

# BOARD CHARTER

## INTRODUCTION

The Board Charter (the “**Charter**”) governs the relationship between the board of directors and the board committees as provided in the charters of the committees, which were approved and adopted by the board. The Charter is intended to complement or supplement the directives of the Corporation Code of the Philippines, the company’s articles of incorporation and by-laws, circulars of the Insurance Commission (IC), Securities and Exchange Commission (SEC), and other applicable laws, rules and regulations.

## SECTION 1: BOARD COMPOSITION

- 1. Number of Directors** – The company’s Board is composed of eleven (11) directors, inclusive of two (2) Independent Directors, all of whom are elected by the stockholders.
- 2. Positions** - The membership of the Board may be a combination of executive and non-executive directors (which include independent directors). The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.
- 3. Committees** - The Board shall constitute the proper committees to assist it in good corporate governance. Pursuant to its Manual on Corporate Governance, the Board must have the following committees at the minimum: (a) Audit and Risk Oversight; (b) Board; (c) Corporate Governance (with functions of Nomination and Remuneration), and (d) Executive Committee.
- 4. Board Profile** – The Board, in consultation with the Corporate Governance Committee (CG), shall be responsible to review the profile of its size and composition, considering the nature of its business and subsidiaries, and the desired expertise and background of the board members.
- 5. Independence** – The Board of Directors shall have at least two (2) independent directors or such independent directors as shall constitute at least twenty percent (20%) of the members of the Board, whichever is higher. The company may choose to have more independent directors in the Board aside from those required in the company’s By-Laws.

For this purpose, an "independent director" means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the company.

## **SECTION 2: NOMINATION AND ELECTION OF THE BOARD**

- 1. Nomination of Directors** - Any stockholder who holds at least one (1) share of stock shall be entitled to nominate and elect a candidate for Board position. Nomination of directors shall be conducted by the Corporate Governance Committee (which includes the Nomination and Remuneration Committee functions) prior to the annual stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees and shall be submitted to the Nomination and Remuneration Committee and the Corporate Secretary at least forty-five (45) days before the date of the actual meeting.

The Nomination and Remuneration Committee shall pre-screen the qualifications and prepare a Final List of all Candidates for directors and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for directors. After nomination, the Nomination and Remuneration Committee shall prepare a final list of candidates to be submitted to the Board of Directors, which shall contain all the information regarding the background and experience of the nominees required to be ascertained and made known under the relevant rules and regulations of the Securities and Exchange Commission. Said final list of candidates shall be disclosed in the reports required by law, rules, and regulations to be submitted to the Securities and Exchange Commission and to all stockholders.

Only nominees whose names appear on the final list of candidates shall be eligible for election as directors. No other nomination shall be entertained after the final list of candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting. It shall be responsibility of the Chairman of the stockholders' meeting to inform all stockholders in attendance of the mandatory qualifications and procedures for nominating and electing directors. Also, no person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the company.

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 company 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 Independent Director shall serve for a maximum cumulative term of nine (9) years starting from year. After which, the independent director shall be perpetually barred from re-election as such in the same company, but he/she may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders’ approval during the annual shareholders’ meeting.
5. **Resignation** - Any director of the company may resign at any time by giving written notice to the Chairman of the Board and the Corporate Secretary of the company. 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** - The regular meeting of the Board of Directors shall be held without notice, at the principal office of the Company or at such other place as the majority of the Directors may designate immediately after the annual meeting of the stockholders of the Company. Special Meetings of the Board of Directors may be called by the Secretary upon of the President or any two (2) members of the Board of Directors and notices shall be made in the most convenient manner, and the notice shall set the time, place and object and purpose of the same.

All regular board and committee meetings shall be tentatively scheduled immediately after the annual meeting of the stockholders of the Company.

2. **Board Attendance** – Each director must attend at least 75% of all the board meetings held during the year.
3. **Company Officers** - Officers of the Company shall be elected by the Board of Directors at their first meeting after the election of the Directors.

4. **Notice of Meetings** – The regular annual meeting of the Board of Directors shall be held without notice, at the principal office of the Company or at such other place as the majority of the Directors may designate immediately after the annual meeting of the stockholders of the Company. Special Meetings of the Board of Directors may be called by the Secretary upon call of the President or of any two (2) members of the Board of Directors and notices shall be made in the most convenient manner, and the notice shall set the time, place and object and purpose of the same.
5. **Quorum** - A quorum at any meeting of the Directors shall consist of a majority of the entire membership of the Board. A majority of such quorum shall decide any question that may come before the meeting save and except any such matters in which the laws of the Philippines may require any affirmative vote of greater proportion of the members.
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.

Directors are encouraged to attend all annual meetings of shareholders.

#### **SECTION 4: BOARD DUTIES AND RESPONSIBILITIES**

The Board of Directors is responsible to foster the long-term success of the company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the company, the stockholders and other stakeholders. To ensure a high standard of best practice for the company, 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 IC Code of Corporate Governance, the company's Manual on Corporate Governance, By-Laws and other applicable laws:

- a. Formulate the company's vision, mission, strategic objectives, policies and procedures for its operations, as well as effectively monitor Management's performance.
- b. Review, monitor and oversee the implementation of the corporate strategy at least once a year.

- c. Adopt, implement and monitor compliance with the Company's Code of Conduct.
- d. Implement the process for selection of independent directors.
- f. Regularly review, evaluate and approve long-range plans.
- g. Oversee the establishment of prescribed committees.
- h. Review and approve the Company's financial reports and forecasts.
- i. Annually assess the performance of the Chairman, President/CEO and the board members.

## **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. Ensure that the meeting agenda focuses on strategic matters, with due consideration of the business and regulatory developments, key governance concerns, and contentious issues that will significantly affect operations;
- b. Facilitates discussions on key issues by maintaining an environment conducive for open discussions and with due consideration of the skills and expertise of individual directors;
- c. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- d. Assures availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- e. Ensures the evaluation of Board performance at least once a year.
  - i. The roles of the Chairman and the CEO should, as much as practicable, be separate, to foster an appropriate balance of power, increased accountability and better capacity for independent decision making by the Board. A clear delineation of the functions between the Chairman and the CEO shall be made upon their election.
  - ii. If the positions of the Chairman and CEO are unified, proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives.

The Chairman of the Board shall also perform the following:

- a. Preside over all the meetings of the Board of Directors and the stockholders;
- b. 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. Suggest additional functions or duties to any of the officers of the company;
- d. 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 company, 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 company. He/she shall exercise the following functions:

- a. Preside the Board and stockholders' meetings in the absence of the Chairman or the Vice-Chairman;
- b. Manage and supervise the business affairs and properties of the company;
- c. Ensure that the administrative and operational policies of the company are carried out under his/her supervision and control;
- d. Subject to guidelines prescribed by law, appoint, remove, suspend or discipline employees of the company, prescribe their duties, and determine their salaries;
- e. Oversee the preparation of the budgets and the statements of accounts of the company.
- f. To prepare such statements and reports of the company as may be required of him/her by law;
- g. To represent the company at all functions and proceedings, when authorized by the Chairman of the Board or the majority of the Board of Directors;
- h. To render annual reports to the Board of Directors and to the stockholders;
- i. To perform such duties as incident to his/her office or as entrusted to him/her by the Chairman of the Board, or Board of Directors;
- j. To sign certificates of stock along with the Corporate Secretary.

In addition to the duties imposed by the Board and responsibilities provided by the Corporation's By-Laws, the President has the following duties:

- a. Formulate the company's strategic direction and implement the same;
- b. Promote the company's vision, mission, values and overall strategy;
- c. Oversee the operations of the company and manage human and financial resources accordingly;

- d. Keep up-to-date with the company's industry and market considering the core business purpose;
- e. Direct, evaluate and guide the key officers of the company;
- f. Prudently manage and balance the company's resources;
- g. Set the tone for the corporate culture; and
- i. Be the link between internal operations and external stakeholders.

## **SECTION 7: THE CORPORATE SECRETARY**

1. Ensures that the board follows correct procedures and complies with its obligations under law and the company's articles of incorporation.
2. Record all the votes and proceedings of the meeting of Stockholders and of the Board of Directors in a book kept for that purpose.
3. Take charge of the corporate seal of the company.
4. Keep at the principal office of the company the stock and transfer book and therein keep a record of all the stock, the names of stockholders alphabetically arranged with the addresses to which notices may be sent, the installments paid and unpaid on all stock for which subscription has been made and the date of payment of any installment, a statement of every alienation, sale or transfer of stock made, the date thereof and by and to whom made.
5. Safekeep and preserve the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the company.
6. Be abreast of the relevant laws, regulations, all governance issuances, relevant industry developments and operations of the company, and advise the Board and the Chairman on all relevant issues as they arise.
7. Partake in the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders.
8. Informs the Board, in accordance with the by-laws, of the agenda of their meeting, and assist members to have accurate information on matters that require their approval.
9. Attend stockholders and board meetings and assist in preparing the agenda, report of meetings, evaluations and training programs.
10. Perform such other duties as may be properly delegated to him/her.

## **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 and Risk Oversight;

- b. Related Party Transaction;
- c. Corporate Governance (with functions of the Nomination and Remuneration)

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

2. **Committee Reporting** – Each committee must promptly inform the Board of its actions and progresses.
3. **Committee Charters** - The Charters shall indicate the roles and responsibilities of the committee, its composition and manner of performing its duties. The Charters will also set forth the purposes, goals and responsibilities as well as qualifications for membership, procedures for member appointment and removal, committee structure and operations and reporting to the Board.

## **SECTION 9: COMPENSATION OF BOARD MEMBERS**

Each director shall receive a reasonable per diem for his attendance at every meeting of the Board. Subject to the approval of the stockholders owning at least a majority of the outstanding capital stock, directors may also be granted such compensation (other than per diems) provided however, that the total yearly compensation of directors, as such directors, shall not exceed ten (10%) percent of the net income before income tax of the company during the preceding year.

The form and amount of Directors' compensation will be determined and approved by the Nomination and Remuneration Committee in accordance with the policies and principles set forth in its charter, and the Compensation and Remuneration Committee will conduct an annual review of Directors' compensation.

## **SECTION 10: DIRECTORS' TRAINING AND DEVELOPMENT PROGRAM**

1. **Orientation Program** - The Company shall provide a comprehensive orientation or training for first-time directors for such number of hours and in accordance with the requirements of the IC.
2. **Continuing Education Program** - In order to facilitate the Directors' fulfillment of their responsibilities, the directors shall be provided educational programs supplemental to the initial orientation.

3. **Costs** - The costs of the orientation and any training or education shall be paid for by the company.

## **SECTION 11: ANNUAL PERFORMANCE EVALUATION OF THE BOARD and KEY OFFICERS**

The Board of Directors will conduct an annual self-evaluation to determine the effective functioning of itself and its committees. The Corporate Governance Committee shall solicit comments from all Directors and report annually to the Board. The annual performance assessment must be divided into four sets:

- a. Board Appraisal
- b. Director Appraisal
- c. Committee Appraisal
- d. Chief Executive Officer Appraisal

The Nomination and Remuneration Committee shall conduct an annual review of the performance of the board as well as the performance of individual board and the CEO. The process and the criteria in conducting the board, committees, and the CEO assessment will be formulated by the Corporate Governance Committee.

In addition, the Chief Compliance Officer, Chief Risk Officer and the Chief Audit Executive will be evaluated by their respective board committees.

## **SECTION 12: SUCCESSION PLANNING FOR MANAGEMENT**

The Board will evaluate potential successors and decide on succession strategies for the President/CEO and other executive officers of the Company. The President/CEO should always recommend for, and evaluate, potential successors, as well as review any recommended development plans for such individuals.

## **SECTION 13: OTHER PROVISIONS**

1. **Conflict of Interests** – A board member must report immediately to the Chairman any matter of conflict of interest or potential conflict of interest and shall report all relevant information on this matter under the Code of Business Conduct and Ethics.
2. **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 company for his/her personal benefit.

#### **SECTION 14: CHARTER REVIEW**

This Charter must be reviewed by the Board of Directors as often as deemed necessary in accordance with IC rules and regulations. 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 company's website.