

INTRODUCTION

The Board of Directors (the “Board”) of Chemical Industries of the Phils., Inc. (the “Corporation” or “CIP”) is the supreme authority in matters of governance and in managing the business of the Corporation. Within their authority under the Corporation Law and other applicable laws and the By-laws of the Corporation (the “By-laws”), the Directors, acting as a Board, have the fullest powers to regulate the concerns of the Corporation according to their best judgment.

The Board is responsible to promote and adhere to the principles and best practices of corporate governance, to foster the long-term success of the Corporation and to secure its sustained competitiveness in the global environment in a manner consistent with its fiduciary responsibility.

The Board shall exercise its powers and duties in the best interest of the Corporation, its shareholders and stakeholders.

Section 1. COMPOSITION OF THE BOARD

1. **Number of Directors.** – The Board shall have seven (7) members.
2. **Board Competencies and Diversity.** – The Board shall be composed of members who possess the necessary knowledge, skills and experience required to properly perform the duties of the Board.

The Board shall encourage the selection of a mix of competent Directors, each of whom can add value and independent judgment in the formulation of sound corporate strategies and policies. Careful attention must be given to ensure that there is independence and diversity, and appropriate representation of women in the Board to the greatest extent possible.

3. **Committees.** – The Board shall constitute the proper committees to assist it in good corporate governance. Pursuant to the Corporation’s Manual on Corporation Governance, the Board must have the following committees: (a) Audit and (b) Corporate Governance Nomination. The Audit Committee shall include the Risk Oversight and Related Party Transactions functions. The Corporate Governance Committee shall also include the Nomination, Election, Compensation and Remuneration functions. The Board shall regularly review its composition, taking into the account the evolving requirements of the Corporation, and the best practices in corporate governance.
4. **Review of Board Profile.** – The Board shall regularly review its composition, taking into the account the evolving requirements of the Corporation, and the best practices in corporate governance.
5. **Independent Directors.** – The Board shall have such number of Independent Directors as may be required by law and the rules of Securities and Exchange Commission (SEC) and of Philippine Stock Exchange (PSE).

To be considered independent, a Director, apart from his fees and shareholdings, hold no interests and relationships with the Corporation that may hinder his independence from the Corporation, Management, or shareholders which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director of the Corporation. For this purpose, 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 appointment and/or re-election as a Director.

Section 2: ELECTION OF THE BOARD

1. **Nomination of Directors** - Candidates for the Board of Directors shall be nominated by a stockholder of the Corporation. Pursuant to the Corporation Code, any stockholder who holds at least one (1) share of stock shall be entitled to nominate and elect a candidate for Board position. The stockholder shall submit a nomination letter to the Corporate Secretary together with the written consent of the nominee. The Board Corporate Governance Committee (CGC) shall review and pre-screen the qualifications of each candidate in accordance to the qualifications and disqualifications set in the Corporation's By-Laws and Manual on Corporate Governance. The CGC must ensure that these qualifications are aligned with the corporate strategic direction of the Corporation. The shortlist of candidates shall be disclosed in the Definitive Information Statement to be distributed to the stockholders.
2. **Manner of Election** – A majority of the outstanding shares of stocks in person or represented by proxy, shall be sufficient at a stockholders' meeting to constitute a quorum for the election of directors. A person who holds at least one (1) common share of stock of the Corporation is eligible to be nominated and elected as a director.
3. **Term of Office** – The elected members of the Board of Directors shall hold office for one (1) year, until their successors are elected and qualified.
4. **Term limits for Independent Directors** – The Board's independent directors shall serve for a maximum cumulative term of nine (9) years.
5. **Re-election of Independent Directors** – After completion of the nine-year service period, 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 non-independent director. In the instance that the Company wants to retain an independent director who has served for nine years, the Board shall provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.
6. **Resignation** - Any director of the Corporation may resign at any time by giving written notice to the Chairman of the Corporation. The resignation of any director shall take effect as of the date of its acceptance by the Board of Directors.

Section 3: BOARD MEETINGS

1. **Regular Meetings** - Regular meetings of the Board of Directors shall be held every quarter on such date, time and at principal office or such place as may be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board, the President and Chief Executive Officer, or a majority of the Board of Directors of the Corporation. The Corporate Secretary shall schedule all regular board and committee meetings at the start of the financial year.
2. **Board Attendance** – Each director must attend at least 50% of all the board meetings held during the year.
3. **Organizational Meetings** -The Board of Directors shall meet for the purpose of organization, election of officers and the transaction of other business, as soon as practicable after each annual election of directors or on the same day, and if practical at the same place at which regular meetings of the stockholders are held.
4. **Notice of Meetings** – Notice of either regular or special meetings shall be sent to each director at least seven (7) business days before the date of meeting. The notice of meeting shall include the time and place of the meeting and the agenda subjects to be discussed. Each Director is free to raise at any Board meeting subjects that are not on the agenda for that meeting. Subject to any applicable notice requirements, Directors having items to suggest for inclusion on the agenda for future Board meetings should advise the Chairman well in advance of such item.
5. **Quorum** - A quorum at any meeting of the directors shall consist of a majority of the number of directors, provided, however that an independent director shall always be in attendance.
6. **Conduct of the Meetings** –
 - a. **Board of Directors** - Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in the absence of the latter, the President and Chief Executive Officer, or if none of the foregoing is in office and present and acting, by any other director chosen by the Board. The Corporate Secretary shall act as secretary of every meeting, and if he is unable to do so, the Chairman of the meeting shall appoint a secretary of the meeting.
 - b. **Board Committees** - Members of the Board Committees should attend committee meetings at least once every quarter or as deemed necessary.
 - c. **Board Meeting Materials** – The Board of Directors must be provided meeting materials at least seven (7) business days in advance of the board meeting.
7. **Executive Sessions** – The independent and non-executive directors must meet separately at least once during the year without any executives present.
8. **Minutes of the Meetings** – Minutes of the meeting shall be taken and recorded by the Corporate Secretary and signed by the Chairman of the Board or the person who were appointed to take notes during the meeting.

9. **Attendance in Board Meeting** - The members of the Board should attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Commission.

Independent directors should always attend board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings.

The Chairman, Chief Executive Officer or Committee Chairpersons may from time to time invite corporate officers, other employees and advisors to attend Board or committee meetings whenever deemed appropriate.

Directors are encouraged to attend all annual meetings of shareholders.

Section 4: BOARD DUTIES AND RESPONSIBILITIES

1. **Duties and Responsibilities of the Board** – the Board of Directors are responsible to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its stockholders and other stakeholders. To ensure a high standard of best practice for the Corporation, its stockholders and stakeholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and responsibilities, aside from such powers prescribed in the SEC Code of Corporate Governance, the Corporation’s Manual on Corporate Governance, By-Laws and other applicable laws:
- a. 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 Company and all shareholders.
 - b. 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.
 - c. The Board shall be headed by a competent and qualified Chairperson.
 - d. 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 Corporation.
 - e. The Board shall align the remuneration of key officers and Board members with the long-term interests of the Company. In doing so, it shall formulate and adopt a policy specifying the relationship between remuneration and performance. Further, no director shall participate in discussions or deliberations involving his own remuneration.

- f. The Board shall have and disclose in this Manual, a formal and transparent Board nomination and election policy that shall include how it accepts nominations from minority shareholders and reviews nominated candidates. The policy shall also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director. In addition, its process of identifying the quality of directors shall be aligned with the strategic direction of the Company.
- g. 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, particularly those which pass certain thresholds of materiality. The policy shall include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy shall encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations.
- h. The Board shall be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO)/President, and control functions led by their respective heads (Chief Compliance Officer and Chief Audit Executive).
- i. The Board shall establish an effective performance management framework that will ensure that the Management, including the Chief Executive Officer/President, and personnel's performance is at par with the standards set by the Board and Management.
- j. 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. The Board shall also approve the Internal Audit Charter.
- k. 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. The risk management framework shall guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.
- l. The Board shall have a Board Charter that formalizes and clearly states its 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 Company's website.

Section 5: THE CHAIRMAN OF THE BOARD

The duties and responsibilities of the Chairman in relation to the Board may include, among others, the following:

- a. Makes 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;
- b. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- e. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- f. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

Likewise, the Chairman of the Board shall exercise the following functions:

- a. To preside over all the meetings of the Board of Directors and the stockholders;
- b. To initiate the development of corporate objectives and policies and formulate long range project, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation;
- c. To suggest additional functions or duties to any of the officers of the Corporation;
- d. To exercise such powers as may be incidental to his office and perform each duty as the Board of Directors may assign to him.

The Chairman of the Board may assign the exercise or performance of any of the foregoing powers, duties and functions to any other officer(s) of the Corporation, subject always to their supervision and control.

Section 6: THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

The President and Chief Executive Officer, elected by the Board from among its members, shall have administration and direction of the day-to-day business affairs of the Corporation. He/she shall exercise the following functions:

- a. Determines the Corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;

- b. Communicates and implements the Corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- c. Oversees the operations of the Corporation and manages human and financial resources in accordance with the strategic plan;
- d. Has a good working knowledge of the Corporation's industry and market and keeps up-to-date with its core business purpose;
- e. Directs, evaluates and guides the work of the key officers of the Corporation;
- f. Manages the Corporation's resources prudently and ensures a proper balance of the same;
- g. Provides the Board with timely information and interfaces between the Board and the employees;
- h. Builds the corporate culture and motivates the employees of the Corporation; and
- i. Serves as the link between internal operations and external stakeholders.

Section 7: THE CORPORATE SECRETARY

1. **General Access** - The Corporate Secretary assists the Board. He/she must be available to provide his/her services to the Board.
2. **Responsibilities** – The Corporate Secretary sees to it that the board follows correct procedures and that the board complies with its obligations under law and the company's articles of incorporation. The following are the responsibilities of the Corporate Secretary under the provisions of the Corporation's By-Laws and Manual on Corporate Governance:
 - a. Assists 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 assisting the chairs of the Board and its committees to set agendas for those meetings;
 - b. Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Corporation;
 - c. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Corporation, and advises the Board on all relevant issues as they arise;
 - d. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;

- e. Advises on the establishment of Board committees and their terms of reference;
- f. Informs 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 ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- g. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- h. Performs required administrative functions;
- i. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- j. Performs such other duties and responsibilities as may be provided by the SEC.

Section 8: BOARD COMMITTEES

1. **The Committees** - The Board may appoint committees from among its members to perform specific tasks. The board shall establish the following committees:
 - a. audit
 - b. corporate governance
 - c. compensation and remuneration
 - d. risk oversight
 - e. related party transactions

The board may, from time to time, establish or maintain additional committees as necessary or appropriate.

2. **Committee Reporting** – Each committee must promptly inform the Board of the actions it has taken and major developments of which it becomes aware.
3. **Committee Charters** - The Charters shall indicate the roles and responsibilities of the committee, its composition and how it should perform its duties. It will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board.

Section 9: COMPENSATION OF BOARD MEMBERS

Directors, as such, shall not receive any compensation unless approved by the stockholders or provided in the By-Laws of the Company. No director should participate in the approval of his compensation.

However, the Board may, from time to time, approve a reasonable per diem that a director may receive for attendance in Board and Board Committee meetings.

Section 10: DIRECTORS' TRAINING AND DEVELOPMENT PROGRAM

1. **Orientation Program** - Upon his or her election, each board member shall participate in an induction program that covers the company's strategy, general financial and legal affairs, financial reporting by the company, its compliance programs, the Code of Business Conduct and Ethics, any specific aspects unique to the company and its business activities, and the responsibilities as a board member.
2. **Continuing Education Program** - In order to facilitate the Directors' fulfilment of their responsibilities, the management must provide the following:
 - a. Annual review to identify areas where the board members require further training or education
 - b. Educational programs supplemental to the initial orientation to explain the Company's business operations
 - c. Access to, or notice of, continuing educational programs that are designed to keep Directors abreast of the latest developments in corporate governance matters and critical issues relating to the operation of public company boards.
3. **Costs** - The costs of the induction course and any training or education shall be paid for by the company.

Section 11: ANNUAL PERFORMANCE EVALUATION OF THE BOARD

1. The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees.

Board assessment helps the directors to thoroughly review their performance and understand their roles and responsibilities. The periodic review and assessment of the Board's performance as a body, the Board committees, the individual directors, and the Chairman show how the aforementioned **Board, committees and directors** shall perform their responsibilities effectively. In addition, it provides a means to assess a director's attendance at Board and committee meetings, participation in boardroom discussions and manner of voting on material issues.
2. 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 shall allow for a feedback mechanism from the shareholders. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's Annual Report or in such form of report that is applicable to the Corporation. The adoption of this performance evaluation system must be covered by a Board approval.

3. During the evaluation, directors shall be afforded the opportunity to identify areas for improvement in the performance of their duties and responsibilities.

Section 12: SUCCESSION PLANNING FOR MANAGEMENT

The Board shall evaluate potential successors and approve management succession strategies and plans for the President/CEO and other executive officers of the Company. The President/CEO should at all times, make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

Section 13: OTHER PROVISIONS

1. **Board Independence and Conflict of Interests** – It is the responsibility of each Director to promote the best interest of the Corporation. Therefore in making decisions, they should only pursue the best interest of the Corporation, and must not consider their personal interests.

A Board member must report immediately to the Chairman any conflict of interest or potential conflict of interest and shall report all relevant information on this matter under the provision of the Code of Business Conduct and Ethics.

2. **Related Party Transactions** – Ensuring the integrity of related party transactions is an important fiduciary duty of the director. It is the Board's role to initiate policies and measures geared towards prevention of abuse and promotion of transparency, and in compliance with applicable laws and regulations to protect the interest of all shareholders.
3. **Multiple Board Seat** – The non-executive directors of the Board shall 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.

A director shall exercise due discretion in accepting and holding directorship outside of the Corporation. The director shall notify the Board where he/she is an incumbent director before accepting a directorship in another company.

4. **Report on Change of Ownership** – Board members shall notify the Chief Compliance Officer within one trading day of all changes in his beneficial ownership, direct and indirect, of the Corporation's securities, under the provisions of the PSE Disclosure Rules and SEC Implementing Rules and Regulations.
5. **Confidentiality** – No board member shall, during his or her membership, disclose any information of a confidential nature regarding the business of the company. He/she shall not use the confidential information of the Corporation for his/her personal benefit.

Section 14: CHARTER REVIEW

This Charter must be reviewed by the Board of Directors at least once a year or as often as deemed necessary. Any amendments and revisions to this Charter must be reviewed and approved by the Board prior to dissemination to the board members and posting it to the Corporation's website.