



**LACSON & LACSON INSURANCE BROKERS, INC.**  
**BOARD CHARTER**

**I. COMPOSITION OF THE BOARD**

1. The Board shall consist of at least five (5) Directors and at least twenty (20) percent of its composition are independent directors. Any appointment of directors must be elected by a simple majority of the stockholders in accordance with its corporate requirements. Each Director shall possess the qualification and none of the disqualification for Directors as set out in the Corporate By-laws and Corporate Governance Manual. In addition, the Directors must possess the necessary skills, competence and experience in terms of management capabilities, preferably in the field of insurance or insurance-related disciplines in accordance with IC Circular Letter No. 2020-71 on Code of Corporate Governance for Insurance Commission Regulated Companies.
2. The officers of the Board of Directors of LLIBI shall be the President, a Managing Director, Vice-President, Treasurer, and Secretary. These officers shall be elected for a term of one (1) year by a majority vote of the Board of Directors and shall hold office until their successors are duly elected and qualified.
3. The Secretary and the Compliance Officer must not be a Director of the Board.
4. LLIBI is committed to improving the diversity on the Board and at senior management level in terms of gender, social and ethnic backgrounds, skills, competence and knowledge, and aspires to increase the number of female independent directors.

The Board Composition should consider varied aspects of diversity including but not limited to gender, age, cultural and educational background, geographical location, professional experience, skills, knowledge, length of service of directors, and other regulatory requirements shall be considered and appropriately balanced in determining the optimum composition of the Board.

**II. RESPONSIBILITIES OF THE BOARD**

1. Managing and supervising the business affairs of the Corporation;



2. Applying and achieving the highest possible standards of corporate governance practices and policies;
3. Guiding the corporation towards its strategic directions;
4. Reviewing and approving plans established by the management;
5. Monitoring the performance of individual directors, its committees, and senior management;
6. Establishment and monitoring of internal controls and compliance with applicable legislative and regulatory requirements;
7. Delegation of authority to the management;
8. The Board may also appoint, from time to time, such assistant secretaries and assistant treasurers, and other agents, employees and laborers as may be recommended by the Managing Director/Chief Operating Officer, or may authorize the Managing Director/Chief Operating Officer to appoint and remove such agents, employees, and laborers;
9. Prescribe the powers and duties and fix the compensation of the officers, agents and employees of the corporation in the management of its property and affairs where such powers and duties are not prescribed by the By-Laws.

#### **A. Strategy**

1. The Board shall review the effectiveness of the strategic planning process, approve business objectives and strategic plans annually.
2. Corporate performance shall be continuously monitored against the agreed plans and objectives.

#### **B. Risk Management, Capital Management, and Internal Controls**

1. Approve and review compliance with policies and procedures for the management and control of risk, including capital management, and the internal control and management information systems that provide reasonable assurance as to the reliability of the Corporation's financial information and the safeguarding of its assets.
2. Review compliance with legislative and regulatory requirements.



### **C. Financial Reporting**

1. Review and approve the annual financial statements.
2. Review and monitor the quarterly financial results.
3. Oversee the Corporation's accounting and financial management systems.

### **D. Communication and Disclosure**

1. Approve the financial results for reporting to stakeholders on a timely basis.



**LACSON & LACSON INSURANCE BROKERS, INC.  
CORPORATE GOVERNANCE**

Lacson & Lacson Insurance Brokers, Inc. (LLIBI) is a family-owned corporation duly registered with the Securities and Exchange Commission and licensed by the Insurance Commission to operate in the Philippines.

LLIBI developed this Corporate Governance Manual to ensure the efficient and effective functioning of the Board and to promote the collective interests of all its shareholders and to establish best practices that may guide the Board, its committees, management, and individual directors and officers in performing their respective responsibilities and obligations. The contents herein are aligned within the corporate vision, mission, and objectives.

*Mission*

Our mission is to make insurance work for you. We aim to provide and deliver insurance solutions that are effective, innovative, and specific to what you and your business need to succeed in the way you want to succeed.

*Vision*

Our vision is to be the leading independent insurance broker in the Philippines.

**I. OBJECTIVE**

This Manual, which includes the Board Charter (Annex “A”) and made an integral part hereof, shall institutionalize the principles of good corporate governance in the entire organization. The Board of Directors (the “Board”) and Management, employees, and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible. The Company likewise recognizes, and thus puts importance, on the interdependence between business and society. As such, the Company is dedicated to growing its business while contributing to the advancement of society where it operates.



## II. COMPLIANCE SYSTEM & STRUCTURE

LLIBI believes that corporate governance is a necessary component in sound strategic business management. It shall undertake to adhere, increase awareness, and monitor the enforcement of this policy.

This document shall institutionalize the principles of good corporate governance in the entire organization.

### A. Compliance Officer.

To ensure adherence to corporate principles and best practices, the Board shall designate a Corporate Governance Compliance Officer who shall report directly to the Board, with adequate stature and authority in the Corporation.

The Compliance Officer shall perform the following duties:

1. Monitor, review, evaluate and ensure the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
2. Appear before the Corporation's Supervising Government Agencies upon summons on matters relative to this Manual that need to be clarified by the same;
3. Determine violation/s of the Manual and recommend the penalty for violation thereof for further review and approval of the Board;
4. Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
5. Identify possible areas of compliance issues and works towards the resolution of the same;
6. Issue a certification, when necessary, on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reason/s for the latter's deviation from the same, if any.

### B. Board of Directors.

Compliance with the principles of good corporate governance shall start with the Board. It shall be the responsibility of the Board to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders, and other



stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

General Responsibility.

A director's office is one of trust and confidence. A director shall act in a manner characterized by transparency, accountability and fairness.

Duties and Responsibilities of a Director

1. Act on a fully informed basis, in good faith, and with due diligence and care;
2. Act in the interest of the company and all its shareholders, and not those of the controlling company of the group or any other stakeholder;
3. Conduct fair business transactions with the Corporation and ensure that personal interest does not bias Board decisions;
4. Devote time and attention necessary to properly discharge his duties and responsibilities;
5. Actively participate in all meetings of the Board, Committees and stockholders;
6. Act judiciously;
7. Exercise independent judgment;
8. 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 Corporation's Supervising Government Agencies, and where applicable, the requirements of other regulatory agencies;
9. Observe confidentiality;
10. Ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment; and
11. For the non-executive directors, not to concurrently serve as directors in more than five (5) Insurance Commission Regulated Entities and Publicly Listed Companies.

**III. BOARD OF DIRECTORS**

1. The Board of Directors shall conduct and control the powers, business and property of the Corporation.
2. The Board of Directors of the Company is (re-)elected by or under the authority of its shareholder(s).



3. Although a Director of the Company is designated as either a “director” or an “independent non-executive director”, both groups of Directors owe identical duties to the Company. Each Director must act honestly and in good faith with a view to the best interests of the Company and must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
4. The Corporation shall be composed of seven (7) members of the Board.

**A. Minimum Qualifications of Directors**

1. Each director shall own at least one share of the capital stock of the Corporation which share shall stand in his name on the books of the Corporation;
2. He shall be a college graduated or have sufficient experience in managing a business concern to substitute for such formal education
3. He shall be at least twenty-one (21) years old;
4. He shall be proven to possess integrity and probity;
5. Disclose to the Board any present directorship position with other companies;
6. He possess not of the disqualifications as provided under the By-law and the laws of the Republic of the Philippines.

**B. Qualification Specific to Independent Directors**

1. An independent director shall be one who has not been an officer or employee of the corporation, its subsidiaries or affiliates or related interests for at least three (3) years immediately preceding his term or incumbency;
2. Must not be related within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer, or majority shareholders;
3. Must not be a majority shareholder of the company, any of its related companies, or of its majority shareholder;



4. Must not be acting as nominee or representative of any director or substantial shareholder of the company, any of its related companies or any of its substantial shareholders; and,
5. Must be free from any business or other relationships with the institution 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 shareholder.)*

### **C. Board Diversity Policy**

Although Directors are not expected to have the expertise necessary to directly manage the business, it is important that some, if not most, have some background in the issues that the Company faces.

Maintaining an appropriate mix of Directors on the Board is a critical element in the Company's governance. The Board reserves the right to review the eligibility of a Board Member if there is a significant change in the member's status such that the qualities, responsibilities, background or local experience that the member brings to the Board are diminished.

### **D. Disqualifications for Directors**

#### **1. Permanently Disqualified**

- a) Persons who have been convicted by final judgment of the court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft;
- b) Persons who have been convicted by final judgment of the court for violation of insurance laws;
- c) Persons who have been judicially, declared insolvent, spendthrift or unable to enter into a contract; or
- d) Directors, officers or employees of closed insurance companies or any insurance intermediaries who were responsible for such institution's closure as determined by the Insurance Commission.





2. Temporarily Disqualified

- a) Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- b) Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
- c) Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification of the Insurance Commission;
- d) Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;
- e) Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- f) Those under preventive suspension;
- g) Persons with derogatory records with the NBI, court, police, Interpol and insurance authorities of other countries (for foreign directors) involving violation of any law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of an insurance director. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity;

This disqualification should be in effect as long as the delinquency persists.

**E. Election and Term Directors of the Company**

1. Directors are elected by a simple majority of shareholders at their Annual General Meeting.
2. The Board of Directors shall hold office for one (1) year or until their successors are duly elected and qualified.
3. Each director shall hold office until his successor shall have been elected and shall have qualified, or until his death/resignation/ceases to be a stockholder



of record of at least one share of stock in the Corporation or shall have been removed in the manner hereinafter provided.

#### **F. Term of Independent Director**

Directors can serve as such for nine (9) consecutive years. After completion of the nine-year service period, an independent director shall be ineligible for election as such in the same company unless the director has secured the appropriate clearance from the Insurance Commission.

#### **G. Vacancies**

If there is a vacancy on the Board, the remaining Directors may continue to transact most business as long as there is a quorum. Any vacancy, other than the removal or expiration of term in the Board, caused by death, resignation, disqualification, may be filled by the vote of at least a majority of the remaining Directors, if still constituting a quorum; otherwise, vacancy must be filled by the stockholders at the meeting during which the Director was removed, in accordance with the By-laws.

With respect to the Company's current Board members, if a potential conflict of interest situation were to occur, then the Director will be asked to absent himself or herself from a particular issue under discussion.

#### **H. Resignation and Removal**

Directors cease to hold office when they die, resign (either as a director or as an employee of LLIBI) or are disqualified or removed from office. A resignation is effective at the time as approved by the Board or at the time specified in the resignation, whichever is later. Directors may make a written statement to the Company about their reasons for resignation.

#### **I. Remuneration**

The Board from time to time sets directors' remuneration, if appropriate. Directors who are employees of the Company or a related company generally do not receive additional compensation for acting as a Director.

Independent non-executive Directors are paid an annual fee supplemented with per meeting fees for attendance at Board and committee meetings in accordance with the terms agreed by the Company with those Directors.



## J. Director Succession and Selection Criteria

1. The Board may determine the appropriate criteria for selecting and assessing potential and current Directors, if necessary, and may select candidates for nomination to the Board accordingly. The Board may engage in the following activities as it deems appropriate to ensure an effective process for selecting candidates for nomination:
  - a) develop criteria for the selection of new Directors;
  - b) maintain a Directors' Skills Matrix, identifying the desired competencies, expertise, skills, background and personal qualities that are sought in potential candidates (Appendix 1);
  - c) annually review these criteria to determine whether any amendments are required or whether there are any gaps in the skills of the existing Directors;
  - d) identify and recommend individuals qualified and suitable to become Board members, taking into consideration any gaps identified in (3);
  - e) maintain a list of suitable candidates for the Board;
  - f) the Chair and the CEO shall meet with potential candidates prior to nomination to discuss the time commitments and performance expectations of the position; and
  - g) approve candidates selected for nomination.
2. A highly effective Board requires Directors to have the integrity, competencies and capabilities to carry out their fiduciary duties in the best interests of the Company and its shareholders. In order for the Directors to effectively execute their duties, they should have the requisite experience, skill, time and commitment as befits the Director of a very complex business. The following characteristics are necessary for new candidates being considered for nomination as well as existing Directors:
  - a) a reputation for integrity and ethical behavior;
  - b) a demonstrated ability to exercise judgment and communicate effectively;
  - c) financially knowledgeable;
  - d) prominence in the individual's area of expertise;
  - e) previous experience relevant to the operations of the Company; and
  - f) sufficient time to dedicate to Board work.
3. The Board shall not nominate any individual to stand for election who is concurrently serving as a director of a bank, trust company or other life insurance company not affiliated with the Company.
4. The Board may determine a mandatory retirement age for Directors, if necessary. In case a mandatory retirement age for Directors is fixed, Directors shall retire at



the Annual Meeting immediately following their mandatory retirement age. The Board may waive this as circumstances may dictate.

5. The term of office of a newly elected Director may be specified at the Annual Meeting.

#### IV. COMPOSITION AND DUTIES OF CORPORATE OFFICERS

##### A. President (Chief Executive Officer)

1. Preside at all stockholders' and directors' meetings;
2. Act as the executive officer and have general management and direction of the business of the Corporation;
3. Sign and execute in the name of the Corporation all deeds, mortgages, bonds, contracts and other instruments;
4. Shall appoint officers and employees except those elected by the Board of Directors and shall remove such officers and fill such vacancies;
5. Shall make sure all the orders and resolutions of the Board of Directors are carried into effect;
6. Shall prescribe the duties for officers and employees that are not otherwise defined;
7. Shall countersign checks, drafts, and orders for the payment of money; and
8. Shall sign certificates of stock with the Secretary of the Corporation.

##### B. Managing Director (Chief Operating Officer)

1. Act as general manager and exercise direct management and control over business operations of the corporation subject to the instructions of the Chairman and the resolutions of the Board of Directors and according to his own discretion in conformity with such instructions and resolutions.
2. Subject to the supervision of the Chairman, he shall exercise general superintendence and direction over all employees and subordinate personnel of the corporation and see to it that their respective duties are properly performed.
3. Perform other functions as may be assigned by the Chairman or the Board of Directors.
4. Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;



5. Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
6. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
7. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
8. Directs, evaluates and guides the work of the key officers of the corporation;
9. Manages the corporation's resources prudently and ensures a proper balance of the same;
10. Provides the Board with timely information and interfaces between the Board and the employees; and
11. Serves as the link between internal operations and external stakeholders.

**C. Vice-President**

1. There shall be as many Vice-Presidents as the Board may decide to create.
2. The Board of Directors may, from time to time, assign duties to the Vice Presidents.

**D. Corporate Secretary**

1. Issue notices of all Directors' and Stockholders' meetings, and shall attend and keep minutes of the same;
2. Have charge of all corporate books, records, and papers;
3. Be the custodian of the corporate seal;
4. Attest with his signature and impress with the corporate seal all stock certificates and written contracts of the corporation;
5. Perform all such other duties as are incident to this office.
6. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
7. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
8. Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;



9. Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
10. Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies; Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
11. Ensures the integrity and accuracy of all documentary submissions to regulators;
12. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so; and
13. Performs required administrative functions.

**E. Treasurer**

1. Have custody of all money and securities of the corporation;
2. Keep regular books of accounts and shall submit them, together with all his vouchers, receipts, records, and other papers to the Board of Directors for their examination and approval as often as they may require;
3. Perform all such other duties as are incident to this office.

**V. BOARD MEETINGS**

**A. Frequency**

The regular meetings of the Directors shall be held at such intervals, time and places as the Board of Directors may prescribe.

Special meetings of the Board of Directors may be called by the CEO and in his absence by the COO. By unanimous consent of the Directors, special meetings of the Board may be held without notice at any time and place.

**B. Notices of Meetings**

Notice of all regular and special meetings shall generally be mailed or delivered in person to each director by the Corporate Secretary at least ten (10) days prior the time fixed for the meeting. All notices of special meetings shall state the purpose thereof.

**C. Attendance**



Directors should also bear in mind that they will be deemed to have consented to any Board resolution passed whether they are present at the meeting or not, unless they dissent in writing and record it with the Board.

#### **D. Quorum**

A quorum for the transaction of business at any regular or special meeting of the Director shall consist of the majority of the Board and the act of a majority of a quorum so present shall be valid as a corporate act, unless the Corporation Code requires a greater percentage.

#### **E. Board Resolutions**

Board resolutions shall be evidenced by a certification issued by the Company's duly elected Corporate Secretary or Assistant Corporate Secretary.

#### **F. Minutes**

The Company is required to keep minutes of Board meetings and Directors are entitled to see and review the minutes. The minutes will provide evidence of who was present and what was done at a meeting, specifically the decisions made. It is therefore important that they reflect the meeting accurately.

The level of detail in the minutes about the Board's discussions, will, at the very least, be a complete record of the decisions taken at the meeting.

If the Board received advice from experts or advisors, this will be noted in the minutes as will any dissent expressed by a Director.

All concerns of the Directors about running the Company shall be recorded in the minutes of the Board.

## **VI. ETHICS**

The directors recognizes the fundamental ethical values that underpin their role as directors and as members of its Board and committees. At all times, directors shall:

- Act with integrity;
- Exercise honesty with each other;



- Refrain from engaging in activities that may result in a conflict of interest with their duties to the Corporation;
- Be cooperative among themselves and with management;
- Act with the best interests of the Corporation and avoid any behavior that is likely to be detrimental on the Board or the Corporation's reputation;
- Acknowledge the separate roles and responsibilities of the Board and the management;
- Observe the letter and the spirit of the constitution, laws, regulations and any policies under which the Corporation operates.

## VII. CONFLICTS OF INTEREST

1. Directors shall disclose any conflicts of interest and to abstain from participating in any discussion or voting on any matter in which they have a material personal interest without the prior approval of the Board
2. Conflicts of interest include but are not limited to:
  - a. Self-dealing, wherein a Director causes the Corporation to enter into a transaction with another organization that benefits such Director.
  - b. Employment in other insurance brokering companies or any other institution that are viewed as competitors by the Corporation.
  - c. Family interests, such as a relative up to the third degree of affinity or consanguinity is employed or applies for employment, or the Corporation purchases goods or services from such a relative or a firm controlled by a relative.
  - d. Receiving high value gifts from entities that do business with the Corporation.
  - e. Showing interest in stocks or other investments, in which the Corporation is invested in or is contemplating on investing in.
3. Directors shall disclose any notifiable interests to the Chief Executive Officer and the Legal Counsel and Corporate Secretary on the date of their appointment or upon a change to a notifiable interest.
4. Notifiable Interest of a director means:
  - a. interests in securities of the Corporation or a related body corporate; or





- b. interests in a contract to which the director is a party or under which the director is entitled to a benefit, and that confer a right to call for or deliver shares in, debentures of, or interests in an investment scheme made available by, the Corporation or a related body corporate.

## VIII. TRAINING

### A. Orientation Program for First-time Directors

- a. The orientation program for first-time directors shall be for a minimum of eight hours
- b. The program shall cover IC-mandated topics on corporate governance and an introduction to the company's business, Articles of Incorporation, and Code of Conduct

### B. Annual Continuing Training

- a. The annual continuing training program for all directors shall be for a minimum of four hours.
- b. The program shall cover developments in the business and regulatory environments, including emerging risks relevant to the company. It involves courses on corporate governance matters relevant to the company, including audit, internal controls, risk management, sustainability and strategy and IC-mandated topics on Corporate Governance:
  - a) Code of Corporate Governance for IC Regulated Companies;
  - b) ACGS and IC Annual Corporate Governance Report;
  - c) Board Responsibilities;
  - d) Illegal activities of corporations/ directors/officers;
  - e) Protection of minority shareholders;
  - f) Liabilities of directors;
  - g) Confidentialities;
  - h) Conflict of interest;
  - i) RPT;
  - j) Enterprise Risk management; and
  - k) Case studies and Financial Reporting and Audit.



## IX. ALTERNATIVE DISPUTE RESOLUTION

### A. Corporate Governance Related Disputes

The following are categories of corporate governance related disputes. It is recognized that there are other disputes which can equally consider the use of ADR tools and processes in their resolution.

- a. Annual accounts – e.g. disputes between shareholders and the Board and/or external auditor over the (withholding of) shareholder approval;
- b. Business disputes – e.g. disputes between the Company and its suppliers, customers, contractors and/or service providers;
- c. Environmental disputes – e.g. disputes between the Company and affected communities & stakeholders regarding environmental concerns on air, noise or other pollution, depletion of natural resources;
- d. Minority shareholders rights – e.g. disputes between majority shareholders and minority shareholders in squeeze out scenarios;
- e. Mismanagement – e.g. disputes between shareholders and the Board on supposedly mismanagement of the Company;
- f. Nomination/appointment of Board Directors – e.g. disputes between shareholders and the Nomination Committee and/or the Board over nomination and/or appointment of Board Directors/executives, including over criteria for nomination or appointment;
- g. Self-interested transactions – e.g. related party transactions, insider trading, conflicts of interest by Board Directors, executives and senior management;
- h. Takeover procedures – e.g. disputes between shareholders and the Board regarding terms and conditions of a proposed takeover;
- i. Workplace conflicts – e.g. disputes between the Company and employees, and between employees.



## B. Alternative Dispute Resolution Processes and Tools

1. **Adjudication** – includes any of the forms of dispute resolution in which the parties to the dispute present proofs and arguments to a neutral third party who has the power to deliver a binding decision, generally based on objective standards. The term subsumes arbitration and litigation.
2. **Arbitration** – includes any of the forms of dispute resolution involving a mutually acceptable, neutral third party making a decision on the merits of the case, after an informal hearing which usually includes the presentation of evidence and oral argument.
3. **Conciliation** – an informal process in which a neutral third party is positioned between the parties to create a channel for communications, usually by conveying messages between parties where it is preferable that they do not meet face-to-face, to identify common ground and to eventually re-establish direct communications between the parties, and possibly achieve settlement.
4. **Facilitation** – to help a group improve its process for solving problems and making decisions so that it can achieve its goals and increase its overall effectiveness. Although dealing with conflict can be a significant part of facilitation, it is not always the primary focus. In addition, developmental facilitation seeks to help the group permanently improve its process for solving problems. By transferring the skills of the facilitator to the group, the group becomes less dependent on the facilitator.
5. **Mediation** – a voluntary process in which the disputing parties, with the involvement of a neutral third party (the ‘mediator’), endeavor to reach an agreement. The mediator has no decision-making power and informally assists the parties to reach their own mutually acceptable settlement of disputed issues, maintain the channels of communication, articulate the interests of each party, and, if appropriate, may advise or make recommendations on disputed issues. He generally meets separately with each party, taking information in confidence. All information disclosed in the course of mediation is to remain confidential. Mediation emphasizes self-resolution of conflict and may involve more than one mediator.



6. *Mediation Agreement* – a written agreement arising from a mediation setting out the terms of settlement reached between the parties in dispute. It is not legally binding but is made in good faith and signed by all of the parties to the Mediation. It is confidential except where the terms of the agreement expressly permit disclosure of part or all of its contents.
7. *Negotiation* – any form of communication, direct or indirect, whereby parties who have opposing interests discuss, without resort to arbitration or other judicial processes, the form of any joint action which they might take to manage and ultimately resolve the dispute between them.

### C. Dispute Resolution System

#### Step 1: Prevention

##### a. *Conflict Avoidance*

- Possible conflicts of interest shall be disclosed by Directors prior to assuming Board membership or during the annual stockholder meeting.
- Meetings should allow affected parties to explain details, express points of view, confine issues and resolve differences in an atmosphere conducive to conciliation or negotiation.
- Early consultation of the Company's projects with stakeholders may help avoid parties becoming locked into inflexible positions of conflict and prevent their developing into full-scale disputes.

##### b. *Contract Clauses*

- Mandatory inclusion and incorporation of ADR options and provisions in contracts entered into by the Company will ensure the use of such options and assist in determining whether ADR is appropriate for specific disputes.

#### Step 2: Negotiation

#### Step 3: Third Party Assistance

- Mediation
- Conciliation
- Expert determination

#### Step 4: Third Party Decision through Arbitration



## X. RULES FOR THE DISCLOSURE OF INFORMATION

1. The Corporate Secretary shall be responsible for the organization, accuracy and timeliness of disclosure of Material Information, as well as the filing of the reports with the relevant regulatory bodies and other governmental authorities. No Material Information shall be reported or divulged to third parties until the same have been properly disclosed to the IC and the SEC first.
2. The Company shall disclose all Material Information affecting the financial and business operations of the Company. In addition, the Company shall also disclose information on the following events and activities:
  - a. Changes in the name of the Company;
  - b. Decisions regarding the increase or decrease of its authorized capital stock;
  - c. A purchase by the Company of its own shares, and a statement disclosing the source of funding for the acquisition, the purchase price, as well as the goals and reasons for such purchase;
  - d. Price fluctuations of 5% or more of the Company's shares over a relatively short period of time;
  - e. Transactions that may affect the interests of the stockholders or the use of the Company's assets, including information regarding the use of shares and the other parties involved in such deals;
  - f. Cessation of the production of goods and services, the sales of which counted for at least 10% of the Company's total output based on the results of the previous fiscal year;
  - g. Changes in the business priorities of the Company;
  - h. Amendments to the articles of incorporation relating to the issuance of preferred shares of categories other than those previously issued; and
  - i. Changes of the external auditor, registrar or depository of the Company.
3. Public statements that may have a significant impact on the Company's business activities and/or the value of its securities shall be coordinated with the CEO (or any other person determined by the CEO).
4. In times of emergencies or extraordinary circumstances, where none of the Authorized Persons is available to make the disclosure to the public, Authorized Persons may designate other officers or employees of the Company to act on their behalf and respond to any inquiries within their competencies. However, no person other than the Company's duly authorized and appointed Authorized Persons may comment upon or answer any



questions or respond to any inquiries regarding the Company's business activities and results of operations, without special authorization or order of an Authorized Person.

5. Authorized Persons shall be fully informed of the Company's business activities and results of operations that might be of interest to the business community for the purposes of:
  - a. Determining the materiality and timing of the disclosure of the information;
  - b. Ensuring the proper understanding of the current operations of the Company that may be of interest to investors; and
  - c. Preventing situations where the Company might inadvertently deny the occurrence of any significant events, despite the fact that they actually occurred.
6. If any officer or employee of the Company participates in any public event, as part of his or her official or other duties, such officer or employee shall ensure that any disclosure of information regarding the Company is made in strict compliance with this Disclosure Policy.
7. The Corporate Secretary shall play a key role in implementing the Company's Disclosure Policy. In particular, the Corporate Secretary, in coordination with the CEO, shall ensure:
  - a. The timely disclosure of information contained in the reports of the Company, and information regarding material events affecting the Company's business and financial operations; and
  - b. The safekeeping of the Company's documents that are subject to mandatory storage, control access thereto and provide copies thereof. The Corporate Secretary shall certify copies of these documents or information when required by existing laws, policies, rules and regulations.
8. In addition to mandatory disclosure requirements, the Company shall prepare and disclose information regarding the following:
  - a. Corporate Governance Policy;
  - b. Activities of the Company's various governing bodies;
  - c. Corporate document; and
  - d. Shareholders who own five percent (5%) or more of the Company's shares, including information on indirect (beneficial) ownership.  
The Company shall ensure unrestricted access to the foregoing information by interested parties.
9. In addition to the means of disclosure required by law, the Company shall:
  - a. Publish information about the Company in the mass media or issue press-releases when in the opinion of the Authorized Person, the information or the situation requires such publication;



- b. Conduct regular meetings (information briefings and/or press conferences) with shareholders, potential investors and other market participants;
  - c. Update the Company's website regularly to ensure that the latest press releases, news, results of operations or briefings are uploaded on the website; or
  - d. Conduct any other means of disclosure as established by the Board of Company.
10. The Company shall publish on its website Public Information regarding the Company and may also publish brochures and booklets regarding the Company's current or upcoming operations or projects.
11. The Company shall disclose Material Information in the form of:
  - a. Quarterly reports on the issued securities of the Company;
  - b. Statements of material events affecting the financial and business operations of the Company;
  - c. Disclosures of information contained in the registered decision regarding the issuance of the Company's securities;
  - d. Annual Reports to the stockholders;
  - e. Disclosures of information contained in the registered securities prospectuses of the Company; and
  - f. Disclosures of information contained in the registered report on results of the issue of the Company's securities.
12. The Annual Report shall be signed by the CEO and COO of the Company and presented and/or circulated to the Board prior to filing with the Securities and Exchange Commission and Insurance Commission. In addition to the information required to be disclosed under the Securities Regulation Code, the Annual Report of the Company shall contain the following:
  - a. An analysis of the competitive position of the Company;
  - b. An analysis of the Company's profitability;
  - c. A comparison of the planned and actual results of the Company for the year;
  - d. Net profit information, including total net profit from the Company's principal activities, and net earnings per share;
  - e. An assessment of changes in the asset structure over the past three years;
  - f. The Company's labor and training policy; and
  - g. The Company's corporate governance system and main corporate governance event during the reporting period.

**A. Confidential Information**

1. There is no legal right to free access to Confidential Information, and the possessor of such information shall be responsible for taking steps to protect its confidentiality.



2. The Company shall take all necessary steps and actions to protect its Confidential Information. Only the following have access to Confidential Information:
  - a. Board Members;
  - b. Authorized Persons;
  - c. Other officers of the Company other than the Authorized Persons; and
  - d. Any officers as may be authorized by the foregoing persons.
3. The CEO shall have the right to make changes and amendments to the list of persons having access to Confidential Information.
4. The Company shall require all its officers and employees to sign confidentiality agreements.
5. Persons having access to Confidential Information shall not use such information for entering into any business transactions, nor shall they disclose such information to third parties for commercial use.
6. Persons who have illegally acquired the Company's Confidential Information shall reimburse the Company for any losses incurred. The same shall apply to the employees of the Company who have disclosed Confidential Information in violation of their employment contracts, and to any other contracting parties disclosing such information in violation of their contractual agreement.

**B. Rights of Stockholders to Information**

1. The Company shall ensure that shareholders have access to the documents and information as set forth in the Company's Manual on Corporate Governance and Code of Conduct and Business Ethics.
2. All stockholders shall have the right to review documents bearing Public Information. The Company shall provide copies of any such documents upon the request of any stockholder.
3. Requests to review or receive copies of documents other than those provided during annual or special meetings, or whenever such notification is required, shall be made in writing to the attention of the Corporate Secretary and be sent to the following address: 15/F Burgundy Corporate Tower, 252 Sen Gil Puyat Avenue, Makati City, 1200. The request shall state the full name of the stockholder (for legal entities, their names and location), the number and category (class) of shares owned by the stockholder and the title of the document requested.





4. The Corporate Secretary of the Company shall be required to verify the share ownership of the person requesting information.
5. The documents shall be made available for inspection free of charge within ten (10) business days after the date of request.
6. Copies of the documents shall be made available within ten (10) business days after the relevant request and after receipt of payment from the shareholder for the copy and postage costs incurred by the Company. If copies of the documents are sent to the requesting party by mail, the date of dispatch shall be considered the date of providing the documents.

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## **RIGHTS OF A STOCKHOLDER**

1. Right to share in the profits of the corporation. Stockholders shall be treated equally and paid within 30 days after being (i) declared for interim dividends and (ii) approved by stockholders at general meetings for financial dividends.
2. Right to participate in decisions concerning fundamental corporate changes. Stockholders have the right to participate in, and to be sufficiently informed on, decisions concerning fundamental corporate changes such as:
  - a. amendments to the statutes, or articles of incorporation or similar governing documents of the company;
  - b. the authorization of additional shares;
  - c. extraordinary transactions, including the transfer of all or substantially all assets, that in effect result in the sale of the company.
3. Right to participate effectively in and vote in general stockholder meetings and should be informed of the rules, including voting procedures, that govern general stockholder meetings.
4. Right to approve remuneration or any increases in remuneration for the nonexecutive directors.
5. Non-controlling stockholders have the right to nominate candidates for board of directors.
6. Right to elect directors individually. *Each stockholder shall be entitled to cast one vote for each share of stock held in his name during the annual meeting of stockholders.*
7. Right to ask questions to the board, including questions relating to the annual external audit, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations.
8. Stockholders are allowed to vote in person or in absentia, with equal effect given to votes whether cast in person or in absentia
9. Right to be furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting.
10. *Right to request for a special meeting of the stockholders with the Board of Directors.*

### **A. Stockholders' Meeting**

1. The annual meeting of stockholders shall be held at 2:00 PM on the first Friday of May, in each year at the principal office of the corporation. Whenever such day shall fall upon a legal holiday, the meeting shall be held on the next succeeding business day. At such meeting, the stockholders shall elect directors to serve until their successors shall be elected or qualified.



2. A special meeting of the stockholders, to be held at the same place as the annual meeting, may be called at any time by the President, and in his absence, by the Managing Director, or by the Directors. It shall be the duty of the Directors, President, Managing Director, to call such meeting whenever so requested by stockholders holding 51% or more of the outstanding corporate stock.
3. Notice of the time and place of annual and special meetings shall be given either by posting the same, enclosing in a postage prepaid envelope, addressed to each stockholder on record entitled to vote at the address left by such stockholder with the Secretary of the Corporation or at his last known post office address, or by delivering the same to him in person, at least ten (10) days before the date set for such meeting.
  - a. Every stockholder shall furnish the Secretary with the address at which notices of meetings and all other corporate notices may be served upon him by mail.
  - b. The notice of every special meeting shall state briefly the object of the meeting, and no other business shall be transacted at such meeting except by the consent of all stockholders of the corporation attending such special meeting, and entitled to vote.
  - c. Notice of any meeting need not be published in any newspaper.
  - d. The stockholders of the corporation entitled to vote may, by unanimous consent in writing, waive notice of the time, place and purposes of the meeting of stockholders and any action taken at such meeting held pursuant to such waiver, shall be valid and binding.
4. The order of business of the annual meeting of the stockholders shall be as follows:
  - a. Proof of the required notice of the meeting
  - b. Proof of the presence of a quorum
  - c. Reading of the minutes of the meeting and the actions taken thereon
  - d. Report of the Board of Directors
  - e. Unfinished business
  - f. Appointment of Committees
  - g. Election of Directors
  - h. Other matters
5. At every such meeting, each stockholder shall be entitled to cast one vote for each share of stock held in his name; which vote may be cast by him either in



person or by proxy. All proxies shall be in writing, and shall be filed with the Secretary and by him entered of record in the minutes of the meeting.

6. A quorum for the transaction of business at any such meeting shall consist of a number of stockholders representing a majority of the capital stock issue and outstanding, except in those cases wherein the Corporation Law requires the affirmative vote of a greater proportion, but the stockholders present at any meeting, may adjourn the meeting for a future time.