

## **BOARD CHARTER**

### **I. PURPOSE**

This Board Charter (the “Charter”) sets out the structure, powers, and duties of the Board of Directors (the “Board”) of **PARAMOUNT LIFE & GENERAL INSURANCE CORPORATION** (the “Corporation”) which shall supervise the affairs of the Corporation and implement policies and directives of, and exercise such powers in accordance with the principles and best practices contained in the Corporate Governance Manual and acknowledge that the same may guide the attainment of its corporate goals.

The Board is expected to support the corporate governance process through the provision of checks and balances provided in this Charter.

### **II. COMPOSITION AND SIZE OF THE BOARD**

Compliance with the principles of good corporate governance shall start with the Board of Directors. The Board of Directors of the Corporation shall consist of such number as may be fixed in the Articles of Incorporation of the Corporation and any amendment thereto.

The Board shall endeavor to include a balance of Executive and Non-Executive Directors, including independent Non-Executive Directors, such that no individual or small group of individuals can dominate the Board's decision-making power. The Board shall likewise determine whether a Director is independent in character and judgment or there are relationships or circumstances which are likely to affect the Director's judgment.

The Board may consider the adoption of guidelines on the optimum number of directorships. The Chief Executive Officer (CEO) and other executive directors shall submit themselves to a low indicative limit (four or lower) on membership in other corporate Boards. The same low limit shall apply to independent Non-Executive Directors who serve as full-time executives in other corporations. In any case, the capacity of Directors to serve with diligence shall not be compromised.

All Directors shall make decisions objectively in the interests of the Corporation. Non-executive Directors shall scrutinize the performance of Management in meeting agreed goals and objectives and monitor the performance report. They shall constructively challenge and help develop strategic proposals for the Corporation. They

shall satisfy themselves of the integrity of financial information and financial control as systems of risk management are robust and defensible.

### **III. POWERS OF THE BOARD**

Unless otherwise provided by law, and subject to the provisions of any applicable agreement involving the Corporation and/or its Shareholders, the corporate powers of the Corporation shall be exercised, all business shall be conducted, and all property of the Corporation shall be controlled and held by the Board of Directors to be elected by and from among the Shareholders. The election of the Board of Directors shall be subject to such agreement involving the Corporation and/or its Shareholders regarding representation in the Board of Directors. Without prejudice to such powers as may be granted by law and subject to the Articles of Incorporation and any applicable agreement involving the Corporation and/or its Shareholders, the Board of Directors shall also have the following expressed powers:

- A. From time to time, to make and change rules and regulations not inconsistent with the Corporation's By-Laws for the management of its business and affairs;
- B. To purchase, receive, take, or otherwise acquire for and in the name of the Corporation any and all properties, rights, or privileges, including securities and bonds of other corporations, for such consideration and upon such terms and conditions as the Board may deem proper or convenient;
- C. To invest the funds of the Corporation in other corporations or for purposes other than those for which the Corporation was organized, whenever in the judgment of the Board of Directors the interest of the Corporation would thereby be promoted, subject to such Shareholders' approval as may be required by law;
- D. To incur such indebtedness as the Board may deem necessary, to issue evidence of indebtedness including without limitation, notes, deeds of trust, bonds, debentures, or securities, subject to such Shareholders' approval as may be required by law, and/or to pledge, mortgage or otherwise encumber all or part of the properties of the Corporation;
- E. To guarantee, for and in behalf of the Corporation, obligations of other corporations or entities in which it has lawful interest;
- F. To make provisions for the discharge of obligations of the Corporation as they mature, including payment for any property, or in stocks, bonds, debentures, or other securities of the Corporation lawfully issued for the purpose;
- G. To sell, lease, exchange, assign, transfer, or otherwise dispose of any property, real or personal, belonging to the Corporation whenever in the Board's judgment, the Corporation's interest would thereby be promoted;
- H. To establish pension, retirement, bonus, or other types of incentives or compensation plans for the employees, including the officers and Directors of the Corporation;

- I. To prosecute, maintain, defend, compromise, or abandon any lawsuit in which the Corporation or its officers are either plaintiffs or defendants in connection with the business of the Corporation;
- J. To delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business of the Corporation to any standing or special committee or to any officer or agent, and to appoint any person to be agent of the Corporation with such powers and upon such terms as may be deemed fit; and,
- K. To implement the Corporation's By-Laws and to act on any matter not covered by said By-Laws, provided such matter does not require the approval or consent of the Shareholders under the Corporation Code or other applicable law.

#### **IV. MISSIONS AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS**

Pursuant to IC Circular Letter No. 31-2005, the Board of Directors shall have the following missions and responsibilities:

- A. To approve corporate philosophy and mission;
- B. To review and approve the Management's strategic and business plans;
- C. To review and approve the Corporation's financial objectives, plans and actions;
- D. To oversee the conduct of the business to ensure proper management and fair and equitable dealings with the policymakers, claimants and creditors;
- E. To identify key business risks, establish operational risk-taking limits commensurate with financial capacity and technical capabilities for the Corporation's core activities, specifically underwriting, reinsurance, and investment, taking into consideration the pertinent provisions of the Insurance Code, and ensuring the implementation of appropriate systems to manage risks within said limits;
- F. To approve corporate policies on major areas of operations, including underwriting, investments, reinsurance and claims management;
- G. To monitor corporate performance against the strategic and business plans;
- H. To review performance of Senior Management, and succession planning, including the replacement, appointment, training and remuneration of senior executive officers;
- I. To ensure the adequacy and effectiveness of internal control and management information systems, and compliance with applicable laws, rules and regulations and the Corporation's own Articles of Incorporation and By-laws;
- J. To assess its own effectiveness in fulfilling its responsibilities;
- K. To develop and implement an investor relations program or adopt shareholder communications policy for the Corporation;
- L. To select and appoint officers who are qualified to administer insurance affairs soundly and effectively and to establish an adequate selection process for all personnel;

- M. To apply fit and proper standards on personnel. He or she must have integrity, technical expertise and experience in the institution's business, either current or planned, which should be the key considerations in the selection process;
- N. To establish an appropriate compensation package for all personnel that are consistent with the interest of all its Stakeholders;
- O. To review and approve material transactions not in the Corporation's ordinary course of business;
- P. To establish a system of check and balance which applies to the Board and its members;
- Q. To establish an appropriate reporting system so that the Board can monitor, assess and control the performance of management;
- R. To present to all its members and Shareholders a balanced and understandable assessment of the Corporation's performance and financial condition;
- S. To perform other functions prescribed by law or assigned to the Board in the Corporation's Articles of Incorporation and By-laws;
- T. To foster the long-term success of the Corporation; and,
- U. To sustain the Corporation's competitiveness and profitability in a manner consistent with its corporate objective and the best interests of its stockholders and other Stakeholders.

## **V. QUALIFICATIONS OF DIRECTORS AND INDEPENDENT DIRECTORS**

### **A. The following are the qualifications of Directors:**

1. As a general rule, every Director must own at least one (1) share of the capital stock of the Corporation, which share shall stand in his name on the books of the Corporation. Any Director who ceases to be the owner of at least one (1) share of the capital stock of the Corporation shall, thereby, cease to be a Director. Pursuant to the provisions of Section 47 of the Corporation Code of the Philippines, the Corporation may provide in its By-laws for, among others, the qualifications of Directors. Hence, the By-laws of the Corporation may require that Directors shall own more than the qualifying common share in the Corporation.
2. The members of the Board of Directors of the Corporation shall possess the necessary skills, competence and experience, in terms of general management capabilities, preferably though not necessarily in the field of insurance or insurance-related disciplines.
3. In view of the fiduciary nature of insurance obligations, Directors shall also be persons of integrity and credibility.
4. Each Director shall be at least 21 years old at the time of his or her appointment.
5. Each Director must have attended a special seminar on corporate governance conducted by a training provider accredited by IC.
6. Each Director shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education.

B. The following are the qualifications of Independent Directors:

1. At least a college graduate or shall have been engaged or exposed to the business of the corporation for at least five (5) years,
2. Shall possess proven integrity, probity and independence
3. He/She is not or was not a regular director, officer or employee of the Corporation, its subsidiaries or affiliates or related interests for at least three (3) years immediately preceding his or her term or incumbency
4. He/She is not or was not a regular director, officer, or employee of the Corporation's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment
5. He/She is not an owner of more than two percent (2%) of the outstanding shares or stockholder with shares of stock sufficient to elect one (1) seat in the BOD of the corporation, or any of its related companies or of its majority corporate shareholders
6. He/She shall not be 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 BOD of the corporation or in any of its related companies or any of its substantial stockholders.
7. He/She shall not be a Director or officer of the related companies of the Corporation's majority Shareholders.
8. He/She shall not be a majority Shareholder of the Corporation, any of its related companies, or of its majority Shareholder.
9. He/She shall not be acting as nominee or representative of any Director or substantial Shareholder of the Corporation, any of its related companies, or any of its substantial Shareholders.
10. He is not or was not retained as professional advisor, auditor, consultant, agent or counsel of the covered entity, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election/appointment.
11. He is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer.
12. He/She shall be independent of management and free from any business or other relationships with the Corporation or any of its major Shareholders which could materially interfere with the exercise of his judgment, i.e. has not engaged and does not engage in any transaction with the institution, or any of its related companies or any of its substantial Shareholders, whether by himself or with other persons or through a firm of which he is a partner, Director or a Shareholder, other than transactions which are conducted at arms length and could not materially interfere with or influence the exercise of his judgment.

13. He/She was not appointed in the corporation, its subsidiaries, affiliates or related companies as Chairman "Emeritus". "Ex-Officio", Regular Directors, Officers, or Member of any Advisory Board, or otherwise appointed in a capacity to assist the BOD in the performance of its duties and responsibilities during the past three (3) years counted from the date of his election appointment;
14. He/She is not affiliated with any non-profit organization that receives significant funding from the corporation or any of its related companies or substantial shareholder
15. He/She is not employed as an executive officer of another company where any of the covered entity's executives serve as regular directors.

C. Number of Seats of Independent Director in the Board:

1. The Corporation must have at least two (2) independent directors or twenty percent (20%) of the members of the Board, whichever is higher.
2. Any fractional result from applying the foregoing required minimum proportion shall be rounded off to the nearest whole number.
3. In case of failure to comply with the required seat number for independent directors, a formal written justification for non-compliance must be submitted by the Corporation before the Insurance Commission for its consideration and/or approval.

D. The following are term limits for Independent Directors:

1. An Independent Director shall serve for a maximum cumulative term of nine (9) years. After serving as Independent Director for nine (9) years, he/she shall be perpetually barred from being elected as such in the Corporation, without prejudice to being elected as Independent Director in other corporations outside of the business conglomerate, but may continue therein as a non-independent director.
2. As an exception, the Independent Director may still continue to serve as such for more than nine (9) years, provided that the Board submits to IC a formal written justification and must, in addition thereto, acquire the majority of the shareholders approval in an annual meeting.

## **VI. DUTIES AND RESPONSIBILITIES OF DIRECTORS AND INDEPENDENT DIRECTORS**

A Director's office is one of trust and confidence. He or she shall act in a manner characterized by transparency, accountability and fairness. A Director shall have the following duties and responsibilities:

- A. To conduct fair business transactions with the Corporation and to ensure that personal interest does not affect Board decisions;

- B. Should not use his or her position to make profit or to acquire benefit or advantage for himself/herself and/or his or her related interests. Thus, he or she should avoid situations that may give rise to a conflict of interest and compromise his or her impartiality;
- C. To devote time and attention necessary to properly discharge his or her duties and responsibilities. A Director should devote sufficient time to familiarize himself or herself with the Corporation's condition and be knowledgeable enough to contribute meaningfully to the Board's work. He or she should attend and actively participate in Board and committee meetings, request and review meeting materials and seek clarifications when necessary;
- D. To act judiciously. Before deciding on any matter brought before the Board of Directors, he or she should thoroughly evaluate the issues, ask questions and seek clarifications when necessary;
- E. To exercise independent judgment. A Director should view each problem/situation objectively. When a disagreement with others occurs, he or she should carefully evaluate the situation and state his or her position. Corollary thereto, he or she should support plans and ideas that he or she thinks are beneficial to the Corporation;
- F. To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-laws, the requirements of the Securities and Exchange Commission (SEC), IC and where applicable, the requirements of other regulatory agencies. He or she should keep himself or herself informed of industry developments and business trends in order to safeguard the Corporation's competitiveness;
- G. To observe confidentiality. A Director should observe confidentiality of non-public information acquired by reason of his or her position as Director. He or she should not disclose said information to any person without the authority of the Board; and,
- H. To notify the Board through a written notice before accepting a directorship in another company.
- I. To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

## **VII. APPOINTMENTS TO THE BOARD**

There shall be formal, rigorous and transparent procedures for the selection and appointment of new directors to the Board. Appointments to the Board shall be made on merit and against subjective criteria. Careful deliberation and consideration shall be done to ensure that appointees have enough time for the job. This is particularly important in the case of Chairmanship. Plans shall be in place for orderly succession to the Board and that of the Senior Management level in order to maintain a balance of appropriate skills and experiences within the Corporation.



## **VIII. ELECTION/RE-ELECTION AND TERM**

All Directors shall be subject to votation by Shareholders at the Annual Shareholders' Meeting after their nomination, and shall hold office for one year and until their successors are elected and qualified. The sole right to nominate the members of the Board, which may have been reserved to a Shareholder under such agreement involving the Corporation and/or its Shareholders, shall be respected. The names of Directors submitted for election or re-election shall be accompanied by sufficient biographical details and any other relevant information to enable Shareholders to have knowledge of their decision on their election.

Each Director shall represent all Shareholders and shall be in a position to participate independently and objectively.

## **IX. BOARD REMUNERATION**

Levels of remuneration shall be sufficient to attract and retain the quality of Directors to run the Corporation successfully. A significant proportion of the Executive Directors' remuneration shall be so structured as to link rewards to corporate and individual performance. The performance-related elements of remuneration shall form a significant proportion of the total remuneration package of Executive Directors and shall be designed to align their interests with those of Shareholders and to give them keen incentives to perform at the highest levels.

On the other hand, levels of remuneration of Non-Executive Directors shall reflect their experiences, responsibilities, and performances. Remuneration for Non-Executive Directors shall not include share options. If options are granted, Shareholders' approval shall be sought in advance and any share acquired by way of an exercise of an option shall be held until at least one year after the Non-Executive Director leaves the Board. Holding of share options is relevant to determine the Non-Executive Director's independence.

Notice or contract periods shall be set at least one year or less. If it is necessary to offer longer notice or contract periods to new Directors recruited from outside, such periods shall be reduced to one year or less after the initial period.

There shall be formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages for individual Directors. No Director shall be involved in deciding his or her own remunerations.

The Corporation's financial report and/or proxy statements shall contain a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.



The Board shall also review the existing Human Resources Development or Personnel Handbook to strengthen provisions on conflict of interest, salaries and benefit policies, promotion, and career advancement directories and compliance of the personnel concerned with all statutory requirements that must be periodically met in their respective posts.

## **X. PERFORMANCE EVALUATION**

A formal and extensive annual self-assessment and evaluation of the Board's own performance, its committees and individual Directors shall be undertaken through the Board Self-Evaluation Questionnaire and Board Committee Evaluation Sheet. This is to enable the Board to hold itself, its members, and its processes accountable and to be able to identify areas for improvement between its current performance and expected performance and/or further progress.

The Chairman shall act on the results of the self-assessment and performance evaluation by recognizing the strengths and addressing the weaknesses of each Director. He may propose the appointment of new members to the Board or seek the resignation of Directors.

Performance evaluation of the Board, its committees and its individual Directors shall be conducted and reported. Meanwhile, performance evaluation of the Chairman shall be made by Non-Executive Directors, led by the senior independent Director, taking into account the views of Executive Directors.

## **XI. INFORMATION AND PROFESSIONAL DEVELOPMENT**

The Chairman shall be responsible for ensuring that the Directors receive accurate, timely, and complete information and that they continually update their skills, knowledge, and familiarity with the Corporation's goals in order to fulfill their roles in the Board and/or Board Committees. He or she shall likewise ensure that the Corporation provides adequate orientation process for new Directors. The Corporation shall provide the necessary resources required in developing and updating its Directors' knowledge and capabilities.

## **XII. BOARD COMMITTEES**

To aid in complying with the principles of good corporate governance, the Board of Directors shall constitute committees. Each of the Board Committees shall report regularly to the Board of Directors and its performance be assessed annually using the Board Committee Evaluation Sheet above-mentioned.

## **1. Executive Committee**

The Board shall establish an Executive Committee to supervise the affairs of the Corporation and to implement such policies and directives of, and exercise such powers as may be delegated to it by, the Board, during the intervals between the meetings of Directors. Subject to the approval and/or revision by the Board, this Committee shall, during such intervals, possess and exercise all the powers of the Board in the management of all the business, affairs, and property of the Corporation.

The Executive Committee shall be composed of the President and at least three other members to be selected by the Board. Three members of the Committee shall constitute a quorum for the transaction of business.

## **2. Audit Committee**

The Audit Committee shall be composed of at least three members selected by the Board who have adequate understanding or competence of the Corporation's financial management systems and environment. It shall perform the following functions, in addition to such other functions as may be delegated upon it by the Board of Directors:

- A. To check all financial reports against their compliance with both the internal financial management handbook and pertinent accounting standards;
- B. To perform oversight financial management functions, specifically in the areas of managing the credit, market, liquidity, operational, legal, and other risks of the Corporation;
- C. To pre-approve all plans, scope, and frequency of audits before the conduct of external audit;
- D. To perform direct interface functions with the internal and external auditors; and,
- E. To endeavor to elevate the Corporation's accounting and auditing processes, practices, and methodologies to international standards.

## **3. Compensation Committee**

The Compensation Committee shall be composed of at least three members selected by the Board, one of whom shall be the Human Resources Dir (who may or may not be a voting member of the Committee). It shall have the following functions, in addition to such other functions as may be delegated upon it by the Board, and such other functions as may be imposed by law or regulations:

- A. To establish a formal and transparent procedure for developing a policy on executive remuneration, ensuring that compensation is in a sufficient level to attract and retain executives needed to run the Corporation successfully, links rewards to corporate and individual performance, and in general is consistent with the Corporation's culture, strategy, and control environment;
- B. To develop a form for "Full Business Interest Disclosure" as part of the pre-employment requirements for all incoming executives which, among others, compel all executives to declare all their existing business interests or shareholdings that may directly or indirectly conflict with their duties to the Corporation; and,
- C. To cause the enactment of a Personnel Handbook which shall contain policies and rules on conflict of interest, salaries, benefits, promotion, career advancement, and discipline, among others.

#### **4. Nomination Committee**

The Nomination Committee shall be composed of at least three members selected by the Board. It shall review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board. It should prepare a description of the roles and capabilities required of a particular appointment.

The Nomination Committee shall consider the following guidelines in the determination of the number of directorship for the Board;

- A. Nature of the business of the corporation, where he is a Director;
- B. Age of the Director;
- C. Number of directorships/active memberships and officerships in other corporations; and,
- D. Possible conflicts of interest.

#### **5. Other Committees**

The Board of Directors may establish or appoint any other committees which severally shall have and exercise such powers and duties as shall be conferred upon them respectively by the Board.

### **XIII. CHAIRMAN OF THE BOARD**

The Chairman of the Board is under a duty to exercise his or her powers in utmost good faith and shall have the responsibility for the formulation of corporate policies. His or her functions shall consist as follows:

- A. To preside at the meetings of the Directors and Shareholders;
- B. To ensure that the views of the Shareholders are communicated to the Board;
- C. To discuss governance and strategies with major Shareholders;
- D. To represent the Corporation at all functions and proceedings,
- E. To execute on behalf of the Corporation all contracts, agreements, and other instruments affecting its interests which require the approval of the Board, except as otherwise directed by the Board; and,
- F. To perform such other duties as are incidental to his or her office or are entrusted to him or her by the Board.

If the positions of Chairman and Chief Executive Officer (CEO) are not separate and matters for resolution of the Board involve the accountability of Management and there is a perceived conflict of interest in relation thereto, the appointed Lead Independent Director (LID), from among the Independent Directors, shall temporarily preside in the meeting to ensure the independence of the Board.

### **XIV. CHIEF EXECUTIVE OFFICER (CEO)**

The Chief Executive Officer (CEO) having the ultimate accountability for the Corporation's organizational and procedural controls shall have the following roles and responsibilities, among others:

- A. Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;
- B. Communicates and implements the corporation's vision, mission and values and overall strategy and promotes any organization or stakeholder change in relation to the same.
- C. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
- D. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
- E. Directs, evaluates and guides the work of the key officers of the corporation;
- F. Manages the corporation's resources prudently and ensure a proper balance of the same;

- G. Provides the Board with timely information and interfaces between the Board and the employees;
- H. Builds the corporate culture and motivates the employees of the corporation; and
- I. Serves as the link between internal operations and external stakeholders.
- J. Perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.

## **XV. CORPORATE SECRETARY**

The Secretary must be a resident and a citizen of the Philippines. He or she shall be the custodian of and shall maintain the corporate books and records and shall be the recorder of the Corporation's formal actions and transaction. He or she shall have the following specific powers and duties:

- A. To record and see to the proper recording of the minutes and transactions of all meetings of the Directors and Shareholders and maintain minute books of such meetings in the form and manner required by law;
- B. To keep or cause to be kept record books showing the details required by law with respect to the Certificates of Shares of the Corporation, including ledgers and transfer books showing all the Shares of the Corporation subscribed, issued, and transferred;
- C. To keep the corporate seal and affix it to all papers and documents requiring a seal, and attest by his or her signature to all corporate documents requiring the same;
- D. To attend to the giving and serving of all notices of the Corporation required by law or its By-Laws;
- E. To certify such corporate acts, countersign corporate documents or certificates, and make reports and statements as may be required of him or her by law or by government rules and regulations;
- F. To act as the inspector at the election of Directors and, as such, to determine the number of shares outstanding and entitled to vote, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots, or consents, hear and determine all challenges and questions arising in connection with the right to vote, count, and tabulate all votes, ballots, or consents, determine the result and do such acts as are proper to conduct the election or vote. The Secretary may assign the exercise or performance of any or all of the foregoing duties, powers, and functions to any other person or persons, subject to his supervision and control; and,
- G. To perform such other duties as are incident to his office or as may be assigned to him by the Board or the President.

## **XVI. INTERNAL CONTROL AND RISK MANAGEMENT**

### **1. Control Environment of the Corporation**

The control environment of the Corporation is composed of: (i) the Board of Directors which ensures that the Corporation is appropriately and effectively managed and controlled; (ii) a Management that actively manages and operates the Corporation in a sound and prudent manner; (iii) the organizational and procedural controls supported by an effective management information system and risk management reporting system; and, (iv) the independent audit mechanisms to monitor the adequacy and effectiveness of the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations and contracts.

The Board shall ensure that an effective system of control is in place for safeguarding the Corporation's assets. Major risks facing the Corporation which are likely to affect its performance and financial condition (including but not limited to underwriting risk, reinsurance risks, investment risk, geographical risk, operational risk, and legal risk) and the approach taken by Management in dealing with these risks, shall be reported to the Board to enable the latter to effectively address said risks.

### **2. Internal Control Responsibilities of the Board**

The minimum internal control mechanisms for the Board of Directors' oversight responsibility may include:

- A. Defining the duties and responsibilities of the CEO;
- B. Selecting or approving an individual with appropriate ability, integrity and experience to fill the CEO role;
- C. Reviewing proposed Senior Management appointments;
- D. Regularly reviewing the system of securing adherence to key internal policies as well as significant laws and regulations that apply to it. An effective and comprehensive internal audit of the Corporation's internal control system shall be carried out by independent and competent staff. Audit findings and recommendations shall be reported to the Board and the Senior Management level of the Corporation;
- E. Protecting Shareholders' value through adequate financial controls. The Board shall foster and encourage a corporate environment of strong internal control, fiscal accountability, high ethical standards and compliance with the law and code of conduct;
- F. Ensuring the selection, appointment and retention of qualified and competent Management; and,

- G. Reviewing the Corporation's personnel and human resource policies and sufficiency, conflict of interest situations, changes to the compensation plan for employees and Officers, and Management succession plan.

### **3. Risk Management Responsibilities of the Board**

The responsibilities of the Board in connection with risk management related matters are as follows:

- A. To review and consider the risk management policies of the Corporation from time to time and recommend appropriate changes, if necessary;
- B. To undertake a periodic review of delegated authorization and control levels; and,
- C. To review, with the Senior Management, key policies and procedures for the effective identification, measurement, monitoring, and controlling of different forms of risk such as operational, financial, and strategic risks, in consultation with concerned department heads of the Corporation.

## **XVII. ANNUAL STOCKHOLDERS MEETING**

The Board shall use the Annual General Meeting or Annual Stockholders' Meeting to communicate with investors, including institutional investors, and encourage their participation. The Corporation shall count all proxy votes and, except where a poll is called, shall indicate the level of proxies lodged on each resolution, and the balance for and against the resolution and the number of abstentions, after it has been dealt with on a show of hands. The Corporation shall ensure that votes cast are properly received and recorded.

The Board shall propose a separate resolution at the Annual Stockholders' Meeting on each material issue. The Chairman, Directors, and members of the Audit, Compensation, and Nomination Committees shall be present at the Annual Stockholders' Meeting to answer questions. Notices including the latest annual financial statements of the Corporation shall be given to Shareholders at least 15 days in advance.

## **XVIII. AMENDMENT**

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