

**BOARD CHARTER**  
**RELIANCE SURETY & INSURANCE CO., INC.**

**I. Introduction and Purpose**

This board charter (“Board Charter”) is a charter of the Board of Directors (“the Board”) of Reliance Surety & Insurance Co., Inc. (“RSICI”, the “company”).

The Board is accountable to shareholders and other stakeholders for the proper corporate governance and performance of the Company and is committed to strengthen the Company’s sustainability and organizational effectiveness.

This Board Charter is established to promote high standards of corporate governance and is designed to provide guidance and clarity for the Board and management with regard to the role of the Board and its committees. This Board Charter shall form an integral part of each Board member’s duties, authority and responsibilities.

This charter may be amended from time to time as required, subject to approval by the Board.

**A. BOARD OF DIRECTORS**

The Board of Directors is the overall responsible for the management of the Corporation’s business and shall determine its strategies, policies and guidelines and for monitoring compliance with such policies. The Board shall also ensure that the objectives of RSICI are furthered in accordance with the Corporation’s Articles of Incorporation and By-Laws.

**1. Composition of the Board**

- 1.1. The Board shall be composed of nine (9) members in accordance with the amended By- Laws of the corporation, the majority of which shall be non-executive directors who are elected during each regular stockholders meeting and shall serve for one (1) year and until their successors are elected and qualified in accordance with the By-Laws of the Corporation.
- 1.2. The Board shall adopt a policy on diversity which will aim to achieve a board composition with collective working knowledge, personal and professional capabilities including business experience and the specific expertise that is relevant to the insurance industry. It shall always ensure that it has an appropriate mix of competence and expertise to enable them remain qualified for their positions individually and collectively and to fulfill its roles and responsibilities to respond to the needs of the organization.

**2. Qualification for or Disqualifications from Directorship**

**2.1. Qualifications of a Director**

- a) Ownership of at least one (1) share of the capital stock of the Corporation;
- b) A college degree or its equivalent or adequate understanding of the insurance industry or sufficient experience and competence in managing a business to substitute for such formal education;

- c) At least twenty-five (25) years old at the time of his election or appointment;
- d) Possess integrity, probity and shall be diligent and assiduous in the performance of his functions.

## 2.2. **Permanent Disqualifications of a Director**

Any of the following shall be a ground for the permanent disqualification of a Director:

- a) Any person convicted by final judgment or order of a competent judicial or administrative body of any crime that:
  - i. involves the purchase or sale of securities as defined in the Securities and Regulation Code;
  - ii. arises out of the person's conduct as an underwriter, broker, dealer, investment corporation, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, floor broker; and
  - iii. arises out of his relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- b) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities Exchange Commission (SEC), Bangko Sentral ng Pilipinas (BSP) or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or as investment company; or (c) engaging in or continuing any conduct or practice in any of the capacities mentioned above, or willfully violating the laws that govern securities and banking activities;

The disqualification shall also apply if such person is currently the subject of an order of the SEC or BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, the Securities Regulation Code or any other law administered by the SEC, or under any rule or regulation issued by the SEC or BSP, or Insurance Commission (IC), or has otherwise been restrained from engaging in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- c) Any person finally convicted judicially of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false oath, perjury or other fraudulent acts or transgressions;

- d) Any person finally found by the SEC, BSP or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code of the Philippines, or any other law administered by the SEC, or any rule, regulation or order of the SEC or BSP or who has filed a materially false or misleading application, report or registration statement required by the SEC, or any rule, regulation or order of the SEC;
- e) Any person judicially declared to be insolvent;
- f) Any person finally found guilty by final judgment or order by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated previously;
- g) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment; and
- h) 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.

### **2.3. Temporary Disqualifications of a Director**

Any of the following are grounds for temporary disqualification of incumbent directors:

- a) Refusal to fully disclose the extent of his business interests or any material information as required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as his refusal persists;
- b) Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all regular and special meetings of the Board of Directors during his incumbency, or any twelve (12)-month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;
- c) Dismissal or termination for cause as Director of any corporation covered by the Corporation Code. This disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
- d) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with; and
- e) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

The temporary disqualification shall be at the discretion of the Board and shall require a resolution of a majority of the Board. The temporarily disqualified director shall, within sixty (60) business days from such disqualification take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

### **3. General Responsibilities of the Board of Directors**

The Board of Directors shall:

- 3.1. Act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and all shareholders in manner characterized by transparency, accountability, and fairness. The Board shall exercise leadership, prudence, and integrity in directing the Corporation towards its corporate goals;
- 3.2. Foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives, for the best interest of the Company, its stockholders and other stakeholders;
- 3.3. Formulate, review, oversee, approve and monitor the implementation of RSICI's vision, mission, strategic objectives, policies and procedures that shall guide its activities in order to sustain the company's long-term viability and strength;
- 3.4. Oversee the implementation of risk governance framework, the system of checks and balances, and the establishment of a sound corporate governance framework;
- 3.5. Approve the selection of and assess the performance of the Management led by the President or Chief Executive Officer (CEO) and the heads of the other control functions including the Chief Risk Officer (CRO), Chief Compliance Officer and Chief Audit Executive (CAE). Further, the Board shall establish an effective performance management framework that will ensure that the Management, including the Chief Executive Officer and other personnel's performance is at par with the standards set by the Board and Senior Management;
- 3.6. Keep board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and existing laws, rules and regulations.

### **4. Specific Duties and Responsibilities of a Board Director**

As a member of the Board, each director shall:

- 4.1. Adopts a Code of Business Conduct and Ethics and ensures the proper and efficient implementation and monitoring, which provides standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company;
- 4.2. Adopt and implement a policy for the nomination and selection of directors who can add value and contribute independent judgement to the formulation of sound corporate strategies and ensure diversity in board composition in terms of knowledge, expertise and experience;

- 4.3. Ensure there is a corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans, corporate performance objectives, and oversee major capital expenditures, acquisitions and divestitures;
- 4.4. Ensure and maintain an independent audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operations, and information systems, including reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, and regulations and contracts;
- 4.5. Ensure and oversee the implementation of a group-wide policy and system governing Related Party transactions (RPTs) and other unusual or infrequently occurring transactions. The policy shall include, among others, the appropriate review and approval of material or significant RPTs which guarantee fairness and transparency of the transactions and taking into account the size, structure, risk profile and complexity of operations;
- 4.6. Oversees that the company has in place a sound Enterprise Risk Management (ERM) framework to effectively identify, monitor, assess and manage key business risks associated with RSICI's objectives and implements appropriate strategies, systems and programs to manage these risks;
- 4.7. Review the company's human policies and conflict of interest situations, including the selection and appointment of qualified and competent management officers;
- 4.8. Oversee the adoption of an effective succession planning and professional development program which includes a policy on the retirement age, to ensure growth and a continued increase in the shareholders' value;
- 4.9. Formulate and adopt a remuneration policy specifying the relationship between remuneration and performance of employees and Management that consider, among others, the level of remuneration as commensurate to the responsibilities of the role. The Board shall ensure that no director shall participate in discussions or deliberations involving his own remuneration;
- 4.10. Encourage environmental concern, sustainability and social responsibility among shareholders, stakeholders and employees. The corporate governance proactive culture begins at the Board level.
- 4.11. Motivate the Corporation to participate in domestic or regional corporate governance forums, conferences, fellowships, initiatives, such as, corporate governance scorecards, as an instrument to raise corporate governance policies and practices and ensure that these remains relevant and updated;
- 4.12. Ensures that the Company is properly and effectively managed and supervised by ensuring that Management actively manages and operates the Company in a sound and prudent manner;
- 4.13. Properly discharge Board functions by meeting at such times or frequency as may be needed. Independent views during Board meetings should be encouraged and given due consideration and all such meetings shall have a minutes of the meeting;

- 4.14. Ensure that RSICI complies and operates at all times within the applicable laws and regulations, and to the highest ethical and moral standards;
- 4.15. Adopt and preserve a system of checks and balances. A regular review to ensure effectiveness and the integrity of the decision making and reporting process at all times. There should be a continuing review of the Company's internal control system in order to maintain its adequacy and effectiveness;
- 4.16. Approve financial reports and annual financial statements, and approve their release by Management;
- 4.17. Approve the appointment of Independent Auditors, in accordance with the recommendation of the Audit Committee;
- 4.18. Establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities while taking into account the optimal mix of skills and experience to allow the committee members to fully understand, be critical and objectively evaluate the issues;
- 4.19. Ensure that established committees maintains appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions;
- 4.20. Assess and conducts at least annually the Board performance and effectiveness as a body, as well as its various committees, the chief executive officer, the individual directors, and the company itself; regularly review the composition of the board in view of having a balanced membership;
- 4.21. Approve, review and update at least annually or whenever there are new policies or material amendments to existing corporate policies, the respective charters of each committee or other documents that set out its mandate, scope and working procedures and implement such significant changes therein;
- 4.22. Establishes and maintain a transparent corporate disclosure policies and procedures to ensure that shareholders and other stakeholders are keep informed of important developments of the company's financial condition, results and business operation;
- 4.23. Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its shareholders, and the Corporation and third parties, which may involve the submission of such conflict to mediation pursuant to the Alternative Dispute Resolution Act of the Philippines and to arbitration in accordance with the Philippine Arbitration Law.

## 5. Specific Duties and Responsibilities of a Director

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

A Director should observe the following norms of conduct:

- 5.1. To remain fit and proper for the position for the duration of his term. A director is expected to remain fit and proper for the position for the duration of his term. He should possess unquestionable credibility to make decisions objectively and resist undue influence. He shall treat board directorship as a profession and shall have a clear understanding of his duties and responsibilities as well as his role in promoting good governance. Hence, he shall maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities that the company is engaged in or intends to pursue as well as the developments in the insurance industry including regulatory changes through continuing education or training;
- 5.2. To conduct fair business transactions with the company and to ensure that personal interest or that of his colleagues does not bias board decisions. Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institution cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that would compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a Director, he should fully and immediately disclose it and should not participate in the decision-making process. A Director who has a continuing material conflict of interest should seriously consider resigning from his position;
- 5.3. To act honestly and in good faith with loyalty and in the best interest of the company, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and the general public. A director must always act in good faith, with the care which an ordinarily prudent man would exercise under similar circumstances. While a director should always strive to promote the interest of all stockholders, he should also give due regard to the rights and interests of other stakeholders;
- 5.4. To devote time and attention necessary to properly discharge their duties and responsibilities. Directors should devote sufficient time to familiarize themselves with the company's business. They must be constantly aware of the company's condition and be knowledgeable enough to contribute meaningfully to the board's work. They must attend and actively participate in board and committee meetings, request and review meeting materials, ask questions, and request explanations. If a person cannot give sufficient time and attention to the affairs of the institution, he should neither accept his nomination nor run for election as member of the board;
- 5.5. To act judiciously after thorough consideration of all aspect of each matter for resolution. Before deciding on any matter brought before the Board of Directors,

every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary;

- 5.6. To contribute significantly to the decision-making process of the board. Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of such board;
- 5.7. To exercise independent judgment. A director should view each problem or situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollary, he should support plans and ideas that he thinks will be beneficial to the Company;
- 5.8. To have a working knowledge of the statutory and regulatory requirements affecting the company, including the contents of its Amended Articles of Incorporation and Amended By-Laws, the requirements of the IC, SEC and where applicable, the requirements of other regulatory agencies. A director should also keep himself informed of the industry developments and business trends in order to safeguard the company's competitiveness; and
- 5.9. To observe confidentiality. Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. Director should not reveal confidential information to unauthorized persons without the authority of the Board.

## **B. CORPORATE SECRETARY**

### **1. Qualification**

- 1.1. The Corporate Secretary, shall be a Filipino citizen and a resident of the Philippines, is an officer of the Company appointed by the Board. The Corporate Secretary shall be a separate individual from the Compliance Officer, not a member of the Board of Directors and shall annually attend training/s on corporate governance;
- 1.2. The Corporate Secretary must possess appropriate administrative and interpersonal skills, and if he is not the general counsel, must have some legal skills. He/she must also have a working knowledge of the operations of the Company and be aware of the laws, rules, and regulations necessary in the performance of his duties and responsibilities.

### **2. Duties and Responsibilities of the Corporate Secretary:**

- 2.1. To record minutes and transactions of all meetings of the directors and the stockholders and maintain minute books of such meetings in the form and manner required by law;
- 2.2. Responsible for the safekeeping and preservation of the integrity of the Minutes of the Meetings of the Board and its committees as well as the other official records of the Corporation;

- 2.3. To keep record books showing the details required by law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the Corporation subscribed, issued and transferred;
- 2.4. To keep the corporate seal and affix it to all papers and documents requiring a seal and to attest by his signature all corporate documents requiring the same;
- 2.5. To attend to the giving and serving of all notices of the corporation required by law including notifying the parties concerned of any Stockholders and Board meetings;
- 2.6. Inform the members of the Board, in accordance with the Amended By-Laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- 2.7. To certify to such corporate acts, countersign corporate documents or certificates and make reports or statements as may be required of him by law or by government rules and regulations;
- 2.8. To act as inspector at the election of directors and as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock 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 questions in connections with the right to vote, count and tabulate all votes, determine the result, and do such acts as are proper to conduct the election;
- 2.9. Advise and assist Directors with respect to their duties and responsibilities;
- 2.10. Ensure that the Corporation complies with its governing legislation and By-Laws;
- 2.11. Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Corporation, and advise the Board and the Chairman on all relevant issues as they arise;
- 2.12. Work fairly and objectively and contribute to the flow of information between the Board, management and shareholders;
- 2.13. Review the By-Laws as required to ensure their continued adequacy and relevance, and provide recommendations to the Board and Committee on necessary revisions;
- 2.14. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- 2.15. Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- 2.16. Provide proper assistance to the Members of the Board during all Board and Stockholders' meetings while they are in the performance of their duties and responsibilities under the law and the By-Laws;
- 2.17. Assists the directors in attending seminars, training or development programs;

- 2.18. Carry out any other appropriate duties and responsibilities as may be assigned by the Board, Board Chair, Committee, Committee Chair or the President/CEO;

## **C. COMPLIANCE OFFICER**

### **1. Qualification**

- 1.1. To ensure adherence to corporate principles and best practices, there shall be a designated Compliance Officer who shall hold the position of at least a Vice President or an equivalent position with adequate stature and authority in the corporation.
- 1.2. The Chief Compliance Officer's qualifications shall be subject to the applicable provisions of the Insurance Commission, particularly considering fit and proper criteria such as integrity/probity, competence, education, diligence and experience and training.
- 1.3. The Compliance Officer shall not be a member of the Board of Directors and shall annually attend training/s on corporate governance.

### **2. Duties and Responsibilities of the Compliance Officer:**

- 2.1. Monitors, reviews, evaluates and ensures compliance by the Company, its officers, and Directors with the provisions and requirements of this Manual, the relevant laws, rules and regulations and all governance issuances of regulatory agencies;
- 2.2. Ensure the integrity and accuracy of all documentary submissions to the regulators;
- 2.3. Advise and assist the Board of Directors with respect to their duties and responsibilities;
- 2.4. Report, if any violations are found, report the matter to the Board and recommend the adoption of measures to prevent a repetition of the violation;
- 2.5. Appear before the Securities and Exchange Commission when summoned in relation to the Company's compliance with regulatory requirements;
- 2.6. Identify possible areas of compliance issues and work towards the resolution of the same;
- 2.7. Provide appropriate guidance and direction to the company on the development, implementation and maintenance of the compliance program;
- 2.8. Ensure the attendance of the Board and key officers to relevant trainings;
- 2.9. Assist the Board and the Corporate Governance, Nomination & Remuneration Committee, if any, in the performance of the their governance functions, including their duties to oversee the formulation or review and implementation of the Corporate Governance structure and policies of the Corporation, and to assist in the conduct of self-assessment of the performance and effectiveness of the Board, the Board

Committees and individual Board members in carrying out their functions as set out in this Manual and the respective charters of the Board Committees, as may be applicable;

- 2.10. Issue an annual certification to the IC on the extent of the Company's compliance with this Manual;
- 2.11. Provide the Commission every 30th day of January the Certificate of Attendance of Directors in meetings of directors to be signed by the Corporate Secretary, and countersigned by the Chairman of the Board of Directors;
- 2.12. Carry out any other appropriate duties and responsibilities as may be assigned by the Board, Board Chair, Committee, Committee Chair or the CEO and as may be provided by the Securities and Exchange Commission (SEC).

#### **D. CHAIRMAN OF THE BOARD**

1. The Board shall be headed by a competent and qualified Chairman. The Chairman of the Board shall, when present, preside at all meetings of the Board. He must provide leadership and ensure effective functioning of the Board, including maintaining a relationship of trust with Board members.
2. As needed or in accordance with applicable regulations, the roles of Chairman and the CEO may be separated in order to foster an appropriate balance of power, increased accountability, and better capacity for independent decision-making by the Board. A clear delineation of functions shall be made between the roles of the Chairman and CEO.
3. If the roles of Chairman and CEO are unified, the proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives.
4. In the absence, inability, or incapacity of the Chairman, the Vice-Chairman shall preside. In the absence, inability, or incapacity of both the Chairman and Vice-Chairman, the President shall preside.
5. Responsibilities of the Chairman of the Board of Directors, include, among others the following:
  - 5.1. To call, convene and preside over all meetings of the Board of Directors whenever he may deem it necessary, either on his own initiative, or upon the request of the President, or two members of the Board; and the stockholders in accordance with the Amended By-Laws;
  - 5.2. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors;
  - 5.3. To provide leadership in the board of directors. The chairperson of the board shall ensure effective functioning of the board, including maintaining a relationship of trust with board members;

- 5.4. To ensure that the board takes an informed decision. The chairperson of the board shall ensure a sound decision making process and he should encourage and promote critical discussions and ensure that dissenting views can be expressed and discussed within the decision-making process;
- 5.5. Maintain qualitative and timely lines of communication and information between the Board and Management;
- 5.6. Assist in ensuring compliance with the Company's guidelines on corporate governance; and
- 5.7. Perform such other functions as are assigned to him by law or by the Board of Directors.

## **E. BOARD NOMINATION AND ELECTION POLICY**

### **1. Board Nomination**

- 1.1. In accordance with the By-Laws of the Corporation, any shareholder, including minority shareholders, may submit to the Corporate Secretary all written nominations not later than the next annual meeting of the stockholders. As prescribed in the corporate By-Laws, annual meeting of the stockholders shall be held on the second Tuesday of June of each year.
- 1.2. The Corporate Secretary shall present all nominations to the Corporate Governance, Nomination, and Remuneration Committee the names of the nominees for Board Directorship including the nominees for the independent directors.
- 1.3. The Committee shall review, pre-screen and evaluate the qualifications of all those nominated in accordance with the qualifications stated in Article II, Section 2.1. of this Manual.
- 1.4. The Committee shall ensure that only those qualified nominees that possess all the qualifications and none of the disqualifications from directorship as provided in the Article II, Section 2.1 & 2.2 in this manual, may be shortlisted to be elected to the Board.
- 1.5. The final list of the candidates for director/s, including independent directors, shall be presented by the Corporate Governance, Nomination, and Remuneration Committee to the Board of Directors prior to a shareholders meeting. Only nominees whose names appear on the final list shall be recommended to be eligible for election.
- 1.6. No other nominations shall be entertained or allowed on the floor during the actual annual stockholders'/memberships' meeting.

### **2. Election of Directors**

- 2.1. The election of directors shall be held during the Annual Stockholders Meeting.

- 2.2. Each outstanding share of stock entitles the registered shareholder to one vote. The elections will be by plurality of votes, and every shareholder will be entitled to cumulate his votes.
- 2.3. A stockholder may vote in person or by proxy. All proxies shall be hand over to the Corporate Secretary before the scheduled meeting.
- 2.4. The Corporate Secretary shall report on the results of the votes received and tabulation. An independent external auditor shall be present during the meeting in order to validate the voting results.
- 2.5. The minutes of the meeting during the annual stockholders meeting and the results of the election shall be made publicly available within five (5) business days from the date of the meeting in the RSICI website.

### **3. Election of Independent Director/s**

- 3.1. The conduct of the election of independent director/s shall be made in accordance with the standard election procedures of the Corporation or its By-Laws;
- 3.2. It shall be the responsibility of the Chairman of the Meeting to inform all shareholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that independent director/s are elected during the stockholders' meeting. Specific slot/s for independent directors shall not be filled-up by unqualified nominees. In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

### **4. Replacement of Directors in case of Vacancy**

- 4.1. Any vacancy occurring in the Board of Directors other than the removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.
- 4.2. The vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filled by election at the same meeting of stockholders without further notice, or at any regular or special meeting of stockholders called for the purpose, after giving notice as prescribed in the Corporation's by-laws.

## **II. BOARD COMMITTEES**

### **A. Establishment of Board Committee**

The Board shall establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities, in accordance with the By-Laws of the Corporation and to aid in good governance.

All established committees shall have committee charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The charters shall provide the standards for evaluating the performance of the committees. It shall also be fully disclosed in the Corporation's website.

## **B. Audit & Related Party Transactions Committee**

### **1. Purpose & composition of the Committee**

- 1.1. The Audit and Related Party Transactions Committee shall be established as a committee of the company's board of directors to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, compliance with applicable laws and regulations and review all material related party transactions of the company;
- 1.2. The Audit Committee shall be composed of at least three (3) members of the Board, and no more than five members all of whom shall be non-executive directors of the Company;
- 1.3. The Chairman of the Committee shall be independent and must not be the Chairman of the Board or of any other committee;
- 1.4. All members of the committee shall have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.

### **2. Duties & Responsibilities of the Committee**

- 2.1. The Committee shall meet at least four (4) times per annum and more frequently as deemed necessary by the chairman of the Committee or at the request of a Committee member or the external or internal auditors in order to discharge its duties and functions.
- 2.2. The committee shall maintain all the minutes of the committee meetings and periodically report to the Board of Directors on significant matters related to the Committee's responsibilities. Minutes of the Committee meetings shall be kept and members shall be furnished copies thereof and any action taken or resolution decided.
- 2.3. **Audit**
  - 2.3.1. The Committee shall have the power to conduct or authorize investigations into any matters within its scope of responsibilities, and shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties, to set and pay the compensation for any advisors employed by the Committee, and to communicate directly with the internal and external auditors. The Committee is further authorized to seek any information it requires from any employee of RSICI in order to perform its duties;

- 2.3.2. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring or compliance with applicable laws, rules and regulations;
- 2.3.3. Assist the Board in fulfilling its responsibilities with regard to the integrity of the financial statements, the organization of the compliance function and the monitoring of compliance with legal and regulatory requirements, the appropriateness of the internal controls, the effectiveness of the risk management system, the external auditor's qualifications and independence, and the performance of the external auditor and the internal audit function;
- 2.3.4. Review and approve the annual internal audit plan including scope and resources, and any amendment(s) to such plan(s) and evaluate the conclusion of the reports from the internal audit reviews and to ensure its conformity with the objectives of the Corporation;
- 2.3.5. Review the quarterly, half-year and annual financial statements reports before submission to the Board and to pertinent regulatory body, with particular focus on the following matters: (i) any change/s in accounting policies and practices; (ii) major judgmental areas; (iii) significant adjustments resulting from the audit; (iv) going concern assumptions; (v) compliance with accounting standards; and (vi) compliance with tax, legal and regulatory requirements;
- 2.3.6. Evaluate and determine the non-audit work of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence;
- 2.3.7. Establish and identify the reporting line of the Internal Auditor to enable them to properly fulfill their duties and responsibilities. The Audit Committee shall ensure that in the performance of the work of the Internal Auditor, they shall be free from interference by outside parties;
- 2.3.8. Periodically review the status of any legal matters that could have a significant impact on the Company's financial statements;
- 2.3.9. Ensure that RSICI has appropriate procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters; and
- 2.3.10. Review the arrangements for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters, including review of ethical, anti-bribery & corruption and whistleblowing guidelines.

#### **2.4. Related Party Transactions (RPT)**

- 2.4.1. Evaluates, on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all Related Parties are

continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;

- 2.4.2. Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such Related Parties than similar transactions with non-Related Parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the committee takes into account, among others, the following:
  - The related party's relationship to the Company and interest in the transactions;
  - The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - The benefits to the Company of the proposed RPT;
  - The availability of other sources of comparable products or services; and
  - An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances.
- 2.4.3. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Company's affiliation or transactions with other related parties;
- 2.4.4. Report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties;
- 2.4.5. Ensures that transactions with Related Parties, including write-off of exposures, are subject to periodic independent review or audit process;
- 2.4.6. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures;
- 2.4.7. Assist the Board in assessing material agreements of any kind with a related party in determining whether to approve, ratify, disapprove or reject a Related Party Transaction;
- 2.4.8. Evaluate any matters as may be requested by the Board or the Executive Committee; and

- 2.4.9. The Committee shall take into account whether the RPT is entered into on terms no less favorable to the Company than terms generally available to an unaffiliated third-party under the same or similar circumstances.

## **C. Corporate Governance, Nomination and Remuneration Committee**

### **1. Purpose & composition of the Committee**

- 1.1. The Corporate Governance, Nomination & Remuneration Committee shall be established as a committee of the Company's Board of Directors tasked to assist the Board in ensuring compliance of its corporate governance as well as duties in relation to the nomination, election, or replacement and remuneration of directors and other positions requiring appointment by the Board.
- 1.2. The Committee shall comprise of at least three (3) and no more than five members, majority of whom should be independent directors;
- 1.3. The Chairman of the Committee shall be an independent director;
- 1.4. The Chairman and the members of the Committee shall have a term of one (1) year or until their successors are appointed by the Board.

### **2. Duties & Responsibilities of the Committee**

- 2.1. The Committee shall meet at least four (4) times per annum and more frequently as deemed necessary by the chairman of the Committee or at the request of a Committee member in order to discharge its duties and functions;

#### **2.2. Governance**

- 2.2.1. Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- 2.2.2. Oversees the periodic performance evaluation of the Board and its committees and conducts an annual self-evaluation of its performance;
- 2.2.3. Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- 2.2.4. Recommends continuing education and/or training programs for directors, succession plan for board members and management; and
- 2.2.5. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance.

#### **2.3. Nomination**

- 2.3.1. Review and assess the effectiveness of the Board's processes and procedures in the nomination, election or replacement of directors on an annual basis;
- 2.3.2. Carry out basic checks of a potential director's standing, including details of any conflicts of interest, criminal record or regulatory sanctions;
- 2.3.3. Encourages the formal, fair and transparent selection of a mix of competent directors nominated by shareholders, including minority shareholders, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies while also ensuring the implementation of the diversity policy;
- 2.3.4. Review and evaluate the qualifications of all persons nominated to positions in the Corporation which require appointment by the Board, providing guidance and advice as necessary for appointments made by the Chairman or President;
- 2.3.5. Recommend persons to fill any vacancy on the Board which the Board may fill pursuant to local governing law, directors to be appointed to Committees of the Board, and nominees for election or reelection as directors;
- 2.3.6. Responsible for recommending to the Board for approval all nominees to serve as members of the Board, whether they are to be appointed by the Board to fill a vacancy or nominated by the Board for election or reelection at a meeting of stockholders;
- 2.3.7. Reviews and revises the succession plans for members of the Board and management obtain, at the Company's expense, external legal and/or other professional advice on any matter within its terms of reference as the Committee deems necessary, and to secure the attendance of such advisors at Committee meetings as necessary; and
- 2.3.8. Determine the nomination and election process for the Company's directors and define the general profile of Board members that the Company may need and ensure appropriate knowledge, competencies, and expertise that complement the existing skills of the Board.

#### **2.4. Remuneration**

- 2.4.1. Establish a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates;
- 2.4.2. Overseeing the formulation and adoption of a policy specifying the relationship between remuneration and performance of key officers and board members as well as the alignment of remuneration of key officers and board members with long term interests of the company.

- 2.4.3. Review and assess the remuneration and at-risk reward and remuneration policy;
- 2.4.4. Overseeing and monitoring of the executive succession planning framework and compliance with statutory remuneration reporting disclosures;
- 2.5. All actions and resolutions of the Committee shall be presented to the Board for approval, including, but not limited to, relevant profiles and details of nominee directors to be elected during the Corporation's annual stockholders meeting;
- 2.6. Periodically review the business interests and business activities of members of the Board and the executive officers of the Company, including any interests and activities that may constitute a conflict of interest;
- 2.7. The Committee shall also maintain minutes of meetings and periodically report to the Board of Directors on significant matters related to the Committee's responsibilities; and
- 2.8. The committee shall undertake such other duties and exercise such powers as may from time to time be assigned to or vested in the Committee by the Board;

#### **D. Board Risk Oversight Committee (BROC)**

##### **1. Purpose & composition of the Committee**

- 1.1. The role of the BROC is to oversee the establishment of ERM framework that will effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying unit/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. The BROC shall be responsible for defining the Corporation's level of risk tolerance and providing oversight over its risk management policies and procedures to anticipate, minimize, control, or manage risks or possible threats to its operational and financial viability.
- 1.2. The Board Risk Oversight Committee shall be composed of at least three (3) members, the majority of whom should be independent directors, including the Chairman.
- 1.3. The Chairman of the BROC shall not be the Chairman of the Board or any of other committee.
- 1.4. At least one member of the committee must have relevant knowledge and experience on risk and risk management.

##### **2. Duties & Responsibilities of the Committee**

The BROC shall have the following functions:

- 2.1. The Committee shall meet at least four (4) times per annum and more frequently as deemed necessary by the chairman of the Committee or at the request of a Committee member;

- 2.2. Minutes of the Committee meetings shall be kept and members shall be furnished copies thereof and any action taken or resolution decided;
- 2.3. Oversee the development and implementation of a formal ERM Plan that contains the following elements:
  - 2.3.1. Common language or register of risks;
  - 2.3.2. Well-defined risk management goals, objectives and oversight;
  - 2.3.3. Uniform processes of identifying, assessing, evaluating and measuring risks as well developing strategies to manage and mitigate prioritized risks;
  - 2.3.4. Designing and implementing risk management strategies; and
  - 2.3.5. Continuing assessments and monitoring to improve risk strategies, processes and measures.
- 2.4. Evaluate the ERM Plan to ensure its continued relevance, comprehensiveness and effectiveness. The Committee shall revisit defined risk management strategies, look for emerging or changing material exposures, and stays abreast of significant developments that may seriously impact the likelihood of harm or loss;
- 2.5. Review the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and occurrence of major events that may have a major impact on RSICl;
- 2.6. Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Corporation and its Stakeholders;
- 2.7. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- 2.8. Report to the Board on a regular basis, or as deemed necessary, the Corporation's risk, material risk exposures, the actions taken to reduce the risks, and recommends appetite levels, risk tolerance limits, further action or plans, as necessary.

## **E. Committee Charters**

All established committees shall have committee charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The charters shall provide the standards for evaluating the performance of the committees. It shall also be fully disclosed in the Corporation's website.

### **III. Board Meetings and Quorum Requirements**

#### **1. Meetings**

- 1.1. The Board shall have annual regular meeting to be held for the stockholder's meetings and the regular meetings of the Board of Directors shall be held once a month on such dates and places as may be called by the Chairman of the Board or upon request of a majority of the Board of Directors in accordance with the By-Laws.
- 1.2. The Board Committee shall meet at least four (4) times per annum and more frequently as deemed necessary by the chairman of the Committee or at the request of a Committee member.

#### **2. Notice of the Meeting**

- 2.1. Notice of the regular or special meeting of the Board, specifying the date, time, and place of the meeting, shall be communicated by the Corporate Secretary to each director personally, or by telephone, telegram, or by written message prior to each meeting. A director may waive this requirement, either expressly or impliedly.
- 2.2. The agenda of the meeting and other relevant meeting materials shall also be furnished to the Directors prior to each meeting in order for the director to review meeting materials.
- 2.3. Unless otherwise agreed, the notice of each committee meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any person required to attend, no later than five (5) days before the date of the meeting. Supporting papers shall be sent to Committee members and attendees as appropriate at the same time;

#### **3. Quorum**

- 3.1. A majority of the number of directors as fixed in the Articles of Incorporation shall be necessary at all meetings to constitute a quorum for the transaction of any corporate business and every decision. At least a majority of the Directors shall be present at a meeting, except when justifiable causes prevent his attendance, at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members. Justifiable causes include, but are not limited to, grave illness, death of an immediate family member, or serious accident.
- 3.2. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. The quorum necessary for the transaction of business shall be two members.
- 3.3. In any meeting of the Board, an Independent Director should always be in attendance to promote transparency. However, unless otherwise provided in the By-Laws, the absence of an Independent Director shall not affect the quorum requirement.

#### **4. Conduct of the Meeting**

- 4.1. The members of the Board should attend its regular and special meetings in person or through teleconferencing or video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein. During the Board and Committee meetings, the director shall ask the necessary questions or seek clarifications and explanations.
- 4.2. Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, by any other director appointed by the Board. The Corporate secretary shall act as secretary of every meeting. If not present, the Chairman of the meeting shall appoint a secretary of the meeting.

#### **5. Non-Executive Directors Meetings**

- 5.1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation; and
- 5.2. The meetings should be chaired by the lead independent director

### **IV. BOARD INDEPENDENCE**

#### **A. INDEPENDENT DIRECTOR (ID)**

##### **1. Composition**

- 1.1 The Board shall also have at least two (2) independent directors and/or twenty percent (20%) of the total number of the members of the Board.

##### **2. Term Limit**

- 2.1. The independent directors shall only serve for a maximum cumulative term of nine (9) years;
- 2.2. An ID who served the maximum period shall be perpetually barred from any re-election;
- 2.3. In the instance that the Board decides to retain the independent director in the same capacity who had already served his/her maximum term limit, the Board shall submit to the Insurance Commission a formal written justification and seek shareholders' approval during the annual shareholders' meeting.

##### **3. Qualifications and Disqualifications 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. An Independent director shall:

- 3.1. At least a college graduate or shall have been engaged or exposed to the business for at least five (5) years;
- 3.2. Shall possess proven integrity, probity, and independence;
- 3.3. Is not or was not a regular director, officer or employee of the corporation, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his/her election/appointment;
- 3.4. 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/her election/appointment;
- 3.5. Is not a stockholder or owner of more than two percent (2%) of the outstanding 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;
- 3.6. Is not a relative by affinity or consanguinity within the fourth (4<sup>th</sup>) degree of any director, officer or majority shareholder of the company or any of its related companies or of any of its substantial stockholders;
- 3.7. Is not acting as a nominee or representative of any director or substantial shareholder of the company, any of its related companies or any of its substantial shareholders;
- 3.8. Is not or was not retained as professional adviser, consultant, agent or counsel of the corporation, 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/her election/appointment;
- 3.9. Is not a securities broker-dealer of listed companies and registered issuers of securities;
- 3.10. Is independent of management and free from any business or other relationships, has not engaged and does not engage in any transaction with the company, 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 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;
- 3.11. Is not and was not appointed in the company, 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/her election/appointment;
- 3.12. Is not affiliated with any non-profit organization that receives significant funding from the company or any of its related companies or substantial shareholders;

3.13. Is not employed as an executive officer of another company where any of the company's executives serve as regular directors; and

3.14. Is not or has not been convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Securities Regulation Code, committed within five (5) years prior to the date of his election.

## **B. PRESIDENT/CHIEF EXECUTIVE OFFICER (CEO)**

1. The position of Chairman of the Board and President and CEO shall be held by separate individuals, who are not related to each other, and each shall have clearly defined responsibilities.
2. In accordance with the Corporation By-Laws, the President shall be the CEO which is subject to the control of the Board, have direct charge of the business and general supervision of the business affairs and property of the Corporation, and over its employees and officers.
3. Minimum internal control mechanisms for Management's operational responsibility shall center on the President and CEO, being ultimately accountable for the Corporation's organizational and procedural controls. In addition to the duties imposed on the President and CEO by the Board of Directors, the President and CEO shall:
  - 3.1. Preside at the meetings of the Stockholders;
  - 3.2. Communicate and implement the Corporation's vision, mission, values and overall strategy and promote any change in relation to the same;
  - 3.3. To initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation;
  - 3.4. To implement the administrative and operational policies of the corporation under his supervision and control;
  - 3.5. Direct, evaluate and guide the work of key officers of the Corporation;
  - 3.6. To appoint, remove, suspend or discipline employees of the Corporation, prescribe their duties, and determine their salaries;
  - 3.7. To oversee the preparation of the budgets and the statements of accounts of the corporation;
  - 3.8. To make reports to the Board of Directors and stockholders;
  - 3.9. Exercise general care, management and administration of the business operations of the Corporation. He shall ensure that: (a) the business and affairs are managed in a sound and prudent manner; and (b) operational, financial and internal controls are adequate and effective to ensure reliability and integrity of financial and

operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts;

- 3.10. Provide leadership for management in determining, developing and implementing business strategies, plans and budgets to the extent approved by the Board. He shall provide the Board with a balanced and understandable account of the corporation's performance, financial condition, results of operations and prospects on a regular basis;
- 3.11. To represent the corporation at all functions and proceedings;
- 3.12. To execute on behalf of the corporation all contracts, agreements and other instruments affecting the interests of the Corporation which require the approval of the Board of Directors; and
- 3.13. To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.

### **C. LEAD INDEPENDENT DIRECTOR**

1. The Board shall appoint, from among the independent directors who are not officers or employees of the Corporation or of an affiliate of the Corporation, a lead independent director when the roles of the Chairman of the Board and President/Chief Executive Officer are combined and held by a single person.
2. The Lead Director shall have the following functions:
  - 1.1. If the Chairman of the Board is absent or is unable or refuses to act at a meeting of the board, the Lead Director (if one is appointed) shall preside at the meeting;
  - 1.2. The Lead Director shall have such other powers and perform such other duties as may be assigned or delegated by the board from time to time or as may be assigned or delegated by the Chairman of the board.

### **D. Material Interest of Directors**

A director with a material interest in any transaction affecting the Corporation should abstain from taking part in the deliberations for the same. Directors who willfully and knowingly vote or consent to patently unlawful acts of the Corporation or who are guilty of gross negligence or bad faith in directing the affairs of the Corporation or acquire any personal or pecuniary interest in conflict with their duty as such directors, shall be liable jointly and severally for all damages resulting therefrom suffered by the Corporation, its shareholders and other persons.

When a director attempts to acquire or acquires, in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Corporation and must account for the profits which otherwise would have accrued to the Corporation.

### **E. Non-Executive Directors Meetings**

1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation; and
2. The meetings should be chaired by the lead independent director

## **V. BOARD PERFORMANCE ASSESSMENT**

1. The Board shall conduct an annual performance assessment of the board members and key officers. Each Director shall conduct a self-assessment on the individual and collective performance of each member of the board and board committees and also evaluate the performance of the President/CEO and management heads.
2. The Compliance Officer shall prepare and periodically review the assessment forms in accordance with the following assessment criteria: (1) compliance with best governance practices and principles; (2) participation and contribution to the Board and committee meetings; and (3) performance of their duties and responsibilities as provided in this Manual, Board and Committee Charters, Amended Articles, and Amended By-Laws.
3. Every three (3) years, the conduct of the Board performance assessment shall be supported by an external facilitator. The external facilitator can be any independent third party such as, but not limited to, a consulting firm, academic institution or professional organization.
4. The Board shall ensure that a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees allows for a feedback mechanism from the shareholders.

## **VI. GOVERNANCE POLICIES & PRINCIPLES**

### **A. Policy on Board Diversity**

1. RSICI is committed to a diverse, inclusive, and equitable environment where all Board members, management and employees feel respected and valued regardless of gender, age, race, ethnicity, nationality, sexual orientation or identity, disability, education, political stand, religious or cultural background, skills, competence or knowledge.
2. The Board shall ensure that no director or candidate for directorship who are highly qualified and possess the necessary experience and technical expertise, shall be discriminated against the biases as stated above, and that it will make good use of these differences as a whole.
3. All Board appointments shall be done on merit, in the context of skills as required for the areas of our business operations, management and also expertise which reflect the company's strategic intent with a view to achieving sustainable and balanced growth.

### **B. Policy on Training**

1. The Board shall continuously be made aware of the corporation's internal policies and procedures as appropriate, and that all Directors including the management shall receive an adequate training so as to be in a position to assess, manage and comply with the relevant developments in the business and regulatory environments including corporate governance matters and to facilitate knowledge and understanding of such laws and regulations.
2. The training and continuous professional development activities should focus on informing Directors and the management on issues of strategic importance to the Corporation. All Directors including key officers and new and first time directors are encouraged to attend a program on corporate governance conducted by a training provider duly accredited by the Securities and Exchange Commission and shall take place periodically. The Board shall ensure that there is an allocation of fund for this purposes.
3. The Corporate Secretary and Chief Compliance Officer shall assist in identifying the educational and training needs of the Board. They shall evaluate the strength and relevance of the existing policies, procedures and training programs on an annual basis, to ensure that they remain effective in securing compliance required standards of performance for Directors. They are also responsible to continually looks for opportunities to ensure that the Directors have the knowledge and skills necessary to meet their obligations to the Corporation.
4. The Board of Directors shall also assess their training and development needs and advise the Chairman of the Board if they would benefit from specific skills training or education respecting matters falling within the responsibility of the Board or relating to the business and operations of the Corporation.
5. Directors and key officers required by the Board to attend relevant programs, seminars, and/or workshops under Clause 2 above shall provide the Corporate Secretary a copy of his or her certificate of attendance thereof within three (3) business days from completing the same.
6. The Board, with the assistance of Management, ensures there is an orientation program for new Directors and a development program for existing Directors. The orientation program for the first time Directors is aimed at increasing the new director's familiarity with the Corporation.
7. Every Director shall receive appropriate orientation when he is first appointed to the Board of Directors, in order to ensure that incoming Directors are appropriately apprised of their duties and responsibilities before beginning their Directorships. The orientation program shall include SEC-mandated topics on Corporation Governance and an introduction to the Corporation's business, Articles of Incorporation, and Code of Business Conduct and Ethics. Likewise, management officers shall receive appropriate orientation on his duties as a management executive and how to discharge these duties when he is first appointed to the Corporation. This will ensure that incoming senior officers are familiar with the Corporation's business and governance processes.
8. The Board Secretariat shall keep records of attendance and participation of each Director and key officer at the required training programs, seminars, and/or workshops, as well as the details thereof.

## C. POLICY ON SUCCESSION PLANNING

1. The Board shall ensure an effective succession planning for its directors, key officers and management. This is to ensure the stability and accountability of the Corporation for an eventual permanent change in leadership, either planned or unplanned, and to ensure continuity support in operation and service.
2. Retirement age for directors shall be seventy-five (75) years old. The Board may, however, amend this policy, as it may deem appropriate, taking into consideration local and global trends and practices, stature and strong qualifications of a director. Meanwhile, the retirement age for Management shall follow the compulsory retirement age prescribed under the Labor Code of the Philippines.
3. The succession planning process for the key officers and management includes the following:
  - 3.1. The human resource department shall periodically review and consider the list of the key officers and management personnel that are due for retirement/attrition within the year. HR department shall also consider the new vacancies that may arise in accordance with the strategic business plan of the Corporation;
  - 3.2. The HR department shall:
    - 3.2.1. assess and evaluate the availability of suitable candidates and the incumbent after considering all relevant qualification criteria and recommend to the Board whether the concerned personnel (i) be granted an extension in term/service or (ii) be replaced with an identified internal or external candidates;
    - 3.2.2. identify the competency requirements of key positions, assess potential candidates and develop required competency through training development and learning initiatives. The HR department may utilize the services of professional search firms to assist in identifying and evaluating potential candidates.
    - 3.2.3. May recommend to the Corporate Governance, Nomination and Remuneration Committee to appoint other suitable external candidate(s), Where it is decided to appoint an external candidate, timely and planned steps shall be taken for selection of a suitable candidate so that the appointment is made well before the retirement/relieving of the concerned officer to ensure the smooth transition.
  - 3.3. The regular internal promotion/transfer shall be governed by the promotion/transfer policy of the Company. Said policy of shall be designed in such a way that the existing/proposed key managerial personnel shall get all-round exposure in various department to facilitate career progression, prepare them for administrative responsibilities and to discharge their functions effectively in key senior positions.

- 3.4. The President/CEO and HR Department shall from time to time identify high-potential employees who merit faster career progression to position of higher responsibility and formulate, administer, monitor & review the process of skill development and identify the training requirements.
  - 3.5. In the event of any vacancy due to unexpected occurrence of any member in the management team, the next person senior to the vacated position, in accordance with the corporation organization chart/hierarchy, shall take interim charge of the position, pending a regular appointment in terms of the succession plan.
  - 3.6. In the event of vacancy of the President/CEO position, the Board shall take interim charge of the position until the Board appoints a new President/CEO.
4. The Corporate Governance, Nomination & Remuneration Committee shall review and modify the policy as deem necessary and shall present any actions and decision to the Board.

#### **D. POLICY ON BOARD REMUNERATION**

1. In accordance with the RSICI's By-Laws, the Board shall receive, pursuant to the approval of the shareholders, a reasonable per diem allowance for his attendance at each meeting of the Board. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholder;
2. The executive director shall not receive per diem remuneration in addition to his remuneration as part of the Corporation's Management in his role as the President and CEO.
3. Directors shall not participate in discussions or deliberations involving his/her own remuneration.
4. The compensation of the CEO and other Officers shall be subject to review and approval by the Executive Compensation Committee. Equity-based plans and long-term incentive plans for Officers which the Corporate Governance, Nomination and Remuneration Committee may recommend shall be subject to review and approval by the Board and, as applicable, stockholders' approval.

#### **E. POLICY ON RELATED PARTY TRANSACTIONS (RPT)**

1. **Related party transactions** are transactions or dealings with related parties including its trust department, regardless of whether or not a price or payment is charged. This shall also include transactions entered with a formerly unrelated party which subsequently becomes a related party.
2. **Related Parties** shall mean the Corporation and its controlling shareholders, joint ventures, subsidiaries, associates, affiliates, officers and directors, including their spouses, children and dependent siblings and parents, and that of interlocking director relationships by members of the Board. Parties are considered to be related to the Corporation if it has the ability, directly or indirectly, to control the Corporation or exercise

significant influence over the Corporation in making financial and operating decisions, or vice versa, or where the Corporation and the party are subject to common control or common significant influence.

3. Among other key terms, RSICI policy on RPTs provides for:
  - 3.1. Coverage of RPT policy;
  - 3.2. Guideline in Ensuring Arm's Length Terms;
  - 3.3. Conflict of Interest & Whistle Blowing;
  - 3.4. Materiality thresholds and excluded transaction;
  - 3.5. Internal limits for individual and aggregate exposures;
  - 3.6. Restitution of losses and other remedies for abusive RPIs;
  - 3.7. Approval of RPT; and
  - 3.8. Disclosure and Regulatory Reporting
4. RSICI institutionalize a policy on related party transaction to ensure that such transactions are undertaken only on an arm's length basis and subjected to appropriate oversight of the Board and relevant committees so as to protect the Corporation from conflicts of interest which may arise from its transactions with its Related Parties. The RPT policy adopts the definitions and coverage of Insurance Commission (IC) guidelines on RPTs for IC's covered institutions and other pertinent regulatory bodies.
5. For purposes of transparency and compliance with regulations, proper disclosure of the Corporation's RPTs shall be in accordance with the disclosure rules and applicable filings of the Insurance Commission. The disclosure includes, but is not limited to, the name of the related party, relationship with the corporation for each RPT, the nature and value for each RPT.

## **F. GOVERNANCE POLICY ON CONFLICT OF INTEREST**

1. The personal interest of directors and officers should never prevail over the interest of the Corporation. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Corporation. They must promote the common interest of all shareholders, including minority shareholders and other stakeholders, and the Corporation without regard to their own personal and selfish interests.
2. A conflict of interest exists when a director or an officer of the Corporation:
  - 2.1. Supplies or is attempting or applying to supply goods or services to the Corporation;
  - 2.2. Supplies or is attempting to supply goods, services or information to an entity in competition with the Corporation;
  - 2.3. By virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to the Corporation;
  - 2.4. If offered or receives consideration for delivering the Corporation's business to a third party;

- 2.5. Is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interests of the Corporation;
3. If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision making. A director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.
  - 3.1. A contract of the Corporation with one or more of its directors or officers is voidable, at the option of the Corporation, unless all the following conditions are present:
    - 3.1.1. The presence of such director in the Board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
    - 3.1.2. The vote of such director was not necessary for the approval of the contract;
    - 3.1.3. The contract is fair and reasonable under the circumstances; and
    - 3.1.4. In case of an officer, the contract has been previously approved by the Board of Directors.
  - 3.2. In the case of a contract with a director, such contract may be ratified by the vote of shareholders representing two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose; provided that full disclosure of the adverse interest of the director involved is made at such meeting; and provided further that the contract is fair and reasonable under the circumstances.
4. Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Corporation, thereby obtaining profits to the prejudice of the Corporation, the director must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the shareholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the director risked his own funds in the venture.
5. A Director or Officer shall not disclose, reveal, or share, by whatever means or method, to any person or entity, any information especially all vital and/or confidential information it has learned, obtained, or acquired in any manner by reason of, and in the course of performing the whole or any portion of his obligation and duties as Director or Officer of without the prior written consent of the Corporation.

## **G. POLICY ON MULTIPLE BOARD SEATS**

1. The Board shall consider guidelines on the number of directorship for its members. Such guidelines should be subject to exceptions in a few cases. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.

2. Non-executive directors concurrently serve as directors to a maximum of five (5) Insurance Commission Regulated Entities (ICREs) 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 company.
3. In general, however, the CEO and other executive directors shall submit themselves to a low indicative limit of three memberships in other corporate boards. The same low limit shall apply to non-executive directors who serve as full-time executives in other corporations. There can be a higher indicative limit of seven for other directors who hold non-executive positions in a corporation.
4. Any limitation in the number of directorships outside of the Corporation shall not include directorships in the Corporation's subsidiaries, affiliates, parent company, and affiliates and subsidiaries of such parent company.

#### **H. NOTIFICATION OF DIRECTORSHIP**

The directors notify the company's board where he/she is an incumbent director before accepting a directorship in another company.

#### **I. MATERIAL INTEREST OF DIRECTORS**

A director with a material interest in any transaction affecting the Corporation should abstain from taking part in the deliberations for the same. Directors who willfully and knowingly vote or consent to patently unlawful acts of the Corporation or who are guilty of gross negligence or bad faith in directing the affairs of the Corporation or acquire any personal or pecuniary interest in conflict with their duty as such directors, shall be liable jointly and severally for all damages resulting therefrom suffered by the Corporation, its shareholders and other persons.

When a director attempts to acquire or acquires, in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Corporation and must account for the profits which otherwise would have accrued to the Corporation.

#### **J. CODE OF BUSINESS CONDUCT AND ETHICS**

1. The Board shall develop, adopt and maintain a Code of Business Conduct and Ethics (referred here the "Code"), which provides standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company;
2. Board shall ensure that the Code is properly disseminated to the Board, senior management and employees. A copy of the Code shall be disclosed and made available to the public through the company website;
3. Board ensures the proper and efficient implementation and monitoring of compliance with the Code and internal policies.

#### **K. DUTIES TO STAKEHOLDERS**

1. The Board shall identify the Corporation's various stakeholders and promote cooperation between them and the Corporation in creating wealth, growth and sustainability. The stakeholders shall include, among others, customers, policyholders, agents, brokers, employees, suppliers, shareholders, investors, the community the Corporation operates in and regulators.
2. It is the duty of the directors to promote shareholder's rights, remove impediments to the exercise of shareholders rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' rights, voting rights and the solution of collective action problems through appropriate mechanisms as well as awareness of the same to all shareholders and stakeholders.
3. The Board shall adopt a transparent framework and process that allows Stakeholders to communicate with the Company and to obtain redress for the violation of their rights. Stakeholders may communicate with the Company through the various Stakeholders touchpoints such as the Office of the Corporate Secretary, and the Company's Website.

#### **L. Anti- Bribery & Corruption Policy**

The Board shall set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. The Anti-Bribery and Corruption Policy establishes principles that must govern the conduct in order to reinforce the corporation intention and obligation to act honestly and ethically in all of its business dealings. The same shall be disseminated to all employees across the Corporation through trainings to embed them in the Company's culture.

#### **M. Whistle Blowing Policy**

The Board shall establish a suitable framework for whistleblowing and ensure its enforcement to allow employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.

In adopting the Whistleblower Policy, the company encourages all directors, officers and employees, suppliers, business partners, contractors and other third parties to come forward and raise genuine concerns about possible improprieties, whether in matters of financial reporting, malpractices or risk involving the company. It shall ensure that those who raise concerns will not suffer retribution and provides a transparent and confidential process for dealing with such concerns.

#### **VII. Adoption and Effectivity**

This Charter shall take effect immediately after Board approval. Amendments to comply with regulatory issuances of the Insurance Commission shall be deemed adopted and effective upon the effectivity of the regulatory issuance.