. DISQUALIFICATIONS AND DISMISSAL OF DIRECTORS

Under Section 5, Article III of the Amended By-Laws, in addition to the disqualification of directors under Section 26 of the Revised Corporation Code, no stockholder convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Revised Corporation Code of the Philippines, committed, within five (5) years prior to the date of election shall qualify as a director. A stockholder shall not be eligible to be elected as a director if he is engaged in any business which competes with or is antagonistic to that of the Company. 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 company (other than one in which the Company owns at least 30% of the capital stock) engaged in a business or activity which the Board, by at least three-fourths (3/4) vote of the directors present constituting a quorum, determines to be competitive or antagonistic to that of the Company; 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 company or entity engaged in any line of business of the Company, when in the judgment of the Board, by at least three-fourths (3/4) vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or

If the Board, in the exercise of its judgment in good faith, determines by at least three-fourths (3/4) vote of the directors present constituting a quorum that he is the nominee of any person set forth in (i) or (ii).

Notwithstanding the foregoing prohibition, a stockholder may still be qualified or eligible for nomination or election to the Board of Directors if:

- i. The perceived competing business controls the Company (i.e. competing business owns at least majority of the Company), is under common control with the Company (i.e. the same ultimate beneficial stockholder has control of both companies), or is controlled by the Company (i.e. at least majority of the competing business is owned by the Company); or
- ii. The perceived competing business is a related party to the Company where the nominee in question is a person identified as a person with significant influence over the Company and the perceived competing business, or the nominee in question is a member of the key management personnel of the Company and the perceived competing business.

## D. MULTIPLE BOARD SEATS<sup>9</sup>

The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities but in no case

<sup>9</sup> Page 3, Amended Manual on Corporate Governance

shall exceed the maximum number allowed by the Securities and Exchange Commission (SEC) for directors of publicly listed companies.

The Chief Executive Officer (“**CEO**”) and other executive directors may be covered by a lower indicative limit for membership in other boards. A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.

A director should notify the Board before accepting a directorship in another Corporation through an email to the Corporate Secretary.<sup>10</sup>

## E. INDEPENDENT DIRECTORS

Independent Directors shall constitute at least twenty percent (20%) of the members of the Board of Directors.<sup>11</sup>

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 Company.<sup>12</sup>

An independent director refers to a person who, ideally<sup>13</sup>:

- i. is not a director or officer or substantial stockholder of the Company 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 Company, 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 Company, any of its related companies or any of its substantial Shareholders;
- iv. has not been employed in any executive capacity by the Company, any of its related companies or by any of its substantial Shareholders within the last two (2) 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 Company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the two (2) years immediately preceding the date of his election;

<sup>10</sup> Recommendation 4.3, SEC Memorandum Circular No. 19, Series of 2016 (Code of Corporate Governance)

<sup>11</sup> By-laws, Article III, Section 2; Page 3 Amended Manual on Corporate Governance

<sup>12</sup> Section 22, Revised Corporation Code

<sup>13</sup> SEC Memorandum Circular No. 16, Series of 2002 and Recommendation 5.2 of SEC Memorandum 19 Series of 2016 (Code of Corporate Governance)

- vi. does not engage or has not engaged within the last two (2) years, 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 Company 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;<sup>14</sup>
- viii. has not been appointed in the Company, 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 Company unless there has been a change in the controlling ownership of the Company;
- ix. is not, and has not been in the three (3) years immediately preceding the election, a director of the Company or its subsidiaries, associates, affiliates or related companies; or substantial Shareholders and its related companies;
- x. is not an owner of more than two percent (2%) of the outstanding shares of the Company, 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 Company 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 Company's executives serve as directors.

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

- i. Related Company means another Company which is: (a) its holding or parent Company, (b) its subsidiary, or (c) a subsidiary of its holding or parent Company; 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 Company but may continue to qualify for nomination and election as a non-independent director. In the instance that a Company wants to retain an independent director who

<sup>14</sup> For vii-xiii - Recommendation 5.2 of SEC Memorandum 19 Series of 2016 (Code of Corporate Governance)

has served for nine (9) years, the Board should provide meritorious justification/s and seek Stockholders' approval during the annual stockholders' meeting.<sup>15</sup>

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 Company, 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 Company where he is such director.<sup>16</sup>

## F. NON-EXECUTIVE DIRECTORS

The Company'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, it is recommended that 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 Company.<sup>17</sup> 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.

## G. TRAINING OF DIRECTORS

All new directors of the Company shall undergo an orientation program on the Company's operations, management, structure, vision and mission, corporate strategy, corporate governance, articles, by-laws, charters and SEC-mandated topics on governance matters and other matters essential for the effective performance of their duties and responsibilities.

The Board of Directors, the Corporate Secretary, the Compliance Officer, and the Principal Officers of the Company shall attend trainings in corporate governance at least once a year. The proof of attendance

<sup>15</sup> SEC Memorandum Circular No. 4, Series of 2017 and Recommendation 5.3 of SEC Memorandum Circular No. 19, Series of 2016 (Code of Corporate Governance)

<sup>16</sup> SEC Memorandum Circular No. 4, Series of 2017

<sup>17</sup> Recommendation 4.2, SEC Memorandum Circular No. 19, Series of 2016 (Code of Corporate Governance)



to a corporate governance training shall be submitted to the Corporate Secretary for proper disclosure with PSE and SEC.

Opportunities for annual continuing training for all directors shall be identified and appropriate development undertaken throughout the year.<sup>18</sup>

### 3. Board Meetings

The Board shall have regular meetings, as much as possible, to review the performance of the Company and its subsidiaries, approve any pertinent plans, budgets, and financial statements, set guidelines for management, and discuss any various matters requiring Board attention and approval. Any member of the Board may ask management to give special reports on and analysis of certain issues.

The Board shall meet at least six (6) times each calendar year. It shall hold a meeting before the start of the financial year, immediately after the annual meeting of the stockholders, at least once every quarter, and on such other days that it may designate. Unless a higher number is required by pertinent law and regulations, the presence of at least one independent director shall be required in all board meetings.<sup>19</sup>

The directors shall act only as a Board, and the individual directors shall have no power as such. All matters submitted to the Board for approval shall comply with the approval requirements prescribed by the Amended By-Laws of the Company, unless a higher number is required by pertinent law and regulations.<sup>20</sup>

A quorum at any meeting of the Directors shall consist of **two-thirds (2/3) the number of directors** as fixed in the Articles of Incorporation. The decision of a majority of such quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board. For purposes of determining whether a quorum exists, directors attending through video or teleconference shall be counted as present at the particular meeting.<sup>21</sup>

The directors shall attend and actively participate in all meetings of the Board, Committees, and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the SEC.

The non-executive directors shall have separate periodic meetings, which meetings shall be chaired by the Chairman of the Board, with the external auditor, Internal Audit Director, Corporate Compliance

<sup>18</sup> Page 18, Amended Manual on Corporate Governance

<sup>19</sup> Page 8, Amended Manual on Corporate Governance

<sup>20</sup> Id.

<sup>21</sup> Amended By-Laws, Article III, Section 8

Officer and Risk Management Director. Said meeting shall be without the presence of any executives.<sup>22</sup>

## 4. Responsibilities of the Board

It shall be 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 shall formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance. It shall observe its duties and responsibilities as reflected under the Amended Manual on Corporate Governance.

## 5. The Chairman of the Board

The Chairman of the Board shall be responsible for the management, development and the effective performance of the Board, and maintain proper governance of the Company. The Chairman of the Board shall plan and organize all the activities of the Board, including the preparation for, and the conduct of, Board meetings. He shall ensure the quality, quantity and timeliness of the information that goes to the Board. He shall also oversee the formation of the Board committees and the integration of their activity with that of the Board.

In addition to the main duties mentioned-above, the Chairman shall<sup>23</sup>:

1. Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;
2. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors;
3. Maintain qualitative and timely lines of communication and information between the Board and Management;
4. Ensure that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable the Board to make sound decisions; and
5. Make sure that the performance of the Board is evaluated at least once a year and discussed/followed up on.

<sup>22</sup> Recommendation 5.7, SEC Memorandum Circular No. 19, Series of 2016 (Code of Corporate Governance)

<sup>23</sup> Page 4, Amended Manual on Corporate Governance

## 6. Corporate Secretary

The Corporate Secretary, who is a Filipino citizen, shall assist the Board in performing its duties and responsibilities to the Company. The Corporate Secretary shall not be a member of the Board and shall not be the Compliance Officer of the Company.

In addition to the duties and responsibilities imposed by existing laws and the By-Laws of the Company, the Corporate Secretary shall have the following duties and responsibilities as enumerated under the Amended Manual on Corporate Governance.

## 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 Company. These board committees should 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. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.<sup>24</sup>

The Board shall establish the following board committees, and approve their respective charters, that focus on specific board functions to aid in the optimal performance of its roles and responsibilities: Audit and Related Party Transactions Committee, Corporate Governance Committee, Board Risk Oversight Committee, Remuneration Committee and Executive Committee.<sup>25</sup>

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.

<sup>24</sup> Principle 3, SEC Memorandum Circular No. 19, Series of 2016 (Code of Corporate Governance)

<sup>25</sup> Pages 9-10, Amended Manual on Corporate Governance

## 8. Compensation of the Board

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 be based on corporate and individual performance.

The Corporation shall establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers. No director shall participate in deciding on his remuneration.

The Corporation's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year.<sup>26</sup>

## 9. Assessment of the Board

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three (3) years, an external facilitator shall support the assessment. Such a system shall allow for a feedback mechanism from the shareholders.

In assessing the performance of the Board, the following guidelines and/or criteria may be considered:

- i. Composition and Structure
- ii. Role and Governance Function
- iii. Internal Control/Risk Management Function
- iv. Dynamics and Functioning<sup>27</sup>

## 10. Code of Conduct and Business Ethics

The Board shall adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code shall be properly disseminated to the Board, Management and employees. It shall also be disclosed and made available to the public through the Company website.

<sup>26</sup> Pages 8-9, Amended Manual on Corporate Governance

<sup>27</sup> Assessment of the Board, Amended Manual on Corporate Governance

The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.<sup>28</sup> An ethics committee within the Company shall have a direct reporting line to the Board of Directors.

## 11. Related document references

- Manual on Corporate Governance