

**SELECTION/APPOINTMENT, RE-ELECTION, DISQUALIFICATION, REMOVAL, REINSTATEMENT AND SUSPENSION OF DIRECTORS**

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors (ii) Non-Executive Directors	Every GOCC and Subsidiary, through the Compliance Officer, or the Corporate Secretary, if there is no Compliance Officer appointed, shall submit to the GCG within thirty (30) days from the start of each calendar year a certificate stating and attesting to the qualifications and disqualifications rules applicable to their Appointive Directors and CEO, as found in their Charter or By-laws and the provisions of laws, rules and regulations applicable to the particular GOCC.	<i>Minimum Qualification of Directors</i> – provided for in the Revised Manual on Corporate Governance:  (a) possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and in light of the entity’s business and risk profile; (b) have a record of integrity and good repute; (c) have sufficient time to carry out their responsibilities; (d) have the ability to promote a smooth interaction between board members;
	<i>(Art. 4 of Fit and Proper Rule for Appointive Directors and CEOs of GOCCs – Memo Circular No. 2012-05 of GCG)</i>	<i>(Minimum Qualifications) Additional Qualifications of Appointive Directors and CEOs (not indicated in the Revised Manual on Corporate Governance) –</i>  Without prejudice to the qualifications set out in the Charter or By-laws of the GOCC, every Appointive Director and CEO, if a sectoral representative, to be a <i>bona fide</i> member of the indicated sector or the association being represented as provided for in the Charter or By-laws.  Further, a director may be allowed to attend within three (3) months from the date of appointment a special seminar on public corporate governance for Directors conducted by the GCG or any individual or entity accredited by the GCG.  <i>(Art. 5 of Fit and Proper Rule for Appointive Directors and CEOs of GOCCs – Memo Circular No. 2012-05 of GCG)</i>
(iii) Independent Directors	The company adopts the process and qualifications set by Securities Regulation Code on nomination and election of Independent directors.	
<b>b. Re-appointment</b>		
(i) Executive Directors	Unless removed by the President of the Republic of the Philippines, Executive Director and Non-Executive Director are automatically reappointed.	
(ii) Non-Executive Directors		
(iii) Independent Directors	The company adopts the process and qualifications set by Securities Regulation Code on nomination and election of Independent directors.	

<b>c. Permanent Disqualification</b>		
<b>Procedure</b>	<b>Process Adopted</b>	<b>Criteria</b>
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	Apply Article 5.2.f.1 of Revised Manual on Corporate Governance	<p>Grounds for the permanent disqualification of a director:</p> <ul style="list-style-type: none"> <li>Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in SRC; (b) arises out of the person's conduct as an underwriter, broker, dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliate person or any of them.</li> <li>Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting a director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging or in continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</li> </ul> <p>The disqualification shall also apply if (1) such person is the subject of an order of the SEC, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or under any rule or regulation issued by the Commission or BSP, (2) such person has otherwise been restrained to engage in any activity involving securities and banking; or (3) such person is the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization.</p> <ul style="list-style-type: none"> <li>Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts.</li> </ul>

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<b>c. Permanent Disqualification</b>		
		<ul style="list-style-type: none"> <li>• Any person who has been adjudged by final judgment or order of the SEC, BSP, court, or competent administrative body to have willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law, rule, regulation or order administered by the SEC or BSP.</li> <li>• Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation.</li> <li>• Any person judicially declared as insolvent.</li> <li>• Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated previously.</li> <li>• Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of election or appointment.</li> <li>• Other grounds as the SEC may provide.</li> </ul>
	<p>Article 6 of the GCG Memorandum Circular No. 2012-05 entitled <b>Fit and Proper Rule for Appointive Directors and CEOs of GOCCs</b> provides the criteria for permanent disqualification of a Director</p>	<p><i>Directors, CEO and Officers of GOCCs who have been:</i></p> <p><i>1. Found by a competent administrative body as administratively liable for violation of laws, rules and regulations particularly applicable to the sector of</i></p> <p><i>the GOCC concerned, as well as those covered by related sectors, and where a penalty of removal from office is imposed, which finding of the administrative body has become final and executory; commission on contracts from the GOCC's assets, or taking advantage of corporate opportunities of the GOCC's, or</i></p>

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<b>c. Permanent Disqualification</b>		
		<p>2. <i>Determined by the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executory, to have, by virtue of their office, acquired or received a benefit or profit, of whatever kind or nature including, but not limited to, the acquisition of shares in corporations where the GOCC has an interest, using rights, options or properties of the GOCC for their own benefit, receiving</i></p> <p>3. <i>Found to be culpable for a GOCC's insolvency, closure, or ceasureof operations, as determined by the GCG in consultation with theappropriate Government Agency;</i></p> <ul style="list-style-type: none"> <li>• Directors and Officers of private corporations, or any person found by the GCG in consultation with the appropriate Government Agency, to be unfit for the position of Appointive Director because they were found administratively liable by such Government Agency for; <ul style="list-style-type: none"> <li>1. <i>A violation of laws, rules and regulations relevant to the sector of the GOCC concerned, as well as in related sectors; or</i></li> <li>2. <i>Any offense/violation involving dishonesty or breach of trust;</i> and which finding of such Government Agency has become final and executory.</li> </ul> </li> </ul>
<b>d. Temporary Disqualification</b>		
<ul style="list-style-type: none"> <li>(i) Executive Directors</li> <li>(ii) Non-Executive Directors</li> <li>(iii) Independent Directors</li> </ul>	<p>As provided for in Article 5.2.f.2 of Revised Manual on Corporate Governance</p>	<ul style="list-style-type: none"> <li>• Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any 12-month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;</li> <li>• Dismissal or termination for cause as director of any publicly-listed company, publice company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;</li> </ul>

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<b>d. Temporary Disqualification</b>		
		<ul style="list-style-type: none"> <li>• If the beneficial equity ownership of an independent director or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit later complied with;</li> <li>• If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final;</li> </ul>
Procedure	Process Adopted	Criteria
<b>e. Removal</b>		
(i) Executive Directors	Executive Directors and Non-Executive Directors representing the equity interest of the Government in the Company serve at the pleasure of and may be removed by the President of the Republic of the Philippines anytime.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>f. Re-instatement</b>		
(i) Executive Directors	The President of the Republic of the Philippines has the discretion to re-instate any Director to the PNCC Board representing the equity interest of the government in the Company.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>g. Suspension</b>		
(i) Executive Directors	The Company has not adopted a rule on suspension of Directors.	
(ii) Non-Executive Directors		
(iii) Independent Directors		