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**Pepsi-Cola Products Philippines, Inc.**

**THE CHARTER OF THE**  

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**BOARD OF DIRECTORS**

## **INTRODUCTION**

This Charter of the Board of Directors of Pepsi-Cola Products Philippines, Inc. is issued by the Board of Directors in accordance with its Articles of Incorporation, By-Laws, Manual on Corporate Governance (and any amendments thereto), Securities and Exchange Commission Memorandum Circular No. 19, Series of 2016, otherwise known as the Code of Corporate Governance for Publicly-Listed Companies, and other applicable laws, rules and regulations.

The Board of Directors promulgates this Charter, which formalizes and clearly states the Board's roles, responsibilities, and accountabilities in carrying out its fiduciary duties, to ensure that Board authority is kept within the powers of the Company, as prescribed in its Articles of Incorporation and By-Laws, and in applicable laws, rules and regulations.

### **1 DEFINITION OF TERMS**

The following capitalized terms shall have the meaning ascribed to them below:

Annual Operating Plan	refers to the operating plan of the Company for any particular year, as approved by the Board.
<i>Annual Stockholders' Meeting</i>	refers to the annual stockholders' meeting of the Company held in accordance with the By-laws.
Articles of Incorporation	refers to the Articles of Incorporation of the Company, as may be amended from time to time.
Board	refers to the Board of Directors of the Company.
By-Laws	refers to the By-Laws of the Company, as may be amended from time to time.
CG Code	refers to the Securities and Exchange Commission Memorandum Circular No. 19, Series of 2016, otherwise known as the Code of Corporate Governance for Publicly-Listed Companies, as may be amended from time to time.
CG Manual	refers to the Company's Manual on Corporate Governance, as may be amended from time to time.
Charter	refers to this Charter of the Board of Directors, as may be amended from time to time.
Chairman	refers to the Chairman of the Board of Directors.



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Chief Audit Executive	refers to the Company’s Chief Audit Executive, duly elected by the Board of Directors.
Chief Executive Officer	refers to the Company’s Chief Executive Officer, duly elected by the Board of Directors.
Chief Financial Officer	refers to the Company’s Chief Financial Officer, duly elected by the Board of Directors.
Chief Risk Officer	refers to the Company’s Chief Risk Officer, duly elected by the Board of Directors.
Compliance Officer	refers to the Company’s Compliance Officer, duly elected by the Board of Directors.
Committees	refers to the Board committees constituted by the Board, as authorized by Article III, Section 10 of the By-Laws.
Company	refers to Pepsi-Cola Products Philippines, Inc.;
Corporate Governance	<p>refers to the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders.</p> <p>Corporate Governance is a system of direction, feedback, and control using regulations, performance standards and ethical guidelines to hold the Board and senior Management accountable for ensuring ethical behavior – reconciling long-term customer satisfaction with shareholder value – to the benefit of the stakeholders.</p>
Corporation Code	refers to Republic Act No. 11232, or the Revised Corporation Code of the Philippines, as may be amended from time to time.
Director	refers to a member of the Board of Directors of the Company.
Executive Director	refers to a Director who has executive responsibility of day-to-day operations of a part or the whole of the organization;
Independent Director	refers to a Director who is independent of Management and the controlling shareholder, is free from any business or other relationship which could, or could reasonably be perceived to,

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	materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director; and maintains all of the qualifications of Independent Directors set out in the CG Manual;
Management	refers to a group of executives given the authority by the Board to implement the policies it has laid down in the conduct of the business of the Company;
Non-Executive Director	refers to a Director who has no executive responsibility of day-to-day operations of a part or the whole of the organization.  A Non-Executive Director is distinct from an Independent Director.
Officer	refers to an Officer of the Company as enumerated in Article IV of the Amended By-Laws, or elected or appointed by the Board of Directors.
Securities and Exchange Commission	Or “SEC”, refers to the Securities and Exchange Commission of the Philippines.
Securities Regulation Code	or “SRC”, refers to Republic Act No. 8799, or the Securities Regulation Code.
Stakeholder	refers to any individual, organization, or society at large who can either affect and/or be affected by the Company’s strategies, policies, business decisions, and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.
Stockholder	refers to individuals or entities who own shares of stock in the Company.

## **2 POWERS AND DUTIES OF THE BOARD OF DIRECTORS**

### **Governance of the Company**

It is the Board’s responsibility to foster the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its corporate objectives, and to act on a fully informed basis, in good faith, with due diligence and care, and in the best interests of the Company, all of its Stockholders, and Stakeholders.



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The Board is primarily accountable to the Stockholders and Stakeholders of the Company. It shall provide them with a balanced and comprehensive assessment of the Company's performance, position and prospects on a periodic basis through reports as may be required by law and regulation.

The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions, and responsibilities and shall oversee the development of and approve the Company's vision, mission, strategic business objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance in their implementation in order to sustain the Company's long-term viability and strength.

### **Powers and Duties**

In particular, the Board shall have the following powers and duties:

- (a) Install a process for ensuring and adopting effective selection and succession planning programs for Directors, key Officers, and Management, including a policy on retirement age to promote dynamism in the Company, to ensure a mix of competent Directors and Officers, growth and a continued increase in shareholder value;
- (b) Approve the selection of, monitor and periodically evaluate or assess the performance of the Management led by the Chief Executive Officer, and control functions led by their respective heads (Compliance Officer, Chief Risk Officer, and Chief Audit Executive) in the implementation of the above stated policies and strategies, including business plans and operating budgets;
- (c) Establish an effective performance management framework to ensure that the performance of Management, including the Chief Executive Officer, and personnel is at par with the standards set by the Board and senior Management;
- (d) Provide sound strategic policies and guidelines on major capital expenditures of the Company;
- (e) Formulate a policy that encourages alternative dispute resolution which can amicably settle conflicts or differences between the Company and its Stockholders, and between the Company and third parties, including regulatory authorities;
- (f) Adopt and ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies, which provide standards for professional and ethical behavior and articulate acceptable and unacceptable conduct and practices in internal and external dealings.

The Code of Business Conduct and Ethics shall be properly disseminated to the Board, senior Management, and employees;

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- (g) Establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to Stockholders and Stakeholders that gives a fair and complete picture of the Company's financial condition and results of business operations;
- (h) Adopt a globally-recognized standard or framework and a clear policy on the disclosure of non-financial information and reporting of sustainability and non-financial issues, with emphasis on the management of economic, environmental, social and governance issues of its business, which underpin sustainability;
- (i) Establish policies, programs, and procedures that encourage employees to actively participate in the realization of the Company's goals and in its governance, set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Business Conduct and Ethics, and disseminate the policy and program to employees across the organization through trainings to embed them in the Company's culture;
- (j) Establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices without fear of retaliation and to have direct access to an Independent Director or a unit created to handle whistleblowing concerns.

The Board shall exercise conscientiousness in establishing the framework, as well as in supervising and ensuring its enforcement;

- (k) Establish programs that can sustain the Company's long-term viability and strength;
- (l) Ensure that the Company complies with all relevant laws, regulations, and codes of best business practices;
- (m) Identify the Company's Stakeholders in the community in which it operates or are directly affected by its operations, adopt a transparent framework and process that allow them to accurately, timely, and effectively communicate with the Company, and establish clear policies and programs that promote cooperation between them and the Company and provide a mechanism for the fair treatment and protection of the Stakeholders and redress for the violation of their rights, ensuring that the Company recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Company to grow its business while contributing to the advancement of the society where it operates;
- (n) Properly discharge Board functions by meeting at such times or frequency as may be needed. Independent views during Board meetings shall be encouraged and given due consideration and all such meetings shall be duly minuted; and



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- (o) Issue, review and amend this Charter from time to time.

### **3 BOARD MEMBERSHIP AND ORGANIZATION**

#### **Composition**

The Board shall be composed of nine (9) members (or such number as shall be indicated in the By-Laws from time to time), which may be a combination of Executive Directors, Non-Executive Directors, and Independent Directors.

#### **The Board Chairman**

The Board shall be headed by a competent and qualified Chairman. The Chairman of the Board is an officer of the Company who epitomizes the mission and vision of the Company, and must possess unparalleled leadership skills and high degree of foresight.

If the Chairman of the Board is not an Independent Director, or if the positions of Chairman and Chief Executive Officer are held by one person, the Board shall designate a lead director among the Independent Directors, to serve as an intermediary between the Chairman and the other Directors when necessary.

The Chairman shall preside over all meetings of the Board and the Stockholders. In the absence of the Chairman of the Board, the Vice-Chairman shall preside over the meetings of the Board and Stockholders.

The Chairman shall have the powers and duties set forth in the By-Laws, the CG Manual and applicable laws and regulations.

#### **Vice-Chairman**

The Vice-Chairman of the Board shall preside at the meetings of the Board and Stockholders in the absence of the Chairman. He shall exercise such powers and perform such duties and functions as the Board may, from time to time, assign to him.

#### **Independent Directors**

The Company shall have at least two (2) Independent Directors or such number of Independent Directors as will constitute at least twenty percent (20%) of the members of the Board, whichever is higher.

#### **Qualifications**

The members of the Board shall possess all of the qualifications and have none of the disqualifications for membership in the Board as provided for in the By-Laws and the CG Manual, the Corporation Code, the Securities Regulation Code, and other relevant laws.





## **CHARTER OF THE BOARD OF DIRECTORS**

Moreover, Board members, who are elected as Independent Directors, must meet the qualifications of Independent Directors set out in the By-Laws and the CG Manual.

The Non-Executive Directors shall concurrently serve as Directors in a maximum of five (5) publicly-listed companies, to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals or views, and oversee the long-term strategy of the Company.

### **Induction**

The Nomination and Governance Committee shall, through the Compliance Officer, ensure that new members: (i) are appropriately introduced to the Management and the business of the Company, through an orientation program, which shall include SEC-mandated topics on Corporate Governance, (ii) are acquainted with relevant industry knowledge and economics, and (iii) receive a copy of the Articles of Incorporation, this Charter, the Code of Business Conduct and Ethics, Board Committee charters, recent Board meeting papers and Minutes, and relevant Company policies and procedures.

### **Corporate Secretary**

The Board shall appoint a Corporate Secretary who should not be a member of the Board of Directors. The Corporate Secretary shall have the qualifications, powers and duties set forth in the By-Laws, the CG Manual and applicable laws and regulations.

### **Assistant Corporate Secretary**

The Board shall appoint an Assistant Corporate Secretary, who shall act in place of, and perform the duties, of the Corporate Secretary. The Assistant Corporate Secretary shall have the qualifications, powers and duties set forth in the By-Laws.

### **Term**

The members of the Board are elected by the Stockholders of the Company at the Annual Stockholders' Meeting in accordance with the By-Laws for a term of one year, and each member shall serve until the election and acceptance of their duly qualified successors, unless removed or replaced by the Board.

### **Appointment**

The members of the Board shall be elected by the affirmative vote of Stockholders holding at least a majority of the outstanding capital stock of the Company during the Annual Stockholders' Meeting every year.



## **Vacancies**

Any vacancy occurring in the Board other than by removal or by expiration of term may be filled by the vote of at least a majority of the remaining Directors, if still constituting a quorum. Otherwise, the vacancy must be filled by the Stockholders in a regular or special meeting called for that purpose.

When the vacancy is due to the expiration of the term, the election shall be held no later than the day of such expiration at a meeting called for that purpose. When the vacancy arises as a result of removal by the Stockholders, the election may be held on the same day of the meeting authorizing the removal and this fact must be so stated in the agenda and notice of said meeting.

In all other cases, the election must be held no later than forty-five (45) days from the time the vacancy arose. A director elected to fill a vacancy shall serve only for the unexpired term of the predecessor in office.

## **Removal**

Any Director may be removed from office by a vote of the Stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock.

## **4 SPECIFIC DUTIES AND RESPONSIBILITIES OF A DIRECTOR**

### **Duties and Responsibilities**

A Director shall act in the best interests of the Company and in a manner characterized by transparency, accountability and fairness. He shall also exercise leadership, prudence, and integrity in directing the Company towards sustained progress.

The Directors shall observe the following norms of conduct:

- (a) Conduct fair business transactions with the Company and ensure that his personal interest does not conflict with the interests of the Company, including complying with the Company's policy requiring Directors and Officers to disclose or report any dealings in the Company's shares within the time and using the form prescribed;
- (b) Devote time and attention necessary to properly and effectively discharge his duties and responsibilities, and notify the Board before accepting a directorship in another company;
- (c) Act judiciously;
- (d) Exercise independent judgment;

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- (e) Have a working knowledge of the statutory and regulatory requirements affecting the Company, including its Articles of Incorporation and By-Laws, the rules and regulations of the SEC, and where applicable, the requirements of other regulatory agencies;
- (f) Observe confidentiality. Each member of the Board or the Board Committees shall keep in confidence and shall not disclose to third parties any information and documents which he received or which came to his attention in connection with his function as member of the Board or the Board Committees.

In the event there is a requirement to disclose confidential information, the member of the Board or the Board Committees shall seek prior approval from the Board. Upon the end of his term of office, the Director or a Board Committee member shall return or destroy all documents relating to the Company. Such return or destruction shall be confirmed in writing by said Director or member.

- (g) Each member of the Board and the Board Committees, and Officer of the Company is obligated to inform the Board of actual or potential conflicts of interest. In case of direct conflict of interest, i.e., a situation where a member's vote would operate to the detriment of the Company to the extent it would give an advantage to his own interests or any interest otherwise represented by him or a party related to him, the member shall abstain at his own initiative before discussing the respective matter; and
- (h) Attend and actively participate, review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations, in all meetings of the Board, of the Board committees in which he is a member, and meetings of the Stockholders in person or, if allowed by regulation, through tele-/videoconferencing/telepresence conducted in accordance with the rules and regulations of the SEC, except when justifiable causes such as illness, death in the immediate family or serious accident prevent him from doing so.

## 5 MEETINGS

### Organizational Meetings

The Organizational Meeting of the Board for the purpose of appointment of members of the Board Committees and Management, and the transaction of other business shall be held after the Annual Stockholders' Meeting.

### Regular Meetings

Regular Board Meetings shall be held once every quarter, or as often as the Board may deem practicable.

## **Special Meetings**

Special Meetings of the Board may be called by the Corporate Secretary upon order of the President, or any three (3) members of the Board.

## **Notice of Meeting**

The notice of meeting shall be sent to the members of the Board at least seven (7) days prior to the meeting. Notices of regular meetings, and any other forms of notification to be sent to the Board shall be issued by the Corporate Secretary. Notice of a meeting of the Board shall be deemed to be duly served upon a Director if it is given to him personally, or delivered to him by facsimile or electronic email.

Each member shall give to the Corporate Secretary an office address and email address for the service of notices of meetings of the Board.

## **Waiver of Notice**

Notwithstanding that a meeting is called by shorter notice, it shall be deemed to have been duly convened if it is so agreed by the Directors present in the meeting at which there is a quorum. A Director may consent to short notice and may waive notice of any meeting and any waiver may apply retrospectively.

## **Agenda**

The agenda shall be prepared by the Corporate Secretary, in consultation with the Chairman and Management.

The meeting agenda shall be prepared for every meeting and provided to the Directors, along with the briefing materials, seven (7) days before the scheduled meeting of the Board.

Requests from Management for the inclusion of matters in the agenda must be submitted to Chief Financial Officer, subject to approval of the Chairman, sufficiently in advance for the notice of meeting and agenda to be circulated simultaneously, except in cases where urgency does not allow for keeping within this time frame.

## **Venue**

The meetings of the Board shall be held at such places, either within or without the Philippines, as the Board may from time to time determine.

## **Presiding Officer**

The meetings of the Board and the Stockholders shall be chaired by the Chairman or, in his absence, by the Vice-Chairman. If both the Chairman and the Vice-Chairman are absent, either the President or the Chief Executive Officer will preside over the meeting.

## **Manner of Attendance**

Members of the Board shall be authorized to attend the Board meetings by any the following means of communication: teleconferencing, videoconferencing, web conferencing and other remote or electronic means. The requirement of presence is met if the members of the Board are able to communicate simultaneously.

## **6 QUORUM AND RESOLUTIONS**

### **Quorum and Voting**

A quorum at Board meetings shall consist of a majority of the entire membership of the Board, and a majority of those present shall be necessary to decide any matter that may come before a meeting, except the election of Directors, which requires the majority of the entire Board. A meeting shall not proceed in the absence of a quorum. The Board may require the presence of at least one (1) Independent Director in all Board meetings.

### **Voting**

The Board shall make decisions and resolutions by consensus. Where such is not possible, and except in cases where a greater vote requirement is provided in the Articles of Incorporation, By-Laws, and in applicable laws, rules and regulations, the Chairman may call for a division of the house in which case a resolution shall be passed by a simple majority of votes of the members present at such meeting. Each member, including the Chairman of the Board, shall have one (1) vote.

#### Matters that require the Affirmative Vote of PepsiCo

As provided in the Articles of Incorporation and By-Laws, and set out in the attached **Annex A**.

#### Matters that require Majority Vote of the Board

As provided in the Corporation Code, unless the Articles of Incorporation and By-Laws require the vote of 80% of the Board, and set out in the attached **Annex B**.

#### Matters that require the Vote of 80% of the Board

- (a) As provided in the Articles of Incorporation and By-Laws, and set out in the attached **Annex C**; and
- (b) Any Material Related Party Transactions, as defined in the Company's Material Related Party Transactions Policy (must include the affirmative vote of at least a majority of the Independent Directors).

## **Adoption of Resolutions**

Resolutions shall be validly adopted by the majority vote of the Directors present at a meeting at which there is a quorum, unless a higher requirement is imposed by applicable law, rules and regulations, the Articles of Incorporation or the By-Laws.

## **7 MINUTES**

Minutes of Board meetings shall be prepared by the Corporate Secretary, and signed by the Chairman and by the Directors present during said meeting.

## **Contents**

The Minutes shall contain a record of the following:

- (a) Date, place and time of the meeting;
- (b) Presence and absence of the Directors and other participants;
- (c) Name and signature of the Chairman, Corporate Secretary and the Directors present;
- (d) Wording of resolutions passed and election results, indicating the outcome of the votes and objections put on record by any Director;
- (e) Summary of the main points of the discussions;
- (f) Statements for the record made by a Director; and
- (g) Requests for information and summary of the respective replies.

## **Approval**

The minutes shall be circulated to the members of the Board within seven (7) days after the meeting and submitted for approval at the next regular Board meeting.

## **8 THE BOARD COMMITTEES**

The Board shall constitute the following standing Board Committees which shall directly report to the Board:

- (a) Audit Committee;
- (b) Nomination and Governance Committee; and
- (c) Compensation and Remuneration Committee.

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The Board may also create and appoint such other committees as it may consider necessary or advisable for the proper conduct and operation of the affairs of the Company, and prescribe their respective powers and duties.

The composition, duties and functions of the Board Committees shall be as set forth in the CG Manual and separate charters, as applicable, which form an integral part of this Charter.

### **9 INFORMATION AND RIGHT TO INFORMATION**

Management shall provide the Board with complete, adequate and timely information on the matters to be taken in Board meetings.

Any Director may request information about all matters concerning the Company, which request shall be made at least ten (10) business days before a Board meeting or before the required information is required to be delivered. Information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The Non-Executive Directors shall have separate periodic meetings with the External Auditor, and heads of the internal audit, compliance and risk functions, without any Executive Directors present, to ensure that proper checks and balances are in place within the Company, which meetings shall be chaired by the lead Independent Director.

### **10 FINAL PROVISIONS**

#### **Effectivity**

This Charter was adopted by the Board on 11 December 2019, and revised by the Board on 19 February 2024, and is immediately effective until amended, altered or varied.

#### **Review and Amendment**

This Charter shall be reviewed by the Board as and when deemed appropriate, but no less than once every two (2) years.

This Charter shall not be amended, altered, or varied unless such amendment, alteration, or variation shall have been approved by resolution of the Board.



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<b>Amendments</b>	
<b>Description</b>	<b>Date of Approval by the Board</b>
2019 Charter of the Board of Directors	11 December 2019
Revised the 2019 Charter of the Board of Directors to reflect the amendments to the Company's Articles of Incorporation and By-Laws as approved by the Securities and Exchange Commission on 29 September 2023, particularly Annexes A and C.	19 February 2024





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### Annex A

#### **MATTERS THAT REQUIRE AFFIRMATIVE VOTE OF PEPSICO**

- (1) Amendment of the Articles of Incorporation and/or By-Laws insofar as such amendment affects PepsiCo, Inc.'s rights and interests; and
- (2) The introduction of a new beverage product in alcoholic beverages category.



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**Annex B**

**MATTERS THAT REQUIRE THE MAJORITY VOTE OF THE BOARD**

- (1) Election of directors when the ground for the vacancy is not due to removal, expiration of term, or increase in number of directors.

**MATTERS THAT REQUIRE THE VOTE OF 80% OF THE BOARD OF DIRECTORS AS PROVIDED IN THE ARTICLES OF INCORPORATION AND BY-LAWS**

- (1) Sale of the business or any merger of the Company;
- (2) Disposal of any assets of the Company which have a value in excess of ten percent (10%) of the net book value of all the assets of the Company;
- (3) Substantial change in the business activities of the Company;
- (4) Any external borrowing by the Company which (i) would cause the Debt-to-Equity ratio to exceed the lower of 2.5x or 250% or any applicable ration under Company's debt covenants or (ii) the purpose of which is not to invest in the business and to return any capital to shareholders;
- (5) Issuance of any guarantee by the Company other than in the ordinary course of business and, even if in the ordinary course of business, to any Stockholder holding at least five percent (5%) of the Company's issued and outstanding capital stock, or any affiliate of any such Stockholder;
- (6) Any change in the capital structure of the Company or any capital expenditure (per project base) in excess of (A) (for non-containers) USD 10,000,000 as long as it is not a related party transaction or (B) (for containers) the average capital expenditures made in connection with containers for the three (3) immediately preceding years;
- (7) Any Related Party Transaction involving the Company involving the Company and any Stockholder holding at least five percent (5%) of the Company's issued and outstanding capital stock or its affiliate which are (i) other than on commercial arms-length terms, or in the ordinary course of business, or (ii) are in excess of the equivalent of US\$1,000,000.00;
- (8) Granting by the Company of any warrants, conversion rights or other contingent rights to equity or any other security that may dilute PepsiCo's equity ownership in the company;
- (9) Declaration or payment of dividends other than in accordance with the policy that the Company may declare and pay dividends up to 50% (or such other percentage as may be reset by the Board) of its net profits (after allowing for provision and other requirements of the Annual Operating Plan) on condition that it complies with the applicable Operating Targets as set out in the then current Annual Operating Plan and that the Company shall not declare payment of dividends until 2025;
- (10) Change of any accounting methods unless required by applicable law, regulation, or accounting standards;
- (11) Appointment of an accounting firm which is not one of the Big 4 accounting firms (Pricewaterhouse Coopers, Deloitte Touche Tohmatsu Limited, Ernst & Young and KPMG) as the external auditor of the Company; and
- (12) Introduction of any new beverage product in the alcoholic beverages category.