

BOARD CHARTER

February 2021

1. PURPOSE OF THE CHARTER

The Board Charter¹ is intended to provide the members of the Board of Directors a clear view on the values and principles of Marsh that will aid them in their decision making process. The Charter should provide a clear overview of their roles, responsibilities and powers as Directors of the company. Also, the Charter shall serve as a guide towards operationalizing matters which relate to the Board.

This Charter is subject to the provisions of the Corporation Code of the Philippines, the Company's Articles of Incorporation, By-laws and any applicable law or regulatory issuance of the appropriate government agency.

2. ROLE OF THE BOARD

The Board of Directors refers to the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties through the Board.²

The Board has the power of the Corporation and the general supervision and control of the business of the Corporation and of all the property of the Corporation.³

3. RESPONSIBILITIES OF THE BOARD

The Board exercises overall responsibility for governance of the Company. It has the responsibility of ensuring its long term success in a manner consistent with the principles of transparency, accountability and fair play. The Board shall lay the strategic direction of the Company, including reviewing and approving action plans and monitoring the same. Alongside competitive sustainability, the Board shall exercise active control and supervision in the formulation and implementation of institutional risk management. They shall be ultimately responsible for the Company's compliance with the Anti Money Laundering and Counter Financing Terrorism Laws including their respective rules and regulations, other directives and guidance, and other Insurance Commission (IC) and Anti-Money Laundering Council (AMLC) issuances.⁴ To this end, the Board shall approve a comprehensive, risk-based Money Laundering and Terrorism Financing Prevention Program geared towards the promotion of high ethical and professional standards and the prevention of Money Laundering and Terrorist Financing which shall be disseminated across all staff for their compliance.⁵

Specifically, the Board shall⁶:

¹ Hereinafter referred to as "Charter"

² IC Circular 2020-71

³ Paragraph b, Article V of the Company's Amended By-Laws

⁴ IC Circular 2018-60

⁵ IC Circular 2019-65

⁶ IC Circular 31-2005

1. Review and adopt a strategic plan for the company.
2. Oversee the conduct of the company's business to ensure that the business is being properly managed and its dealings are fair and equitable.
3. Identify principal business risks and ensure the implementation of appropriate risk management systems to specifically manage the enterprise and operational risks of the company.
4. Approve corporate policies in core areas of operations.
5. Plan succession, including appointing, training, fixing the compensation of, and where appropriate, replacing senior management, subject to delegation.
6. Develop and implement an investor relations program or adopt shareholder communications policy for the company.
7. Review the adequacy and the integrity of the company's internal control systems and management information systems including systems for compliance with the Insurance Code and other applicable laws, regulations, rules, directives and guidelines.
8. Select and appoint officers who are qualified to administer insurance affairs soundly and effectively and to establish an adequate selection process for all personnel when required by existing rules and regulations.
9. Apply fit and proper standards on personnel. It must have integrity technical expertise and experience in the Company's business, either current or planned, which should be the key considerations in the selection process.
10. Establish an appropriate compensation package for all personnel that are consistent with the interest of all its stakeholders.
11. Review and approve material transactions not in the company's ordinary course of business.
12. Establish a system of check and balance which applies to the Board and its members.
13. Have an appropriate reporting system so that the Board can monitor, assess and control the performance of Management.
14. Present to all its members and shareholders a balanced and understandable assessment of the company's performance and financial condition.
15. Appoint a Compliance Officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations, subject to delegation.
16. The Board shall be entitled to the services of a Corporate Secretary who must ensure that all appointments are properly made, that all necessary information are obtained from directors, both for the company's own records and for the purpose of meeting statutory obligations, as well as those arising from the requirements of the Insurance Commission and other regulatory agencies.

4. MATTERS RESERVED TO THE BOARD

The Board reserves specific powers to itself. However, it may delegate authority to exercise any of its powers other than the powers reserved to it to its committees, a director or directors, management or any other person.

Its day to day powers are delegated to the Chief Executive Officer who in turn can make further delegation as may be allowed by Marsh Philippines Inc.'s Board of Directors and/ or as may be required by law.

A schedule of matters reserved to the Board is outlined in the Appendix to this Charter.

5. DELEGATION OF AUTHORITY

Delegated authorities must emanate from the Board. This is a prerogative that the Board has, considering the participation and involvement of management in relevant decisions affecting the Company and the accountability of management to the Board.

6. COMPOSITION OF THE BOARD

The Company should be headed by a competent, working Board to foster its long-term success and sustainability in a manner consistent with corporate objectives and the long-term best interests of its shareholders and other stakeholders⁷. As such, the Board shall be composed of directors with collective working knowledge, experience and expertise relevant to the insurance and/or broking industry.

The Board shall be composed of both executive and non-executive directors to assure protection of the Company's interests. It shall likewise have independent director/s to ensure the exercise of independent judgment on corporate affairs and proper oversight of managerial performance, including prevention of conflict of interests and balancing of competing demands of the corporation.⁸

Each director should possess the necessary skills and qualifications to ensure that he/she will give valuable contribution during discussions, deliberations and decision making process.

As the Company promotes diversity, no appointment as member of the Board shall be based on gender, age, ethnicity, nationality, social, political, cultural or religious status.

The appointment and remuneration of members of the Board shall be determined by the Nomination Committee and Remuneration Committee.

7. ETHICAL CONDUCT

Members of the Board are expected to act according to the Company's values and with the highest standards of integrity. They are expected to act in the best interest of the Company while promoting ethical leadership. Directors are expected to:

⁷ IC Circular 2020-71

⁸ Ibid.

- (a) ensure that they do not engage in activities that may result in actual, apparent or even the mere appearance of conflict of interest;
- (b) be fair and honest in all their dealings;
- (c) foster cooperation among themselves and with management considering the best interests of the Company;
- (d) exercise prudence in decision making;
- (e) be accountable for their actions and decisions;
- (f) respect the delineation of roles and responsibilities of board and management;
- (g) follow all laws, rules, regulations and the Company's constitution, rules and regulations;
- (h) proactively promote compliance to rules and regulations;
- (i) participate in social responsibility initiatives of the Company;
- (j) avoid actual or appearance of any improper behavior or conduct.

The Board also adheres to The Greater Good, the Code of Conduct of the entire Marsh & McLennan group of companies which mandates creation of a culture that is respectful, collaborative and inclusive.

8. CONFLICT OF INTEREST

The Company recognizes situations where conflict of interest may arise. This is mainly due to the broad client and diverse business offerings that the Company has. As such, it is our mandate to treat the Company's clients in a fair manner by identifying and resolving conflicts in a prompt and expeditious manner. Either real or apparent, conflict of interest must necessarily be identified and resolved with transparency, integrity and expediency. On this basis, the Board is hereby enjoined to comply with Marsh's Conflict of Interest Policy.

Outside directorships and other positions outside the organization are opportunities that come up and before accepting such, any Director is required to obtain prior approval in accord with the Conflict of Interest Policy. The same goes for directorships with publicly traded companies where written approval is required.

9. INDEPENDENCE

The Board shall be composed of at least twenty (20%) independent directors. The purpose is to ensure exercise of independent judgment on corporate affairs and proper oversight of managerial performance. The Board should ensure that an independent director possesses the necessary qualifications and none of the disqualifications. An independent director refers to a person who⁹:

⁹ IC Circular 2020-71

(a) is not or was not a regular director, officer or employee of the covered entity, its subsidiaries, affiliates or related companies during the past three (3) years counted from the date of his election/appointment;

(b) is not or was not a regular director, officer, or employee of the covered entity's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;

(c) is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the covered entity, or in any of its related companies or of its majority corporate shareholders;

(d) is not a relative by affinity or consanguinity within the fourth (4th) degree of a director, officer, or stockholder holding shares of stock sufficient to elect one (1) seat in the board of the covered entity or any of its related companies or of any of its substantial stockholders;

(e) is not acting as a nominee or representative of any director or substantial shareholder of the covered entity, any of its related companies or any of its substantial shareholders;

(f) is not or was not retained as professional adviser, auditor, consultant, agent or counsel of the covered entity, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election/appointment;

(g) is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the covered entity or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;

(h) was not appointed in the covered entity, its subsidiaries, affiliates or related companies as Chairman "Emeritus", "Ex-Officio", Regular Directors, Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his election/appointment;

(i) is not affiliated with any non-profit organization that receives significant funding from the covered entity or any of its related companies or substantial shareholders; and,

(j) is not employed as an executive officer of another company where any of the covered entity's executives serve as regular directors.

Related company refers to (a) the covered entity's holding/parent company; (b) its subsidiary or affiliate; (c) subsidiaries of its holding/parent company; or (d) a corporation where a covered entity or its majority stockholder own such number of shares that will allow/enable such person or group to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner.¹⁰

¹⁰ Ibid.

Independent directors may only serve for a maximum cumulative term of nine (9) years. After which, the independent director shall not be eligible for re-election in the same company except as a non-independent director.¹¹

10. BOARD TRAINING

Marsh recognizes that the Members of the Board should be competent on both operational and management. As such, there should be a relevant training program in place to ensure that they are able to deliberate on matters affecting the Company and possess the ability to make sound decisions.

All directors shall undergo an orientation program upon joining the Board. The training shall include, but will not be limited to, a discussion on the fiduciary responsibilities of a director, as well as principles of good governance, Company's structure, Articles of Incorporation, By-laws, its business operations, products and services and relevant rules and regulations such as:

- (a) The Insurance Code of the Philippines;
- (b) Rulings, circulars, issuances of the Insurance Commission (IC) as well as Insurance Commission mandated topics on corporate governance:
 - i. Code of Corporate Governance for Insurance Commission Regulated Companies;
 - ii. Annual Corporate Governance Scorecard and IC Annual Corporate Governance Report;
 - iii. Board Responsibilities;
 - iv. Illegal activities of corporations/ directors/officers;
 - v. Protection of minority shareholders;
 - vi. Liabilities of directors;
 - vii. Confidentiality;
 - viii. Conflict of interest;
 - ix. Related Party Transactions;
 - x. Enterprise Risk management; and,
 - xi. Case studies and Financial Reporting and Audit.
- (c) Anti-Money Laundering law, rules and regulations and issuances of the Anti-Money Laundering Council;
- (d) Data Privacy Act of 2012 including its implementing rules and regulations and issuances of the National Privacy Commission;
- (e) The Corporation Code of the Philippines and relevant issuances of the Securities and Exchange Commission.

There shall also be an annual training program for all directors to be continuously informed of the developments on the business and regulations surrounding it. The annual training program shall also include risks relevant to the business of the company.

The training plan shall be prepared by Legal, Compliance and Public Affairs (LCPA) as approved by the Board.

¹¹ Adopting the recommendation in IC Circular 2020-71

11. CHAIRMAN OF THE BOARD

The Chairman of the Board is appointed by the Board. The Chairman shall be a non-executive director who shall exercise the following roles and responsibilities:¹²

- a. Make certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- b. Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d. Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- e. Assure the availability of proper orientation for first time directors and continuing training opportunities for all directors; and
- f. Make sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

The Chairman of the Board should not be the chairman of the Audit Committee or of any other committees. Likewise, the Chairman of the Board shall not hold the position of Chief Executive Officer.

12. MEETINGS

The Board shall meet on a regular basis in accord with the By-laws of the company subject to notice requirements. However, the Chief Executive Officer may call for a special meeting provided notice requirements under the By-laws are complied with.¹³

To constitute quorum, majority of the Directors should be present. A director may attend at any meeting by teleconference, videoconference or through similar modes of modern communication technology.¹⁴

13. INDEPENDENT PROFESSIONAL ADVICE

For a more efficient discharge of duties and responsibilities, the Board may seek independent professional advice at the Company's own expense. Provided, that such advice shall be transparently, completely and accurately available to all members of the Board.

¹² IC Circular 2020-71

¹³ Company's By-Laws.

¹⁴ Ibid.

14. BOARD PERFORMANCE

The Board shall have a formal and rigorous annual evaluation of the Board's own performance including its Committees and individual directors. The Board shall likewise assess and evaluate the performance of the executive directors, the President and Chairman of the Board.¹⁵

Performance evaluation of the Board, its committees and its individual directors shall be conducted and reported in the annual report.¹⁶

Performance evaluation of the Chairman shall be made by non-executive directors, led by the senior independent director, taking into account the views of executive directors.¹⁷

15. CHIEF EXECUTIVE OFFICER

The President shall be the Chief Executive Officer (CEO). He/she shall exercise executive management over the business affairs and property of the Company. Likewise, he/she shall exercise the following functions¹⁸:

- (a) In the absence of the Chairman of the Board, preside at the meetings of the Board and Stockholders; and,
- (b) Initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board.

16. CORPORATE SECRETARY

The Board shall elect a Corporate Secretary who shall act as secretary to the Board. The Corporate Secretary should not be a member of the Board. He/she is primarily responsible to the Company and its shareholders and not the Chairman or President of the Company.

He/she shall exercise the following duties and responsibilities¹⁹:

- a. Safe keep and preserve the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;
- b. 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;
- c. Work fairly and objectively with the Board, Management and stockholders and contribute to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- d. Advise on the establishment of board committees and their terms of reference;

¹⁵ IC Circular 31-2005

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ By-laws of the Company.

¹⁹ IC Circular 2020-71

- e. Inform 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;
- f. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- g. Perform required administrative functions including but not limited to preparation of minutes of meetings of the Board and its resolutions and circulate the same for confirmation;
- h. Oversee the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- i. Perform such other duties and responsibilities as may be provided by the Insurance Commission or any other relevant regulatory authority or agency of the government.

The Corporate Secretary shall be required to attend on an annual basis a training on corporate governance.

17. BOARD COMMITTEES

For a more efficient discharge of responsibilities and by virtue of the power to delegate, the Board has established the following committees:

- (a) Risk Management, Audit, Compliance and Corporate Governance Committee
- (d) Nomination and Remuneration Committee

The Board may create committees as they may deem necessary for a more efficient discharge of their duties and responsibilities.

Each of the Committees shall have its own Terms of Reference.