



## CHARTER OF THE BOARD OF DIRECTORS

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# Charter of the Board of Directors

The Board of Directors ("Board") of Ayala Land, Inc. (the "Corporation" or "Ayala Land") hereby adopts this Charter.

## 1. Scope

The Board is the supreme authority in matters of governance and in managing the business of the Corporation. Within their authority under the Corporation Code and other applicable laws and the By-laws of the Corporation (the "By-laws"), the Directors, acting as a Board, must have the fullest powers to regulate the concerns of the Corporation according to their best judgment. It shall be the Board's responsibility to promote and adhere to the principles and best practices of corporate governance and to foster the long-term success of the Corporation and secure its sustained competitiveness in the global environment in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders.

## 2. Membership

### 2.1 Composition

The Board shall be composed of nine (9) members (each a "member" or "Director"), more than 50% of whom shall be independent and/or non-executive Directors. Independent Directors may serve for a period of not more than nine (9) years.

The Board has to be composed in such a way that it possesses, as a group, the necessary knowledge, skills and experience required to properly perform its duties.

The Board shall regularly review its composition, taking into account the evolving requirements of the Corporation, and best practices in corporate governance.

The Board shall encourage the selection of a mix of competent Directors, each of whom can add value and contribute independent judgment in the formulation of sound corporate strategies and policies. In the selection of candidates for the Board, the objectives set by the Board for its composition are to be seriously considered, as well as the required knowledge, abilities and experience needed to successfully manage the Corporation. Careful attention must be given to ensure that there is independence and diversity, and appropriate representation of women in the Board.

Each independent Director shall hold no interest and relationship with the Corporation that may hinder his independence from the Corporation or management or interfere with his exercise of independent judgment in carrying out the responsibilities of a Director. An independent Director shall submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with the corporation, management or controlling shareholder at the time of his election or

re-election as a Director. Moreover, for purposes of compliance with the legal requirement on independent Directors –

- a. Officers, executives and employees of the corporation may be elected as Directors but cannot and shall not be characterized as independent Directors;
- b. If a Director elected or appointed as an independent Director subsequently becomes an officer or employee of the Corporation, the Corporation shall forthwith cease to consider him as an independent Director;
- c. If the beneficial security ownership of an independent Director in the Corporation or in its related companies exceeds two percent (2%), the Corporation shall forthwith cease to consider him as an independent Director until the beneficial security ownership of the Director is reduced to two percent (2%) or lower; and
- d. Independent Directors are not entitled to receive options, performance shares and bonuses except pursuant to a resolution approved by stockholders owning at least a majority of outstanding capital stock.

The Corporation shall, as appropriate, provide each independent Director with technical support staff to assist him in performing his duties. An independent Director may, when necessary, also request and receive support from executives, employees or outside professionals such as auditors, advisers and counsel to perform his duties. The Corporation shall cover the reasonable expenses of providing such support.

## **2.2 Policy on Multiple Board Seats**

The Corporation shall ensure that adequate time and attention is given to the fulfilment of the Directors of their duties. The independent Directors shall hold no more than five board seats in publicly-listed companies and executive Directors shall hold no more than two board seats in listed companies outside the Corporation's group.

## **2.3 Election of Directors**

The Directors shall be elected by the Corporation's stockholders entitled to vote at their annual meeting in accordance with the By-laws and the rules of procedure for annual meeting of stockholders.

Pursuant to the Corporation Code, any shareholder, including minority shareholders, shall have the right to nominate candidates to the Board. The list of names of the nominees to the Board, together with the written consent of the nominees, shall be filed and submitted to the Nomination Committee through the office of the Corporate Secretary at least thirty (30) business days prior to the date set for the annual meeting of stockholders wherein they will be elected.

For the election of Directors, it is necessary for one-half plus one of the outstanding shares of stock to be present or represented.

No person shall be elected nor be competent to hold the office of Director unless at least one (1) share of stock of the Corporation shall stand in his name in the books of the Corporation at the time of his election.

The election of Directors shall be by ballot and each stockholder may vote such number of shares he owns for as many persons as there are Directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of Directors to be elected multiplied by the number of his shares shall equal, or he may distribute his votes on the same principle among as many candidates as he may see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of Directors to be elected.

The Committee of Inspectors of Proxies and Ballots appointed by the Board shall supervise the election of Directors. No candidate for the office of Director maybe a member of the Committee.

Directors shall hold office for the term of one (1) year or until their successors shall have been elected and qualified, in accordance with the By-Laws.

#### **2.4 Vacancy**

In case any vacancy or vacancies should occur on the Board due to death, resignation or other causes other than by removal or expiration of term, the remaining Directors, if still constituting a quorum, may fill said vacancies by election from among the stockholders and the stockholders so elected shall act as members of said Board until the new Board is elected.

#### **2.5 Compensation**

Each Director of the Corporation shall be entitled to receive from the Corporation, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as Director. The Board of Directors shall have the sole authority to determine the amount, form and structure of the fees and other compensation of Directors. In no case shall the total yearly compensation of Directors exceed one percent (1%) of the net income before income tax of the Corporation during the preceding year.

### **3. Board Independence and Conflict of Interest**

It is the responsibility of each Director to promote the best interest of the Corporation. Therefore, in making decisions, the Directors should only pursue the interest of the Corporation, and must not consider their own personal advantage. Each Director shall disclose any conflict of interest, annually through the Ayala Land Disclosure Form. A Director with any material conflict of interest that has been determined to be permanent in nature shall be disqualified from the Board.

Notwithstanding the precautions set by the annual disclosure of conflict of interest, each Director is required to abstain from participating in the discussion of, and from voting on any matter where he is in conflict of interest at any point during the course of his service.

In line with the insider trading policy of the Corporation, each Director is required to notify the Board within three (3) business days from dealing in the shares of stock in the Corporation (the "Shares").

No person shall qualify or be eligible for nomination or election to the Board of if he is engaged in any business which competes with or is antagonistic to that of the Corporation in accordance with the Corporation's By-laws.

At least once a year, the non-executive Directors must meet without the presence of executives.

Directors shall keep confidential all the information contained in the confidential reports or discussions for a period of at least two years. They shall also ensure that all persons who have access to the same information on their behalf shall likewise comply with this rule.

#### **4. Powers, Duties and Responsibilities**

The Board shall have the following duties, powers and attributes, in addition to those assigned to it by the Corporation Code or other applicable law and the By-Laws which are not set forth herein:

- a. Determine the period, manner and conditions under which the Corporation shall engage in the kinds of business comprised in the SECOND Article of the Articles of Incorporation;
- b. Review vision and mission statement of Corporation every year;
- c. Determine the manner in which the capital shall be invested, subject to the provisions of the Articles of Incorporation and By-Laws;
- d. Make rules for the internal regulation of the Corporation;
- e. Create committees and other bodies it may deem advantageous or necessary in running the affairs of the Corporation, appoint advisory directors who can participate in Board deliberations but whose functions shall strictly be advisory and are non-voting; appoint Executive Vice-Presidents, Senior Vice-Presidents, Vice-Presidents and Assistant Vice-Presidents, who need not necessarily be members of the Board, Attorney's-in-Fact, Managers, Assistant Managers, Assistant Secretaries and Legal Counsel for the Corporation, Members of the Proxy Validation Committee, and fix their duties and powers;
- f. Determine the creation of branches, agencies, office departments of any class, under the conditions it may deem convenient;
- g. Decide as to the safekeeping of the funds of the Corporation, open current accounts, fixed deposit accounts and savings accounts with any bank authorized to operate in the Philippines and/or abroad;

- h. Approve the budgets and general expense accounts of the Corporation each year;
- i. Fix annually the percentage to be written off on all capital expenditures of the Corporation such as buildings, furniture and fixtures, etc. and determine the distribution of profits and dividends;
- j. Submit annually to the regular General meeting of stockholders the Balance Sheet, Income Statement and Annual Report on the condition of the Corporation;
- k. Call special meetings;
- l. Authorize any other person or persons it may deem fit to purchase, sell or mortgage the real or personal properties of the Corporation;
- m. Authorize any other person or persons it may deem fit to cancel mortgages or pledges executed as securities for loans and bonds when the mortgages have been repaid to the Corporation and when the bonds have been cancelled;
- n. Determine the time and manner of issuance of unissued stocks of the Corporation;
- o. Fix the budget of administration expenses;
- p. Determine the manner and conditions under which employees of the Corporation shall be granted pensions, retirement gratuity or life insurance protection;
- q. Institute, maintain, defend, compromise or drop any litigation in which the Corporation or its officers may be interested in as plaintiff or defendant in connection with the business of the Corporation and grant extension of time for the payment or settlement of any indebtedness in favor of the Corporation;
- r. Settle any doubts that may arise relative to the interpretation of the Corporation's By-Laws and supply any omissions, reporting thereon to the stockholders' General meeting for such action as it may see fit to take;
- s. Conduct an annual assessment of the performance of the Board, its individual members, its committees, the President and CEO, and its other key officials, adopt a clear procedure and criteria to be used for the performance assessment, and engage an external consultant to facilitate the Board assessment at least once every three (3) years;
- t. The Board shall ensure that all directors, Executives and Employees adhere to the Corporation's Code of Ethics;
- u. The Corporation's Management Committee shall inform the Board regularly, promptly and comprehensively about any issues concerning the Corporation's strategy, risk management and compliance. The Management Committee shall regularly update the Board of the implementation of the Corporation's strategy and explain variances from the approved plans and targets;

- v. Based on the report by the Audit Committee, the Board shall, with the help of independent directors, approve the financial statements of the Corporation;
- w. Approve the annual plans and budget of the Corporation, as well as the corresponding investments and personnel movements;
- x. Approve individual transactions or projects that are worth at least one billion pesos;

The Board shall be guided by the Corporation's mission and vision in the fulfillment of its functions.

#### **4.1 The Chairman of the Board**

The Chairman of the Board shall and act as the legal representative of the Corporation and has powers:

- a. To execute the resolutions of the stockholders' General meetings and of the Board;
- b. To sign, in accordance with said resolutions, such contracts, instruments and powers of attorney as may be necessary;
- c. To represent the Corporation and vote at the stockholders' meetings or designate proxy on all stocks owned by the Corporation in other corporations or companies;

The Chairman of the Board shall receive such remuneration as may be fixed by the Board each year, aside from that which each director may be entitled to receive.

The Chairman of the Board shall chair all Board meetings, or may assign his alternate in cases when he or she is not available.

The Chairman of the Board shall ensure that each director is allowed to freely express his opinions about any matter being discussed.

#### **4.2 The Corporate Secretary**

It shall be the duty of the Corporate Secretary, who must be a citizen and a resident of the Philippines, to prepare and keep the minutes of all meetings of the Board and stockholders and attend to the correspondence and files of the Corporation, to sign, jointly with the President, all stock certificates, keep and fix the corporate seal, record all transfers of stock and cancellations and keep all stock certificates transferred, likewise, keep a list in alphabetical order of all stockholders of the Corporation and of their residences and the shares owned by each.

He or she is an officer of the Corporation and his or her loyalty to the mission, vision, and specific business objectives of the Corporation must come with his or her duties. Considering his or her varied functions and responsibilities, he or she must possess organizational and interpersonal skills, and the legal skills of a Chief Legal Officer. He or she must also have some financial and accounting knowledge.



The Corporate Secretary shall have the following functions:

- a. Serve as an adviser to the directors on their responsibilities and obligations;
- b. Keep the minutes of meetings of the stockholders, the Board, the Executive Committee, and all other committees in a book or books kept for that purpose, and shall furnish copies thereof to the Chairman, the President and other members of the Board as appropriate;
- c. Keep in safe custody the seal of the Corporation and affix it to any instrument requiring the same;
- d. Have charge of the stock certificate book and such other books and papers as the Board may direct;
- e. Attend to the giving and serving of notices of Board and shareholder meetings;
- f. Be fully informed and be part of the scheduling process of other activities of the Board;
- g. Prepare an annual schedule of board meetings and the regular agendas of meetings, and put the Board on notice of such agenda at every meeting;
- h. Oversee the adequate flow of information to the Board prior to meetings; and
- i. Ensure fulfillment of disclosure requirements to the Securities and Exchange Commission and the Philippine Stock Exchange.

The Corporate Secretary shall have such other responsibilities as the Board may impose upon him or her, including the facilitation of trainings for directors when necessary.

#### **4.3 Board Committees**

The Board may create such committees (each a "Board committee") as it may deem necessary to support it in the performance of its functions and in accordance with the By-Laws and to aid in good governance.

The Board may delegate part of its rights and responsibilities to any of its committees. The committees shall be composed of Board members specifically chosen for their particular background and areas of expertise that will allow them to adequately perform the functions assigned to their committee. The rights and responsibilities of each Board committee may be defined in greater detail in specific committee charters duly approved by the Board.

The Board shall adopt for each Board committee a charter providing, among others, the composition of the Board Committee, the qualifications of the members, the powers, duties and responsibilities of the Board Committee and the rules governing the exercise of those powers or performance of the duties and responsibilities.

The Board shall constitute an Executive Committee, an Audit Committee, a Risk Committee, a Corporate Governance and Nomination Committee, a Personnel and Compensation Committee, a Related Party Transactions Review Committee, and a Sustainability Committee.

## 5. Resolutions and Actions

### 5.1 Meetings, Quorum and Actions

- a. The Board shall designate the days when it shall meet, but it shall meet at least six times each calendar year at a time and place determined by its Chairman, with further meetings to occur when deemed necessary by the Chairman or at least the request of two (2) directors. The Board shall meet in person, teleconference or video conferencing facility or through such other similar means.
- b. Two-thirds (2/3) of the number of directors as fixed in the articles of incorporation shall constitute a quorum for the transaction of corporate business.
- c. Directors are encouraged to attend all Board meetings, either in person or via teleconferencing facility. A minimum attendance of more than 75% for all Board meetings shall be required for a director to be eligible for re-election except in cases where a director contracts illness, death in the immediate family, serious accident or performs civic obligations.
- d. The Board meetings shall be announced at least two weeks in advance. Notice of meetings may be given by any customary means of communication (e.g. by e-mail, in writing, by telephone, by telefax, etc.). The notice shall specify the time and place of the meeting and include a detailed agenda. As a rule to the extent possible, Board materials are to be distributed to all directors at least five (5) business days prior to each Board meeting.
- e. Board meetings shall be chaired by the Chairman of the Board or, in his or her absence, by a Vice Chairman or a member chosen by the other members present.
- f. In any Board meeting, decisions may be made on matters not included on distributed meeting agenda only if there are no objections posed by any member of the Board.
- g. Minutes of the Board meetings shall be taken and recorded by the office of the Corporate Secretary. Minutes shall be signed by the chairman of the meeting and by the secretary of the meeting.
- h. In order to properly perform its function, the Board may engage the services of auditors, legal advisers, as well as internal and external consultants, if it deems necessary. The Chairman of the Board may allow such resource persons to attend Board meetings.

- i. The charter of the Board, number of Board meetings and attendance of members at Board meetings shall be disclosed in the Corporation's annual report.

## **5.2 Minutes**

Minutes of Board meetings shall be taken and recorded by the office of the Corporate Secretary. Minutes shall be signed by the chairman of the meeting and by the individual who has been appointed to take notes during the meeting.

## **6. Miscellaneous**

### **6.1 Access to Information**

The Board shall have free and full access to all relevant information, data, records, properties and personnel of the Corporation.

### **6.2 Technical Assistance**

The Corporate Secretary, the management and all personnel of the Corporation shall provide assistance and support to the Board.

The Board may also invite such members of management and other resource persons to its meetings and may secure independent expert and/or professional advice as it may deem desirable or appropriate. All resources necessary for the Board to perform its duties and functions shall be provided by the Corporation, at its expense.

### **6.3 Records/Confidentiality**

The Corporate Secretary shall keep and have custody of the records of the Board. Except for information that are required to be disclosed pursuant to law or regulations issued by competent government authorities, the records of the Board shall be kept confidential.

### **6.4 Annual Review/Self-Evaluation**

The Board shall review and re-assess the adequacy of its Charter annually and submit proposed changes to the Board for approval. The Board shall conduct a yearly self-evaluation of its own performance.

### **6.5 Effectivity**

This Charter shall take effect when approved by the Board and shall apply prospectively.

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Approved By:

  
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**Fernando Zobel de Ayala**  
Chairman

  
\_\_\_\_\_  
**Jaime Augusto Zobel de Ayala**  
Vice-Chairman

  
\_\_\_\_\_  
**Bernard Vincent O Dy**  
President and CEO

  
\_\_\_\_\_  
**Delfin L. Lazaro**  
Director

  
\_\_\_\_\_  
**Antonino T. Aquino**  
Director

  
\_\_\_\_\_  
**Arturo G. Corpuz**  
Director

  
\_\_\_\_\_  
**Angela E. Ignacio**  
Independent Director

  
\_\_\_\_\_  
**Jaime C. Laya**  
Independent Director

  
\_\_\_\_\_  
**Rizalina G. Mantaring**  
Independent Director