

# **CHARTER OF THE BOARD OF DIRECTORS OF LIBERTY INSURANCE CORPORATION**

## **Section 1. INTRODUCTION**

This Charter provides the roles, responsibilities, and accountabilities of the Board of Directors of Liberty Insurance Corporation (the "Corporation") in carrying out its fiduciary duties. This serves as a guide to the directors in the performance of their functions.

## **Section 2. COMPOSITION OF THE BOARD**

### **2.1 Number of Directors**

The Corporation shall be composed of eleven (11) members who are elected by the stockholders and shall discharge their duties for a term of one (1) year or until their successors are elected and qualified.<sup>1</sup>

### **2.2 Board Competencies**

The Board shall be composed of directors with a collective working knowledge, experience, or expertise that is relevant to the Corporation's industry/sector. The Board shall always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.<sup>2</sup>

### **2.3 Board Diversity**

The Corporation believes in the principle of board diversity as a tool of corporate governance to achieve optimal decision-making. To respond to its current needs and evolving business environment and strategic direction, the Corporation shall endeavor to diversity the composition of its Board, which includes diversity on, among others, gender, age, ethnicity, culture, skills, competence, and knowledge.<sup>3</sup>

### **2.4 Independent Directors**

The Board 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 of Directors, whichever is higher.<sup>4</sup>

An "Independent Director" is a person who is independent of management and the controlling shareholder and is free from any business or other relationship which could,

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<sup>1</sup> Article VI of the Amended Articles of Incorporation; Section 9, Article III of the Amended By-Laws; Section 1.1 of the Manual on Corporate Governance

<sup>2</sup> Section 1.1 of the Manual on Corporate Governance

<sup>3</sup> Section 1.4 of the Manual on Corporate Governance

<sup>4</sup> Section 1, Article IV of the Amended by-Laws; Section 5.1 of the Manual on Corporate Governance

or could reasonably be perceived to, materially interfere with his/her exercise of independent judgment in carrying out his/her responsibilities as a director.<sup>5</sup>

### **Section 3. BOARD INDEPENDENCE AND CONFLICT OF INTEREST**

#### 3.1 Disclosure of Interest

The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a Corporation's financial condition, results, and business operations.<sup>6</sup>

The Board shall fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications and assess any potential conflicts of interest that might affect their judgment.<sup>7</sup>

#### 3.2 Dealing in Corporation's Shares

All directors and officers shall disclose/report to the Corporation any dealings in the Corporation's shares within three (3) business days.<sup>8</sup>

#### 3.3 Number of Non-Executive Directors (NED)

The Board shall be composed of a majority of non-executive directors (NED) who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.<sup>9</sup>

#### 3.4 Policy on Multiple Board Seats

The Board's non-executive directors shall concurrently serve as directors to a maximum of five (5) Insurance Commission Regulated Entities and 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 Corporation.<sup>10</sup>

A director shall notify the Board where he/she is an incumbent director before accepting a directorship in another company.<sup>11</sup>

#### 3.5 Disclosure of Remuneration

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<sup>5</sup> Section 1, Article IV of the Amended By-Laws;  
Definition of Terms in the Manual on Corporate Governance

<sup>6</sup> Section 8.1 of the Manual on Corporate Governance

<sup>7</sup> Section 8.3 of the Manual on Corporate Governance

<sup>8</sup> Section 8.2 of the Manual on Corporate Governance

<sup>9</sup> Section 1.2 of the Manual on Corporate Governance

<sup>10</sup> Section 8, Article III of the Amended By-Laws;  
Section 4.3 of the Manual on Corporate Governance

<sup>11</sup> Section 4.4 of the Manual on Corporate Governance

The Corporation shall provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report consistent with ASEAN Corporate Governance Scorecard (ACGS) and the Revised Corporation Code. The Corporation shall also disclose the remuneration on an individual basis, including termination and retirement provisions.<sup>12</sup>

#### **Section 4. ELECTION OF DIRECTORS**

##### **4.1 Nomination**

The Corporate Governance Committee shall ensure that the nominees possess the necessary qualifications and none of the disqualifications provided for by existing laws, rules & regulations, the Corporation's By-Laws, and Manual on Corporate Governance. The qualifications and disqualifications shall be continuously monitored.<sup>13</sup>

A Director must own at least ten (10) shares of stock of the Corporation, which shall stand in his name in the books at the time of his election.<sup>14</sup>

##### **4.2 Voting Procedure**

For the election of Directors, it is necessary that one-half plus one of the subscribed shares of stocks be present or represented in the stockholders' meeting.<sup>15</sup>

The Chairman of the Board shall appoint two inspectors to supervise the election of directors. The election inspector shall not be a candidate for the office of director.<sup>16</sup>

The election of the Directors shall be by ballot if requested by a stockholder.<sup>17</sup> Each stockholder entitled to vote may cast the votes to which the number of shares he owns entitles him, for as many persons as are to be elected as Directors or he/she may give to one candidate as many votes as the number of Directors to be elected multiplied by the number of his shares shall equal, or he/she may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of Directors to be elected.<sup>18</sup>

##### **4.3 Qualifications of Directors**

A candidate for Director must own at least ten (10) shares of stock of the Corporation<sup>19</sup> and possess the following qualifications:

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<sup>12</sup> Section 8.4, Manual on Corporate Governance

<sup>13</sup> Section 2.3.2 of the Manual on Corporate Governance

<sup>14</sup> Section 2, Article IV of the Amended By-Laws.

Section 2.4.1 of the Manual on Corporate Governance

<sup>15</sup> Section 5, Article III of the Amended By-Laws

<sup>16</sup> *Id.*

<sup>17</sup> Section 2.3.3 of the Manual on Corporate Governance

<sup>18</sup> Section 8, Article III of the Amended By-Laws

<sup>19</sup> Section 2, Article IV of the Amended By-Laws

- (a) Any College education or equivalent academic degree;<sup>20</sup>
- (b) Practical understanding of the business of the Corporation;<sup>21</sup>
- (c) Membership in good standing in a relevant industry, business, or professional organizations;<sup>22</sup>
- (d) Previous business experience;<sup>23</sup>
- (e) Possession of 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;<sup>24</sup>
- (f) A record of integrity and good repute;<sup>25</sup>
- (g) Sufficient time to carry out their responsibilities;<sup>26</sup>
- (h) Any Has the ability to promote a smooth interaction between board members;<sup>27</sup> and
- (i) Such other qualifications as may be required by existing laws, rules, regulations and those prescribed by the Board.<sup>28</sup>

#### 4.4 Grounds for Disqualification of Directors

The following shall be grounds for the permanent disqualification of a director:

- (a) Any person convicted by final judgment of the court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling, and theft;<sup>29</sup>
- (b) Any person who has been convicted by final judgment of the court for violation of insurance laws;<sup>30</sup>
- (c) Any person who has been judicially declared insolvent, spendthrift or unable to enter into a contract;<sup>31</sup> or
- (d) Directors, officers or employees of closed insurance companies or any insurance intermediaries who were responsible for such institution's closure as determined by the Insurance Commission;<sup>32</sup> or
- (e) Other grounds as the Insurance Commission may provide.<sup>33</sup>

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<sup>20</sup> Section 2.4.2 of the Manual on Corporate Governance

<sup>21</sup> Section 2.4.3 of the Manual on Corporate Governance

<sup>22</sup> Section 2.4.4 of the Manual on Corporate Governance

<sup>23</sup> Section 2.4.5 of the Manual on Corporate Governance

<sup>24</sup> Section 2.4.6 of the Manual on Corporate Governance

<sup>25</sup> Section 2.4.7 of the Manual on Corporate Governance

<sup>26</sup> Section 2.4.8 of the Manual on Corporate Governance

<sup>27</sup> Section 2.4.9 of the Manual on Corporate Governance

<sup>28</sup> Section 2.4.10 of the Manual on Corporate Governance

<sup>29</sup> Section 2.5.1 of the Manual on Corporate Governance

<sup>30</sup> Section 2.5.2 of the Manual on Corporate Governance

<sup>31</sup> Section 2.5.3 of the Manual on Corporate Governance

<sup>32</sup> Section 2.5.4 of the Manual on Corporate Governance

<sup>33</sup> Section 2.5.5 of the Manual on Corporate Governance

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he /she fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. The Board may provide for a temporary disqualification of a director based on any of the following grounds:<sup>34</sup>

- (a) Any person who refuses to fully disclose the extent of their business interests when required pursuant to a provision of law or of a circular, memorandum or rule, or regulation of the IC. This disqualification shall be in effect as long as the refusal persists;<sup>35</sup>
- (b) Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special of the Board of Directors during their incumbency, or any twelve (12)-month period during said incumbency. This disqualification applies for purposes of the succeeding elections;<sup>36</sup>
- (c) Any person convicted for offenses involving dishonesty, breach of contract, or violation of insurance laws but whose conviction has not yet become final and executory;<sup>37</sup>
- (d) Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;<sup>38</sup>
- (e) Directors who are disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification of the Insurance Commission.<sup>39</sup>
- (f) Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;<sup>40</sup>
- (g) Any person dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;<sup>41</sup>
- (h) Those under preventive suspension;<sup>42</sup>
- (i) Persons with derogatory records with the NBI, court, police, Interpol, and insurance authorities of other countries (for foreign directors) involving violation of any law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of an insurance director. This disqualification applies

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<sup>34</sup> Section 2.6 of the Manual on Corporate Governance

<sup>35</sup> Section 2.6.1 of the Manual on Corporate Governance

<sup>36</sup> Section 2.6.2 of the Manual on Corporate Governance

<sup>37</sup> Section 2.6.3 of the Manual on Corporate Governance

<sup>38</sup> Section 2.6.4 of the Manual on Corporate Governance

<sup>39</sup> Section 2.6.4 of the Manual on Corporate Governance

<sup>40</sup> Section 2.6.6 of the Manual on Corporate Governance

<sup>41</sup> Section 2.6.7 of the Manual on Corporate Governance

<sup>42</sup> Section 2.6.8 of the Manual on Corporate Governance

until they have cleared themselves of involvement in the alleged irregularity;<sup>43</sup>

#### 4.5 Term Limits for Independent Directors

The Board's independent directors shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from reelection as such, but may continue to qualify for nomination and election as a non-independent director. In the event that the Corporation wants to retain an independent director who has served for nine years, the Board shall provide a meritorious justification to be submitted to the Insurance Commission and approved by the shareholders during the annual shareholders' meeting.<sup>44</sup>

#### 4.6 Qualifications of Independent Directors

The Board shall ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.<sup>45</sup> An Independent Director refers to a person who, ideally:

- (a) Is not or was not a regular director, officer or employee of the Corporation, its subsidiaries, affiliates or related companies during the past three (3) years counted from the date of his election/appointment, or has not been a senior officer or employee of the Corporation unless there has been a change in the controlling ownership of the Corporation;<sup>46</sup>
- (b) Is not or was not a regular director, officer, or employee of the Corporation substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;<sup>47</sup>
- (c) Is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the Corporation, or in any of its related companies or of its majority corporate shareholders;<sup>48</sup>
- (d) Is not a relative by affinity or consanguinity within the fourth (4th) degree of a director, officer, or stockholder holding shares of stock sufficient to elect one (1) seat in the board of the Corporation or any of its related companies or of any of its substantial stockholders;<sup>49</sup>
- (e) Is not acting as a nominee or representative of any director or substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholders;<sup>50</sup>
- (f) Is not or was not retained as professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or any of its substantial

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<sup>43</sup> Section 2.6.9 of the Manual on Corporate Governance

<sup>44</sup> Section 5.3 of the Manual on Corporate Governance

<sup>45</sup> Section 5.2 of the Manual on Corporate Governance

<sup>46</sup> Section 5.2.1.1 of the Manual on Corporate Governance

<sup>47</sup> Section 5.2.1.2 of the Manual on Corporate Governance

<sup>48</sup> Section 5.2.1.3 of the Manual on Corporate Governance

<sup>49</sup> Section 5.2.1.4 of the Manual on Corporate Governance

<sup>50</sup> Section 5.2.1.5 of the Manual on Corporate Governance

shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election/appointment;<sup>51</sup>

- (g) Is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the Corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;<sup>52</sup>
- (h) Was not appointed in the Corporation, its subsidiaries, affiliates or related companies as Chairman "Emeritus", "Ex-Officio", Regular Directors, Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his election/appointment;<sup>53</sup>
- (i) Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders;<sup>54</sup> and
- (j) Is not employed as an executive officer of another company where any of the covered company's executives serve as directors.<sup>55</sup>

Related company refers to (a) the Corporation's holding/parent company; (b) its subsidiary or affiliate; (c) subsidiaries of its holding/parent company; or (d) a corporation where the Corporation or its majority stockholder own such number of shares that will allow/enable such person or group to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner.

#### 4.7 Filling of Vacancies

In case any vacancy or vacancies should occur on the Board of Directors during the period between two annual meetings due to death, resignation or other cause, the remaining Directors, constituting a quorum, may fill said vacancies by election from among the stockholders, and the stockholders so elected shall act as members of said Board until the new Board of Directors is elected.<sup>56</sup>

### **Section 5. BOARD MEETINGS**

#### 5.1 Frequency and Notice of Meetings

The Board of Directors shall designate the days when it shall meet in session, but it shall meet at least once a month. A special meeting may be convened by the Chairman or at the request of two (2) Directors.<sup>57</sup>

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<sup>51</sup> Section 5.2.1.6 of the Manual on Corporate Governance  
<sup>52</sup> Section 5.2.1.7 of the Manual on Corporate Governance  
<sup>53</sup> Section 5.2.1.8 of the Manual on Corporate Governance  
<sup>54</sup> Section 5.2.1.9 of the Manual on Corporate Governance  
<sup>55</sup> Section 5.2.1.10 of the Manual on Corporate Governance  
<sup>56</sup> Section 3, Article IV of the Amended By-Laws  
<sup>57</sup> Section 4, Article IV of the Amended By-Laws

## 5.2 Quorum

A majority of the Directors shall constitute a quorum for the holding of a meeting, and any resolution by a majority of the quorum duly convened in session shall be valid as a corporate act.<sup>58</sup>

## 5.3 Attendance

The Directors shall attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Securities and Exchange Commission. The absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his/her incumbency is a ground for disqualification in the succeeding election unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events.<sup>59</sup>

## 5.4 Chairman of the Meeting

The Chairman of the Board shall preside at all meetings of the stockholders and the Board of Directors. In the absence or inability of the Chairman, the President shall exercise all Chairman's functions and in the absence or disability of the latter, any Vice-President that the Board of Directors may designate shall act as the chairman of the meeting.<sup>60</sup>

## **Section 6. RESPONSIBILITIES OF THE BOARD**

6.1 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 Corporation and all shareholders. There are two key elements of the fiduciary duty of board members: the duty of care and the duty of loyalty. The duty of care requires board members to act on a fully informed basis, in good faith, with due diligence and care. The duty of loyalty is also of central importance; the board member shall act in the interest of the Corporation and all its shareholders, and not those of the controlling Corporation of the group or any other stakeholder.<sup>61</sup>

6.2 The Board shall oversee the development of and approve the Corporation's business objectives and strategy, and monitor their implementation, in order to sustain the Corporation's long-term viability and strength. The Board shall review and guide corporate strategy, major plans of action, risk management policies and procedures, annual budgets, and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions, and divestitures.<sup>62</sup>

6.3 The Board shall adopt an effective succession planning program for directors, key officers, and management to ensure growth and a continued increase in the

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<sup>58</sup> Section 5, Article IV of the Amended By-Laws

<sup>59</sup> Section 4.1 of the Manual on Corporate Governance

<sup>60</sup> Section 2, Article V of the Amended By-Laws; Section 2.2 of the Manual on Corporate Governance

<sup>61</sup> Section 2.1.1 of the Manual on Corporate Governance

<sup>62</sup> Section 2.1.2 of the Manual on Corporate Governance

shareholders' value. This shall include a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the Corporation.<sup>63</sup>

- 6.4 The Board shall align the remuneration of key officers and board members with the long-term interests of the Corporation. In doing so, it shall formulate and adopt a policy specifying the relationship between remuneration and performance, which includes specific financial and non-financial metrics to measure performance and set specific provisions for employees in control functions who have a significant influence on the overall risk profile of the Corporation. Further, no director shall participate in discussions or deliberations involving his/her own remuneration.<sup>64</sup>
- 6.5 The Board shall have the overall responsibility of 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.<sup>65</sup>
- 6.6 The Board shall be primarily responsible to appoint a competent management team at all times. The Board shall approve the selection and assessment of the performance of the Management led by the Chief Executive Officer (CEO), and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).<sup>66</sup>
- 6.7 The Board shall establish an effective performance management framework that will ensure the continuing fitness and propriety of Management, including the Chief Executive Officer, and personnel in carrying out their respective duties and responsibilities. This is to ensure that their performance is at par with the standards set by the Board and Senior Management.<sup>67</sup>
- 6.8 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.<sup>68</sup>
- 6.9 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.<sup>69</sup>
- 6.10 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

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<sup>63</sup> Section 2.1.3 of the Manual on Corporate Governance

<sup>64</sup> Section 2.1.4 of the Manual on Corporate Governance

<sup>65</sup> Section 2.1.5 of the Manual on Corporate Governance

<sup>66</sup> Section 2.1.6 of the Manual on Corporate Governance

<sup>67</sup> Section 2.1.7 of the Manual on Corporate Governance

<sup>68</sup> Section 2.1.8 of the Manual on Corporate Governance

<sup>69</sup> Section 2.1.9 of the Manual on Corporate Governance

Charter shall serve as a guide to the directors in the performance of their functions and shall be publicly available and posted on the Corporation's website.<sup>70</sup>

#### 6.11 Board Performance

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members, and committees. Every three years, the assessment may be supported by an external facilitator to increase objectivity.<sup>71</sup>

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.<sup>72</sup>

#### 6.12 Adherence to the Code of Conduct and Ethics

The Board shall adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code shall be properly disseminated to the Board, senior management, and employees. It shall also be disclosed and made available to the public through the Corporation website.<sup>73</sup>

The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies through a communication and awareness campaign, continuous training to reinforce the code, strict monitoring and implementation, and setting in place proper avenues where issues may be raised and addressed without fear of retribution.<sup>74</sup>

#### 6.13 Approval of the Financial Statements

The Board approves the Interim and Annual Financial Statements reviewed by the Audit Committee.<sup>75</sup>

#### 6.14 Approval of Annual Plans and Budget

The Board shall review and guide corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions and divestitures.<sup>76</sup>

### **Section 7. THE CHAIRMAN OF THE BOARD**

The Board shall be headed by a competent and qualified Chairperson. The position of Chairman of the Board and Chief Executive Officer shall be held by separate individuals and

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<sup>70</sup> Section 2.1.10 of the Manual on Corporate Governance

<sup>71</sup> Section 6.1 of the Manual on Corporate Governance

<sup>72</sup> Section 6.2 of the Manual on Corporate Governance

<sup>73</sup> Section 7.1 of the Manual on Corporate Governance

<sup>74</sup> Section 7.2 of the Manual on Corporate Governance

<sup>75</sup> Section 3.1.2.5 of the Manual on Corporate Governance

<sup>76</sup> Section 2.1.2 of the Manual on Corporate Governance

the division of responsibilities and accountabilities between the two shall be clearly defined and delineated.<sup>77</sup>

Chairman has the following duties and responsibilities:

- 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;<sup>78</sup>
- b. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;<sup>79</sup>
- c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;<sup>80</sup>
- d. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;<sup>81</sup>
- e. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors;<sup>82</sup> and
- f. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.<sup>83</sup>

## **Section 8. CORPORATE SECRETARY**

The Board must be assisted by a Corporate Secretary who shall be a separate individual from the Compliance Officer. The Corporate Secretary shall not be a member of the Board of Directors and shall annually attend a training on corporate governance. The Corporate Secretary should be a citizen and a resident of the Philippines.<sup>84</sup>

The Corporate Secretary is primarily responsible to the corporation and its shareholders, and not to the Chairman or President of the Company and has, among others, the following duties and responsibilities:

- (a) 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;<sup>85</sup>
- (b) Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;<sup>86</sup>

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<sup>77</sup> Section 2.2 of the Manual on Corporate Governance

<sup>78</sup> Section 2.2.1 of the Manual on Corporate Governance

<sup>79</sup> Section 2.2.2 of the Manual on Corporate Governance

<sup>80</sup> Section 2.2.3 of the Manual on Corporate Governance

<sup>81</sup> Section 2.2.4 of the Manual on Corporate Governance

<sup>82</sup> Section 2.2.5 of the Manual on Corporate Governance

<sup>83</sup> Section 2.2.6 of the Manual on Corporate Governance

<sup>84</sup> Section 1.5 of the Manual on Corporate Governance

<sup>85</sup> Section 1.5.1 of the Manual on Corporate Governance

<sup>86</sup> Section 1.5.2 of the Manual on Corporate Governance

- (c) 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;<sup>87</sup>
- (d) Advises on the establishment of board committees and their terms of reference;<sup>88</sup>
- (e) Prepares ballots for the annual elections;<sup>89</sup>
- (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;<sup>90</sup>
- (g) Attends all Board and stockholders' meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;<sup>91</sup>
- (h) Performs required administrative functions;<sup>92</sup>
- (i) Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements;<sup>93</sup> and
- (j) Performs such other duties and responsibilities when so required of him/her by the Board of Directors and as may be provided by the Insurance Commission.<sup>94</sup>

## **Section 9. BOARD COMMITTEES**

### **9.1 Establishing Board Committees**

Board committees shall be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions, and responsibilities of all committees established shall take into consideration the Corporation's size, risk profile, and complexity of operations, among others. The respective charter of the committees shall be made publicly available.<sup>95</sup>

### **9.2 Board Committees**

**Audit Committee:** The Board shall establish an Audit Committee to enhance its oversight capability over the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.<sup>96</sup>

**Corporate Governance Committee:** The Board shall establish a Corporate Governance Committee that shall assist the Board in the performance of its corporate governance

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<sup>87</sup> Section 1.5.3 of the Manual on Corporate Governance

<sup>88</sup> Section 1.5.4 of the Manual on Corporate Governance

<sup>89</sup> Section 6, Article V of the Amended By-Laws

<sup>90</sup> Section 1.5.5 of the Manual on Corporate Governance

<sup>91</sup> Section 1.5.6 of the Manual on Corporate Governance

<sup>92</sup> Section 1.5.7 of the Manual on Corporate Governance

<sup>93</sup> Section 1.5.8 of the Manual on Corporate Governance

<sup>94</sup> Section 6, Article V of the Amended By-Law; Section 1.5.9 of the Manual on Corporate Governance

<sup>95</sup> Section 3 of the Manual on Corporate Governance

<sup>96</sup> Section 3.1 of the Manual on Corporate Governance

responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.<sup>97</sup>

Other Committees: The Board may establish such other committees as it may deem fit, taking into careful consideration the company's size, risk profile, and complexity of operations, among other factors.<sup>98</sup>

### **Section 10. COMPENSATION OF THE BOARD**

The Board shall align the remuneration of key officers and board members with the long-term interests of the Corporation. In doing so, it shall formulate and adopt a policy specifying the relationship between remuneration and performance, which includes specific financial and non-financial metrics to measure performance and set specific provisions for employees in control functions who have a significant influence on the overall risk profile of the Corporation.

Further, no director shall participate in discussions or deliberations involving his/her own remuneration.<sup>99</sup>

### **Section 11. ORIENTATION AND CONTINUING EDUCATION PROGRAMS FOR DIRECTORS**

The Company shall provide an eight-hour orientation program for first-time directors covering SEC-mandated topics on corporate governance and an introduction to the company's business, Articles of Incorporation, and Code of Conduct.<sup>100</sup>

The Company shall also provide a four-hour relevant annual continuing training for all directors aimed to promote effective board performance and continuing qualification of the directors in carrying out their duties and responsibilities. The annual continuing program involves courses on corporate governance matters relevant to the company, including audit, internal controls, risk management, sustainability and strategy.<sup>101</sup> The topics on corporate governance, as mandated by the Insurance Commission include the following: (a) Code of Corporate Governance for IC Regulated Companies; (b) ACGS and IC Annual Corporate Governance Report;

(c) Board Responsibilities; (d) illegal activities of corporations/directors/officers; (e) Protection of minority shareholders; (f) Liabilities of directors; (g) Confidentialities; (h) Conflict of interest;

(i) Related Party Transactions; (j) Enterprise Risk management; and (k) Case studies and Financial Reporting and Audit.

**APPROVED** by the Board of Directors during the Regular Meeting held on \_\_\_\_\_  
at Makati City.

<sup>97</sup> Section 3.2 of the Manual on Corporate Governance

<sup>98</sup> Section 3.3 of the Manual on Corporate Governance

<sup>99</sup> Section 2.1.4 of the Manual on Corporate Governance

<sup>100</sup> Section 1.1.3 of the Manual on Corporate Governance

<sup>101</sup> Section 1.1.3 of the Manual on Corporate Governance

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**FERNANDO C. COJUANGCO**  
Chairman of the Board

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**ENRIQUE ROBERT C. REYES**  
Director

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**MARIA ELENA AQUINO-CRUZ**  
Director

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**JAIME C. LOPA**  
Director

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**L.I.A.A. COJUANGCO-BAUTISTA**  
Director

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**MARIA ERNESTINA C. TEOPACO**  
Director

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**RAMON V. OCAMPO**  
Independent Director

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**LEONARDO GUISON III**  
Independent Director

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**CAROL DAISY P. VELASCO**  
Director

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**JOSEFINA M. SALVADOR**  
Director

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**VIDA T. CHIONG**  
Independent Director