



D.M. WENCESLAO & ASSOCIATES, INC.

CHARTER OF THE BOARD OF DIRECTORS

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I. INTRODUCTION

The Company recognizes the importance of the Board in providing a sound base for good corporate governance relating to the operations of the Company. This Board Charter and the various complementary policies adopted by the Board have been prepared and adopted on the basis that there is an acknowledgment that good governance and good governance procedures add to the performance of the Company.

The Charter of the Board of Directors (*"Charter"*) sets out the powers, composition, roles, qualification, disqualification, responsibilities and accountabilities among others of the Board of Directors (*"Board"*) of D.M. Wenceslao and Associates, Incorporated (*"DMWAI"*, *"Company"* or *"Corporation"*).

II. SCOPE

The conduct of the Board is also governed by the Company's Revised Manual on Corporate Governance (*"Manual"*), the Revised Corporation Code of the Philippines (*"RCP"*) and its amendments, the Company's By-Laws (*"By-Laws"*), and other pertinent laws, rules and regulations as may be issued by the regulatory bodies such as the Securities and Exchange Commission of the Philippines (*"SEC"*). A number of specific operational matters relating to the Board may not be reproduced here and may be found on the Company's Manual and By-Laws available at the Company's website at <http://dmwai.com/>.

III. POWERS OF THE BOARD¹

Unless otherwise provided by law, the corporate powers of the Company shall be exercised, the business conducted, and all property of the Corporation controlled and held by the Board of Directors.

Without prejudice to such powers as may be granted by the Revised Corporation Code of the Philippines and its amendments, the General Responsibility of the Board for Good Governance, the Specific Duties of the Board of Directors and Specific Responsibilities of each Director, as laid down in its Manual, the Board of Directors of the Company shall have the following powers and duties:

- Determine the manner in which the corporate capital shall be invested, a resolution being required for each investment.
- Appoint from time to time, as may be deemed proper, employees and agents of the corporation, not otherwise provided for in the By-laws, and fix the salaries to be paid to them, and may authorize any officer to appoint and remove employees or agents.
- Approve the budget and general expense accounts of the corporation each year.
- Submit annually to the regular annual meeting of the stockholders the balance sheets, the accounts, and a report on the condition of the corporation.

¹ Section 1, Article III- Board of Directors Amended By-Laws.

- Institute, maintain, defend, compromise, adjust or settle any litigation in which the corporation may be interested or involved.
- Make rules for the internal regulation of the corporation.
- From time to time, to make and change rules and regulations not consistent with the By-laws, the Manual, and pertinent laws and regulations, for the management of the corporation's business and affairs.
- To purchase, receive, take or otherwise acquire for and in the name of the corporation, any and all properties, rights, or privileges, including securities and bonds of other corporations, for such consideration and upon such terms and conditions as the Board may deem proper or convenient.
- To invest the fund of the corporation in other corporations or for other purposes other than those for which the corporation was organized, subject to such stockholders' approval as may be required by law.
- To incur such indebtedness as the Board may deem necessary, to issue evidence of indebtedness including without limitation, notes, deeds of trust, bonds, debentures, or securities, subject to such stockholders' approval as may be required by law, and/or pledge, mortgage or otherwise encumber all or part of the properties of the corporation.
- To implement the by-laws, the Manual, and the policies and procedures, enacted by the Board, and to act on any matter not covered by the By-laws, the Manual, and the policies and procedures, of the Corporation, provided such matter does not require the approval or consent of the stockholders under the Revised Corporation Code and its amendments.

IV. MEMBERSHIP TO THE BOARD

A. Composition²

The Board shall be composed of not more than fifteen (15) members who are elected by the shareholders. The Board shall have independent directors constituting at least twenty percent (20%) of the members of such Board.

The election, qualifications and disqualifications of the independent directors shall be in accordance with the amended By-Laws of the Corporation.

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.

The Board shall include a balance of executive and non-executive directors (including independent non-executives), having a clear division of responsibilities such that no individual or small group of individuals can dominate the Board's decision making. The non-executive directors shall be given the opportunity to have exclusive and periodic meetings with the external auditors and heads of the internal audit, compliance and risk functions.

The non-executive directors should be of sufficient qualifications, stature and number to carry significant weight in the Board's decisions. The non-executive directors may concurrently serve as director in up to a

² No. 2.A.1, Article II- Governance, Revised Manual on Corporate Governance.

maximum of five (5) publicly listed companies. Non-executive directors considered by the Board to be independent shall be identified in the annual report.

B. Policy on Multiple Board Seats³

A Director shall exercise due discretion in accepting and holding directorships outside of the Corporation. A Director may hold any number of directorships outside the Corporation provided that, in the Director's opinion, these other positions do not detract from the Director's capacity to diligently perform his duties as a director of the Corporation. This policy does not cover directorships in the Corporation's subsidiaries and affiliates as well as subsidiaries and affiliates such companies.

The non-executive directors of the Board may concurrently hold up to a maximum of five (5) directorships in a publicly listed Corporation to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals and views, and oversee the long-term strategy of the Corporation. This policy does not cover directorships in the Corporation's subsidiaries and affiliates as well as subsidiaries and affiliates of such companies.

A director should notify the Board where he/she is an incumbent director before accepting directorship in another company.

C. Election⁴

The Corporate Secretary shall set a reasonable period for the submission of nominations of candidates for election to the Board. All nominations for directors submitted in writing to the Corporate Secretary within such nomination period shall be valid. A stockholder of record, including a minority stockholder, entitled to notice of and to vote at the regular or special meeting of the stockholders for the election of directors shall be qualified to be nominated as a director.

The Corporation may engage the services of professional search firms or use other external sources of candidates when searching for candidates to the Board.

The Corporate Governance Committee⁵ meets, pre-screens and checks the qualifications of, and deliberates on all persons nominated to be elected to the Board from the pool of candidates submitted by the nominating stockholders. The Corporate Governance Committee shall prepare a Final List of Candidates after considering the qualifications and disqualifications set forth in the succeeding sections. Said list shall contain all the information about these nominees. Only nominees qualified by the Corporate Governance Committee and whose names appear on the Final List of Candidates shall be eligible for election as Independent Director. No other nomination shall be entertained after the Final List of Candidates shall have been prepared.

Based on the Final List of Candidates, directors are elected by shareholders individually. The vote required for the election of directors is majority of the outstanding capital stock. The election of directors shall be by ballot and each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him, for as many persons as there are to be elected as directors, or he may cumulate or give to 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 them on the same principle among as many candidates as he may see fit, provided that the whole 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.

To preserve the integrity of the election process, the Corporation shall employ the services of an external party to validate the voting results.

³ No. 2.A.10, Article II- Governance, Revised Manual on Corporate Governance.

⁴ No. 2.A.15, Article II- Governance, Revised Manual on Corporate Governance.

⁵ now with the Nomination and Election Committee

D. Vacancies⁶

Any vacancy or vacancies occurring in the Board of Directors by reason of death, resignation or for any cause other than removal by the stockholders, may be filled by the vote of at least a majority of the remaining members of the Board, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or any special meeting of the stockholders called for that purpose. A Director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

E. Director's Fees⁷

The Board of Directors may provide a reasonable per diem allowance for the attendance of Directors at each Board meeting. The Board may also provide fees for its members as compensation for services rendered as such, provided however, that the amount of the such fees received as Directors shall not exceed 10% of the net income before tax of the Corporation during the preceding year and should be approved by the stockholders representing at least a majority of the outstanding capital stock in a regular or special stockholder's meeting.

F. Training⁸

The Corporation shall provide a comprehensive 8-hour orientation program for new directors and an annual 4-hour continuing corporate and business training for existing directors, including an understanding of the contributions that the director is expected to make, an explanation of the Board and its committees, and an explanation of the Corporation's business, including corporate governance and other matters that will assist them in discharging their duties, unless the Director qualifies for any of the exceptions provided in the Manual.

G. Disqualification

Without prejudice to the grounds for disqualification of directors as may be provided by the Revised Corporation Code of the Philippines and its amendments, the Company laid down the specific grounds for permanent and temporary disqualification of its directors in its By-Laws and Manual, which are not mentioned herein.

V. INDEPENDENT DIRECTORS⁹

A. Qualification

Independent Directors must be independent of management and, apart from their fees and shareholdings, are free from any business or other relationship with the Corporation, which could or could reasonably be perceived to materially interfere with their exercise of their independent judgment in carrying out their responsibilities.

The Board shall ensure that its independent directors possess the necessary qualifications and none of the disqualifications. An independent director includes, among other persons, one who:

- Is not or has not been a senior officer or employee of the covered Corporation unless there has been a change in the controlling ownership of the Corporation;

⁶ Sec. 4, Article III- Board of Directors Amended By-Laws.

⁷ Sec. 5, Article III- Board of Directors Amended By-Laws.

⁸ No. 2.A.3, Article II- Governance, Revised Manual on Corporate Governance.

⁹ No. 2.A.8, Article II- Governance, Revised Manual on Corporate Governance.

- Is not, and has not been in the three (3) years immediately preceding the election, a director, officer, executive or employee of the Corporation or of its subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Corporation's substantial shareholders and its related companies (other than as an Independent Director of any of the foregoing);
- Has not been appointed in the Corporation, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus", "Ex-Officio" Directors/Officers or Members 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;
- Does not own more than two (2%) of the outstanding shares of the Corporation and/or its subsidiaries, associates, affiliates or related companies;
- Is not a relative of any director, officer, executive or substantial shareholder of the Corporation, or any of its subsidiaries related companies or any of its substantial shareholders. For this purpose, the term "relatives" includes spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- Is not acting as a nominee or representative of any director of the Corporation or any of its related companies;
- 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, associated person or salesman, and an authorized clerk of the broker or dealer;
- Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel by the Corporation, any of its related companies or any of its substantial shareholders, or is otherwise independent of Management and free from any business or other relationship within three (3) years immediately preceding the date of his election;
- Has not engaged and does not engage, whether by himself or with other persons or through a firm of which he is a partner or a Corporation of which he is a director or substantial shareholder, in any transaction with the Corporation or with 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;
- Is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial shareholders; and
- Is not employed as an executive officer of another Corporation where any of the Corporation's executives serves as directors.

B. Lead Director

The Board shall designate a lead director among the independent directors if the Chairman of the Board is not independent, or if positions of the Chairman of the Board and President are held by one person. A director with material interest in any transaction affecting the Corporation should abstain from taking part in the deliberations for the same.

The lead director shall have the following functions:

- a. Serves as an intermediary between the Chairman and the other directors when necessary;
- b. Convenes and chairs meetings of the non-executive directors; and
- c. Contributes to the performance evaluation of the Chairman, as required.

C. Term

Independent Directors can serve as such for five (5) consecutive years, with a total cumulative term limit of nine (9) years from the date of first appointment. After the completion of the five-year service period, an Independent Director shall be ineligible for election as such unless the Independent Director has undergone a “cooling off” period of two (2) years. Further, during the cooling off period, the Independent Director should not have been engaged in any activity that disqualifies a person from being elected as an Independent Director as stated in the Manual, existing laws, and rules and regulations issued by the Commission. In the event that the Corporation wants to retain an independent director who has served for nine (9) years, the Board shall provide meritorious justification/s and seek stockholders’ approval during the annual stockholders’ meeting.

D. Disqualification

- When he becomes an officer, employee, or consultant of the Corporation;
- The additional grounds for disqualification under Rule 38 of the Amended Implementing Rules and Regulations of the Securities and Regulation Code; and
- Any person who is disqualified by such other grounds for disqualification of directors as may be provided by law and applicable regulations, including those provided for under the Revised Corporation Code, Securities Regulation Code, the By-Laws of the Company, as well as those that may be approved by the Board of Directors.

VI. BOARD MEETINGS

A. Regular Meetings

- Held every quarter at the principal office of the Corporation, or at such other place as a majority of the Directors may designate from time to time.
- Directors may attend Board Meetings through teleconference or videoconference or any electronic medium where attendees can participate during the meeting even if not physically present. Such should comply with the applicable rules and requirements of the Securities and Exchange Commission.

B. Special Meetings

- May be held at any time and place without notice by the unanimous written consent of all the members of the Board who are then present in the Philippines, in the principal office of the Corporation, or at such other places as may be designated in the call, by the President, or by request of the majority of the Directors.

C. Notice of Regular or Special Meetings

- Should specify the date, time, place, object and purpose of the meeting and mailed by the Secretary to each member of the Board at least two (2) business days before any such meeting.
- The Secretary may send the Notice by delivery, fax, electronic mail, or short messaging system (SMS), or by any other means of written or printed communication generally accepted and used by the business community currently available or as may be made available through technical advances or innovations in the future.

D. Quorum

A majority of the number of Directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority of the Directors present at a meeting at which there is a quorum, shall be valid as corporate act.

E. Conduct of the Meetings

The Chairman of the Board shall preside over Board meetings. In the absence of the Chairman, the Board may appoint any Director to preside over the meeting. The Secretary shall act as secretary of every meeting, and in his absence, the Chairman of the meeting shall appoint a secretary of the meeting.

F. Voting Power

In all acts of the Board of Directors, each member thereof shall be entitled to only one vote.

G. Records/Minutes of the Meetings

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.

VII. BOARD COMMITTEES¹⁰

A. List of Committees

As a minimum requirement, the Board shall constitute the following committees:

- Executive Committee
- Audit and Risk Committee
- Corporate Governance Committee

The Board, however, may create such other Committees as it may deem necessary. Newly constituted Committees shall have such authority and responsibilities and shall perform such duties as the Board may prescribe. If any of the above-listed committees are not established, the functions of these committees may be carried out by the whole Board or by any other committee. The Committees shall report to the Board in such manner as the Board may require.

B. Charter Requirement

Each Board Committee shall have a separate charter, which shall define and govern, among other matters, the objectives, composition, membership qualifications and disqualifications, duties and responsibilities, conduct of meetings, and procedure for escalation to the Board of decisions of such Board Committee as provided in the Company's Manual and Amended Articles of Incorporation and By-Laws.

The Board shall approve the respective charters of the Board Committees, which can only be amended through a Board action approving such amendment.

Each Board Committee shall submit to the Board a summary of their actions pursuant to the terms of their respective charters.

C. General Duties and Functions of Board Committees

The general duties and functions of different Committees are set forth as a general guide in their respective operations, without prejudice to the promulgation of specific duties and internal committee protocols in their respective Charters duly approved by the Board.

¹⁰ No. 3, Article II- Governance, Revised Manual on Corporate Governance.

VIII. BOARD PERFORMANCE

The Board adopts a self-assessment system to measure the performance of the Board and Management in accordance with the criteria provided for in the Revised Code of Corporate Governance issued by the Commission. It is the duty of the Board to regularly carry out evaluations to appraise its performance as a body and assess whether it possesses the right mix of backgrounds and competencies.

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, the assessment shall be supported by an external facilitator.

To implement this, the Board shall:

- a. As a body, evaluate its performance by filling out a self-assessment questionnaire to be used for benchmarking its practices against the expectations set out in this Charter and leading corporate governance practices.
- b. The results of the self-assessment shall guide the Board in formulating and implementing plans to improve its performance including but not limited to the identification of relevant training intended to keep the members up-to-date with corporate governance leading practices, accounting and auditing standards, risks and controls, as well as specific areas of concern (e.g., emerging risks).

The Board shall establish a feedback mechanism to receive comments from management, internal auditor, chief legal counsel and independent auditor. The mechanism's goal is to facilitate dialogue within the organization about possible ways to improve its performance.

The results of the above assessment shall be validated by the Company's Compliance Officer.

IX. MISCELLANEOUS

A. Board Access to Information

Management must provide all members of the Board with accurate and timely information that will enable the Board to comply with its responsibilities to its stockholders.


B. Amendment

This Charter can only be amended through a Board action approving such amendment.

C. Effectivity

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

Approved by:



Delfin Angelo C. Wenceslao
Director



Carlos Delfin C. Wenceslao
Director



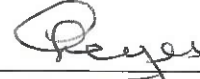
Paolo Vincent C. Wenceslao
Director



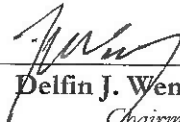
Alberto P. Fenix Jr.
Independent Director



Edwin Michael C. Wenceslao
Director



Oscar S. Reyes
Independent Director



Delfin J. Wenceslao Jr.
Chairman