



# MILESTONE

Guaranty and Assurance Corp.

## **BOARD OF DIRECTORS CHARTER**

This Board Charter shall govern the relationship between the board committees and the board of directors as a whole as provided in the charters of the committees which are duly approved and adopted by the Board. It provides a concise overview of the role and responsibilities of the Board of directors; powers of the Board, various Board committees and their roles; separation of roles between the Board and Management and the policies and practices of the Board in respect of corporate governance matters.

It is intended to complement with the New Corporation Code, the company's Articles of Incorporation, By-laws, circulars issued by the Insurance Commission, rules and regulations issued by the Securities and Exchange Commission and other applicable laws, rules and regulations.

### **A. OVERALL RESPONSIBILITIES OF THE BOARD**

The Board shall be principally responsible in the exercise of corporate powers of the corporation and conducts all business and controls or holds all property of the corporation.

### **B. RESPONSIBILITIES AND AUTHORITY OF THE BOARD**

Subject to the company's Articles of Incorporation and By-Laws, the Board, as a whole and through its Committees, has authority over all areas of corporate responsibility to foster the long-term success of the company and maintain its competitiveness in a fiduciary capacity to the best interest of the company, stockholders and other stakeholders; and to ensure of a high standard of best practices for the company, its stockholders and stakeholders, the Board shall conduct itself with all honesty and integrity in the performance of the following duties and responsibilities, aside from such powers prescribed by the Securities and Exchange Commission and Insurance Commission on good corporate governance, its Articles of Incorporation and By-Laws and other applicable laws, circulars, rules and regulations, to wit:

- a. Formulate the corporation's vision, mission, policies and procedures that shall serve as guidelines in carrying out its business activities.
- b. Adopt and monitor compliance with the Company's Code of Conduct.
- c. Establish committees as prescribed by Securities and Exchange Commission and Insurance Commission.
- d. Implement a process for the selection of directors who can contribute independent judgment to the formulation of sound corporate policies and procedures.

- e. Conduct annual performance assessment of the Chairman, President/CEO and the board members as well as the key officers.
- f. Evaluate and approve major resource allocations and investments.
- g. Review the Company's internal controls and risk management systems.

**C. BOARD COMPOSITION**

The Board shall be composed of nine (9) members who are elected by the stockholders as provided for in the Amended Articles of Incorporation and Amended By-Laws.

The Company shall have at least two (2) independent directors and/or twenty percent (20%) of the total number of the members of the Board. Any fractional result from applying the required minimum proportion shall be rounded-up to the nearest whole number.

**D. BOARD MEETING AND QUORUM OF THE MEETING**

Members of the Board should attend regular and special meetings of the Board in person. In the event that the government should impose restriction on a face-to-face meetings or conference or as the needs arises by reason of health and safety of all the members, attendance at Board meetings through teleconference may be allowed.

An independent director should always be in attendance. However, the absence of an independent director may not affect the quorum requirements if he is duly notified of the meeting but deliberately and without justifiable cause fails to attend the meeting. Justifiable causes may only include grave illness, an illness that may be considered as one of the symptoms of an epidemic or pandemic disease or death of immediate family and serious accidents.

**E. CHAIRMAN OF THE BOARD**

The Chairman's responsibilities shall include:

- a. Schedule meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the company's operations;
- b. Prepare meeting agenda in consultation with the CEO;
- c. Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and
- d. Assist in ensuring compliance with company's guidelines on corporate governance.

Further, the Chairman shall also exercise the following functions:

- a. To preside over all the meetings of the Board of Directors and the stockholders;
- b. To initiate the formulation of long-term development plans and programs for the approval of the Board of Directors, including but not limited to trainings, professional advancement and compensation;
- c. To exercise such powers as may be incidental to his office.

***F. PRESIDENT AND CHIEF EXECUTIVE OFFICER***

The Chief Executive of the Company shall be the President who shall be elected by the Board of Directors from among its members.

The President and Chief Executive Officer's responsibilities shall, among other powers and duties inherent in his office, execute and administer the policies, measures, orders and resolutions approved by the Board and direct and supervise the operations and administration of the company. He has the following powers and duties:

- a. To execute all contracts and to enter into all authorized transactions in behalf of the company;
- b. To exercise, as Chief Executive Officer, the power of supervision and control over decisions or actions of subordinate officers and all other powers that may be granted by the Board;
- c. To recommend to the Board the appointment, promotion or removal of all officers of the company with the rank of at least Assistant Vice-President or its equivalent;
- d. To appoint, promote or remove employees and officers of the company, except those who are to be appointed or removed by the Board;
- e. To transfer, assign and reassign officers and personnel of the company;
- f. To report periodically to the Board on the operations of the company;
- g. To submit annually a report on the result of operations of the company to the stockholders; and
- h. To delegate any of his powers, duties and functions to any corporate officers of the company subject to the approval of the Board.

In the absence of Chairman or Vice-Chairman of the Board or in case of proper delegation, the President shall preside at the meetings of the Board of Directors and of the stockholders.

## **G. CORPORATE SECRETARY**

The Corporate Secretary, who must be a Filipino, is an officer of the corporation.

Like the President and CEO, he should work and deal fairly and objectively with all the constituencies of the corporation, namely, the Board, management, stockholders and other stakeholders. As such, he should be someone his colleagues and these constituencies can turn to, trust and confide with on a regular basis.

The Corporate Secretary should make sure that directors have before them everything that they need to make an informed decision. When the Board makes a decision, it is covered by a business judgment that can be arrived at by the members acting in good faith with the assistance of the Corporate Secretary who should review carefully the information presented to the directors at the time they are to make a decision.

The Corporate Secretary shall have the following duties and responsibilities:

- a. He shall record all the votes and proceedings of the meeting of Stockholders and of the Board of Directors.
- b. He shall keep, at the principal office of the Corporation or at any place designated by the Board, the stock and transfer book, the corporate seal and therein keep a record of all the stock, the names of stockholders with the addresses to which notices may be sent, the installments paid and unpaid on all stock for which subscription has been made and the date of payment of any installment, assignment of subscription or sale of transfer of stock made, the date thereof and by and to whom made.
- c. He shall always keep abreast on relevant laws, jurisprudence, circulars, rules and regulations issued by the Insurance Commission and Securities and Exchange Commission, and advises the Board and the Chairman on all relevant issues as they arise;
- d. He shall inform all the members of the Board of the agenda of their meeting within the period prescribed by Articles of Incorporation or By-laws to give them the period to study and make intelligent decisions on matters that require their approval;
- e. He shall attend all stockholders and board meetings; and
- f. He shall assist the Chairman or Vice-Chairman or the President and CEO, as the case may be, in organizing the board's activities like preparing an agenda, reporting of meetings, and evaluating the sequence of activity.

## **H. COMPENSATION OF BOARD MEMBERS**

Levels of remuneration shall be sufficient to attract and retain the directors, if any, and officers needed to run the company successfully. A proportion of executive directors' remuneration may be structured so as to link rewards to corporate and individual performance.

The company may establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers. No director should be involved in deciding his or her own remuneration.

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

The form and amount of Directors' and Key Officers' compensation will be determined and approved by the Remuneration Committee in accordance with the policies and principles set forth in its charter.

## **I. BOARD COMMITTEES**

The Board shall constitute Committees in aid of good corporate governance.

1. The Audit Committee shall be composed of at least three (3) but not exceeding five (5) Board members, preferably with accounting and finance background, one of whom shall be an independent director and another should have related audit experience. It shall have the following specific functions:
  - a. Provide oversight over the senior management's activities in managing catastrophe exposure, market, liquidity, operational, legal and other risks of the corporation. This function shall include receiving from senior management periodic information on risk exposures and risk management activities. However, in consideration of the risk profile of the corporation, the Board may constitute a separate Risk Oversight Committee to focus on carrying out this oversight role over risk management;
  - b. Provide oversight of the corporation's internal and external auditors;
  - c. Review and approve audit scope and frequency, and the annual internal audit plan;
  - d. Discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
  - e. Responsible for the setting-up of an internal audit department and consider the appointment of an internal auditor as well as an independent external auditor, the audit fee and any question of resignation or dismissal;

- f. Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system;
- g. Receive and review reports of internal and external auditors and regulatory agencies, where applicable and ensure that management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
- h. Review the quarterly, half-year and annual financial statements before submission to the Board, focusing particularly on:
  - Any change/s in accounting policies and practices
  - Major judgmental areas
  - Significant adjustments resulting from the audit
  - Going concern assumption
  - Compliance with accounting standards
  - Compliance with tax, legal, and other regulatory agencies' requirements
- i. Responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. It may also constitute a Compliance Unit for this purpose.
- j. Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to the company's total expenditure on consultancy. The non-audit work should be disclosed in the annual report.
- k. Establish and identify the reporting line of the chief audit executive so that the reporting level allows the internal audit activity to fulfill its responsibilities. The chief audit executive shall report directly to the Audit Committee functionally. The Audit Committee shall ensure that the internal auditors shall have free and full access to all the company's records, properties and personnel relevant to the internal audit activity and that the internal audit activity should be free from interference in determining the scope of internal auditing examinations, performing work, and communicating results, and shall provide a venue for the Audit Committee to review and approve the annual internal audit plan.

The Chairman of this committee is preferably an independent director. He should be responsible for inculcating in the minds of the Board members the importance of management responsibilities in maintaining a sound system of internal control and the Board's oversight responsibility.

2. The Board may also constitute the following committees:
  - a. The Nomination Committee which may be composed of at least three (3) but not to exceed five (5) members, one of whom should be an independent director may review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board and provide assessment on the Board's effectiveness in directing the process of renewing and replacing Board members.
  - b. The Compensation or Remuneration Committee may be composed of at least three (3) but not to exceed five (5) members, one of whom should be an independent director. It may establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the corporation's culture, strategy and control environment.
  - c. The Related Party Transaction Committee may be composed of at least three (3) but not to exceed five (5) members, one of whom should be an independent director. It may establish a formal and transparent procedure for developing a policy in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of the company's shareholders and other stakeholders.
  - d. The Risk Oversight Committee may be composed of at least three (3) but not to exceed five (5) members, one of whom should be an independent director. It may establish a formal and transparent procedure for developing a policy in in defining the Company's level of risk tolerance based on risk-based capital as set forth by the Insurance Commission 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.

## ***J. ORGANIZATIONAL GOVERNANCE AND CORPORATE COMMUNICATIONS***

The Board shall be responsible in establishing organizational governance and corporate communications in the following manner:

- a. Approve and take reasonable steps to monitor compliance with significant corporate policy, including policy addressing communication, disclosure and confidentiality of corporate or material information.
- b. Report annually to the shareholders on the Board's stewardship for the preceding year.

- c. Take reasonable steps to:
  - i. Ensure that the Corporation has in place effective communication processes with shareholders, the investing public, other stakeholders and with financial, regulatory and other institutions and agencies as appropriate;
  - ii. Ensure that all members of the Board must undergo training, seminars and other professional development programs including the orientation of new member/s of the Board;
  - iii. Implement measures for receiving feedback from stakeholders; and
  - iv. Ensure the timely and non-selective disclosure of any developments that have a significant and material impact on the Corporation and approve the content of the Corporation's major communications to shareholders and the investing public, unless delegated to a Committee of the Board.

#### ***K. BOARD GOVERNANCE***

It is the primordial duty of the Board to religiously maintain Board Governance in performing its functions to:

- a. Approve the company's approach to corporate governance, including the approval of and monitoring compliance with its practices, principles and related policies.
- b. Approve the required capabilities, expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials.
- c. Approve the proposed candidate(s) for nomination for election to the Board at the next annual general meeting of the shareholders of the Corporation or for appointment to fill any vacancy that is anticipated or has arisen on the Board.
- d. Determine the "independence" of directors of the Corporation in accordance with the independence standards established by all applicable corporate and securities laws standards.
- e. Approve the size and composition criteria of the Board with a view to facilitating effective decision-making.
- f. Approve the creation, abolition, size and composition criteria of Board Committees.
- g. Approve annually the appointment of the Board Chair and Committee Chairs and the appointment of directors as members of Committees.



- h. Approve the Charter for the Board and Board Committees.
- i. Approve the position descriptions for the Board Chair and each of the Board Committee Chairs.

***L. ANNUAL PERFORMANCE EVALUATION OF THE BOARD and KEY OFFICERS***

The Board shall conduct an annual evaluation to determine whether its Committees or as a whole are functioning effectively. It shall also conduct an annual review of the performance of the President and CEO as well as the Compliance Officer, Chief Audit Executive and other Key Officers as determined by the Board.

***M. CHARTER REVIEW***

This Charter shall be subject for review by the Board at any given time as exigency may arise. Any changes, amendments and revisions to this Charter shall need prior approval of the Board duly called for the purpose prior posting it to the company's website.