SEC MEMORANDUM CIRCULAR NO. 7
Series of 2026

TO : PUBLICLY-LISTED COMPANIES

SUBJECT : TERM LIMIT OF INDEPENDENT DIRECTORS

WHEREAS, Section 22 of Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines (RCCP), provides that independent directors shall be subject to rules and regulations governing their qualifications, disqualifications, voting requirements, duration of term and term limit, maximum number of board memberships and other requirements that the Securities and Exchange Commission (SEC or the Commission) may prescribe to strengthen such directors' independence and align with international best practices;

WHEREAS, Section 179 (d) of the RCCP empowers the Commission to issue rules and regulations to promote corporate governance and aligned with international best practices while at the same time opening opportunities for other qualified individuals to serve as independent directors and for other publicly listed companies to avail of the services of IDs who earlier served as IDs of other PLCs;

WHEREAS, Section 179 (m) of the RCCP further empowers the Commission to prescribe the number of independent directors and the minimum criteria in determining the independence of a director; and

WHEREAS, a draft of this circular was exposed to the public, and comments thereon were received, from 30 September 2025 to 04 December 2025;

NOW, THEREFORE, the Commission, after having thoroughly considered all the inputs from stakeholders, hereby issues the following rules on the term limit of independent directors:

Section 1. ***Coverage.*** This Memorandum Circular shall cover companies with a class of equities listed for trading with an Exchange, as defined under Section 3.7 of Republic Act 8799, otherwise known as The Securities Regulation Code (SRC).

Section 2. ***Term Limit.*** An independent director (ID) shall be elected for a term of one (1) year, and shall serve for a **maximum *cumulative* term of nine (9) years** in the same company. Unless otherwise provided herein, an ID elected as such before the effectivity of this Circular, shall be subject to the same 9-year maximum term reckoned from calendar year 2012.

2.1 Computation of Nine-Year Term Limit

2.1.1. In case of continuous or consecutive service of an ID as such, the nine-year maximum term limit shall fall on (i) the date of the Annual Stockholders' Meeting (ASM) per the by-laws of the company, or (ii) on any other ASM date priorly approved by the Commission.

2.1.2. In case of intermittent service of an ID as such, the cumulative tenure shall not exceed nine (9) years. For this purpose, on the ID's ninth year term as such, the maximum term limit shall fall on (i) the date of the ASM, per the by-laws of the company, or (ii) any other ASM date priorly approved by the Commission.

2.1.3. In case an ID is elected as non-independent director or officer of the company within the nine-year term limit, he can be elected again as an ID of the same company only after observing a cooling off period of two (2) years from the date he ceases being a non-independent director or officer, provided that the cumulative service as ID has not yet reached the nine (9) year maximum limit.

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2.1.4. Any fraction of a year exceeding six (6) months shall be considered one (1) full year, regardless of the manner or reason by which the position of ID was relinquished or vacated.

Section 3. ***Effects of Term Limit.*** An ID who has served the maximum cumulative term under Section 2 of this Circular shall be barred perpetually from re-election as an ID of the same company, without prejudice to serving as a non-independent director or officer of the same company without any cooling-off period.

Section 4. ***Continuing Qualifications.*** It shall be the obligation of the company to ensure that its IDs, at all times, possess all the qualifications and none of the disqualifications under SRC Rule 38 and other relevant rules and regulations.

In all cases, being an ID of a company is not, in itself, a ground for disqualification from serving as an ID of another company wholly owned or controlled by the former.

Section 5. ***Conflicting Regulations.*** The foregoing shall be without prejudice to pertinent rules and regulations of other regulatory agencies. In case of conflicting regulations on term limits of IDs, as provided by other regulatory agencies, the shorter maximum term shall be observed.

Section 6. ***Penalties.*** Covered companies that breach the maximum cumulative term limit per ID, per year, shall be subject to a basic penalty of One Million Pesos **(PHP1,000,000.00)** and a continuing penalty of Thirty Thousand Pesos **(PHP30,000.00)** for every month that the ID holds the seat, without prejudice to other sanctions under existing laws and regulations.

A third or succeeding offense(s) for the same violation shall be subject to suspension or revocation of the company's secondary or primary license.

Section 7. ***Exception.*** IDs of government-owned or -controlled corporations (GOCCs) shall be governed by the terms and limitations provided in their respective charters.

Section 8. ***Repealing Clause.*** SEC MC No. 9, Series of 2009, the last sentence of Recommendation 5.3 of SEC MC No. 19, Series of 2016, and all other circulars, orders, guidelines, or portions thereof, which are inconsistent with the foregoing are hereby repealed or modified accordingly.

Section 9. ***Separability Clause.*** Should any section or clause of this Circular be declared invalid, the other portions not affected shall remain in full force and effect.

Section 10. ***Transitory Provision***. Notwithstanding Section 2 hereof, incumbent IDs who have served the maximum term upon the effectivity of this Circular may continue to serve as such until the 2026 ASM of the company or on any other ASM date priorly approved by the Commission.

Section 11. ***Effectivity.*** This Circular shall take effect on **01 February 2026** after publication in two (2) newspapers of general and national circulation.

Issued this 26 January 2026 at Makati City, Philippines

For the Commission:

FRANCISCO ED. LIM
Chairperson