

# HSBC INSURANCE BROKERS (PHILIPPINES), INC. BOARD OF DIRECTORS' CHARTER

## 1. Purpose of Charter

- 1.1 This Board Charter sets out the role, composition and responsibilities of the Board of HSBC Insurance Brokers (Philippines) Inc. ("INPH").

## 2. Principles

- 2.1 The Board has oversight responsibility for decisions made and actions taken by INPH and for all outcomes.
- 2.2 The Board must have regard to the interests of customers at all times.
- 2.3 The Board shall have a policy of renewal in order to provide reinvigoration of the Board.
- 2.4 The Board shall have access to all the necessary information and expertise to fulfil its responsibilities.
- 2.5 The Board's focus shall always be on the sound and prudent management of INPH.
- 2.6 The Board should be satisfied that its oversight is adequate to ensure that the management and operation of INPH is in accordance with the strategy, direction and policies of the Board.
- 2.7 The Board must be able to demonstrate that it provides pro-active knowledgeable guidance to, and oversight of, the business of INPH in conjunction with senior management.

## 3. Director Selection and Appointment

Appointments to the Board shall be recommended by the Nomination Committee in accordance with the policies and procedures in this charter and the Nomination Committee Terms of Reference.

The Board shall be responsible for ensuring directors are appointed to fill vacancies between stockholders' meetings. The most suitable candidates are selected based on the needs of INPH, and that they favor diversity in relevant industry experience, knowledge, skills, honesty, integrity and gender and, in general, do not suffer from biases that may imply any kind of discrimination.

Following appointment, the company/corporate secretary deals with the following:

- a. Regulatory filings; and
- b. Appointment letters / service contracts.

## 4. Roles and Responsibilities of the Chairman of the Board

- a. Makes 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. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;

- c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- e. Assures the availability of proper orientation for first time directors and continuing training opportunities for all directors; and
- f. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

## **5. Roles and Responsibilities of Directors**

- 5.1 The Board shall review and approve INPH's business strategies and significant policies, and oversee their implementation, having regard to any HSBC Group strategies that may be in place from time to time.
- 5.2 The Board is responsible for oversight of the risk management framework (including a view of the risk culture) that is consistent with INPH's strategic objectives and business plan while ensuring an effective system of risk management and internal control is established and maintained.
- 5.3 The Board shall ensure that there is an effective process in place to ensure that senior management of INPH collectively have the full range of skills needed for the effective and prudent operation of INPH, and for assessing their performance.
- 5.4 The Board shall have procedures for assessing the performance of the collective Board and individual directors.
- 5.5 The Board shall ratify the appointment or re-appointment to the role of President and Chief Executive Officer, or equivalent position
- 5.6 The Board shall exercise oversight of subsidiary entities and other entities of the HSBC Group for which INPH has management responsibility, as well as any material dealings with HSBC Group entities.
- 5.7 The Board is responsible for ensuring that the external auditor is independent, and has no conflicts of interest.
- 5.8 The non-executive directors, with the approval of the Chairman, may seek independent professional advice to assist them in discharging their duties to INPH at INPH's expense.
- 5.9 Every newly appointed director should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of INPH's operations and business and is fully aware of his responsibilities under statute and common law, legal and other requirements and INPH's business and governance policies.
- 5.10 The Board shall ensure to provide continuing education and training of all the directors.
- 5.11 Directors should actively participate in all meetings of the Board and Committees in person or via tele/videoconferencing conducted in accordance with the rules and regulations of the Commission. In Board and Committee meetings, the directors should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.
- 5.12 The absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his/her incumbency is a ground for disqualification in the

succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events.

5.13 The non-executive directors of the Board should concurrently serve as directors to a maximum of five Insurance Commission Regulated Entities and Publicly Listed Companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long term strategy of the company.

5.14 A director should notify the Board where he/she is an incumbent director before accepting a directorship in another company.

## **6. Director Departure**

### **6.1 Permanent**

#### **6.1.1 Term Limit**

The Board's independent directors should serve a maximum cumulative term of nine years. After which. The independent director should be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and elections as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholder's meeting.

#### **6.1.2 Resignation**

#### **6.1.3 Disqualification**

- 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.

### **6.2 Temporary Disqualification**

6.2.1 Persons who refuse to fully disclose the extent of their business interests when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as the refusal persists;

6.2.2 Directors who have been absent or who have not participated for whatever reasons in more than 50% of all meetings both regular and special of the Board of Director during their incumbency, or any twelve (12) month period during their incumbency. This disqualification applies for purposes of the succeeding elections;

- 6.2.3 Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final or executory.
- 6.2.4 Directors and officers of closed insurance companies and intermediaries pending clearance from the Insurance Commission.
- 6.2.5 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.
- 6.2.6 Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;
- 6.2.7 Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- 6.2.8 Those under preventive suspension; 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;
- Persons who are delinquent in the payment of their obligations as defined in Annex A.

## **7. Composition**

- 7.1 The composition of the Board shall at all times comply with the requirements of the Philippines Securities and Exchange Commission.
- 7.2 The Board shall have a minimum of five directors, a majority of which should be non-executive directors.
- 7.3 At least two (2) Board members (or 20% of the total number of its directors, whichever is lesser), must be independent.
- 7.4 The role of Chairman of the Board and the Chief Executive Officer (CEO), should be held by separate individuals in order to, avoid conflict, foster an appropriate balance of power and allow better capacity for independent decision-making. The responsibilities of each role should be clearly defined.
- 7.5 The Chairman is responsible for ensuring that the Board is effective in its oversight of setting INPH's direction and strategy and for its implementation by management.
- 7.6 A non-executive director may serve two three-year terms, subject to re-election at the end of each term. The Board may invite a non-executive director to serve for an additional three-years. At the end of the nine-year tenure, a non-executive director may only serve further one-year terms at the invitation of the Board, provided that Board has determined that the director remains independent. Pursuant to its By-Laws, the Directors will be elected during each regular Stockholders meeting and shall hold office for one (1) year, or until their successors are either elected or qualified.

## **8. Delegation**

- 8.1 The Board has delegated authority to the President and Chief Executive Officer for management of the operations and administration of INPH, in accordance with the policies, procedures and strategies approved by the Board.
- 8.2 The Board shall approve the process of any delegation of authority to senior management.
- 8.3 The Board shall have an Audit & Risk Committee and an Executive Committee and may establish additional board committees for the purpose of overseeing critical functions. These committees must have clearly defined charters, which are regularly maintained and updated. The Board retains ultimate responsibility for decisions made by board committees.
- 8.4 The composition of Board committees shall be compliant the requirements of the Philippines Securities and Exchange Commission.
- 8.5 Directors must avoid conflicts of interest, or perceived conflicts of interest, between their role as Director and their other activities and commitments.
- 8.6 The internal and external auditors shall have direct and open access to the Board via the Chairman of the Audit & Risk Committee and of the Board.

## **9. Meetings**

- 9.1 The Board shall meet no fewer than four (4) times per year. The quorum at each Board meeting shall be two non-executive Directors and one executive director, with a majority of directors present and eligible to vote being non-executive.
- 9.2 Board minutes shall be distributed to the Directors within a reasonable time after the meeting. If the minutes are not available in time for the next scheduled Board meeting, a summary of any major issues raised shall be presented to the Board (subject always to the prior approval by the Chairman).

## **10. Board and Committee Performance Reviews & Succession Planning**

The Board is responsible for diligently overseeing the sound and prudential management of the Company. It is important that the Board continues to be comprised of directors who have the necessary skills, experience, independence and diligence to carry out its oversight role effectively.

To this end, the Policy (Annex B) sets out the guidelines that the Board shall follow in regard to board and committee performance reviews and board succession planning. The Policy will be reviewed annually or at other such frequency as the Board may determine appropriate.

### **General**

The Board shall make themselves available to meet with the Philippines Securities and Exchange Commission (SEC) and the Insurance Commission of the Philippines (IC) on request.

## Note

The determination of independence should take into account whether:

a) the director:

- is a substantial shareholder of the corporation or an officer of, or otherwise associated directly with, a substantial shareholder of the corporation;
  - is employed, or has previously been employed, in an executive capacity by the corporation or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
  - has within the last three years been a principal of a material professional adviser or a material consultant to the corporation or another group member, or an employee materially associated with the service provided;
  - is a material supplier or customer of the corporation or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
  - has a material contractual relationship with the corporation or another group member other than as a director; or
  - has close family ties with any of the company's advisers, directors or senior employees;
- and

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b) there are any other circumstances which might, or might be perceived to, compromise the ability of the director to reach an objective and impartial decision about matters relating to the company, its business or its customers (e.g. the independence of a lawyer, accountant, auditor or business associate of a customer).

Approved:

- February 2019
- March 2021

Annex A – Definition of Persons who are delinquent in the payment of their obligations.

a. Delinquency in the payment of obligations means that obligations of a person with the insurance company or its related companies where he/she is a director or officer; or at least two obligations with other insurance companies, under different credit lines or loan contracts;

b. Obligations shall include all borrowings from an insurance company, or its related companies obtained by:

- A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorser, or surety for loans from such institutions;
- The spouse or child under the parental authority of the director or officer;
- Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
- A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
- A corporation, association or firm wholly owned or majority of the capital is contributed by any or a group of persons mentioned in the foregoing items 1,2, and 4.

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

## Annex B – Succession Planning

### **POLICY ON BOARD AND COMMITTEE PERFORMANCE REVIEWS AND BOARD SUCCESSION PLANNING**

#### **Purpose**

The Board of **HSBC Insurance Brokers (Philippines) Inc.** (“INPH”) is ultimately responsible for diligently overseeing the sound and prudential management of INPH. It is important that the Board continues to be comprised of directors who have the necessary skills, experience, independence and diligence to carry out its oversight role effectively.

To this end, this Policy sets out the guidelines that the Board shall follow in regard to board and committee performance reviews and board succession planning.

This Policy will be reviewed annually or at other such frequency as the Board determine appropriate.

#### **Board and Committee Performance Reviews**

##### Board and Individual Director Performance

Directors are expected to perform their duties diligently, with integrity and in a manner which continues to create sustainable value for the shareholder, and in compliance with the duties and obligations imposed upon them by the Bank’s By-Laws and the general law. The approach used to review the performance of the Board as a whole and of individual directors is set out below.

On an annual basis, the Corporate Secretary will circulate a board performance questionnaire, which addresses various performance criteria, including but not limited to, the following:

- effectiveness of the collective Board and its oversight and contribution to INPH
- the Board’s relationship to management
- the quality of information provided to the Board
- the effectiveness of the Board’s engagement with and involvement in the formulation of the strategy and policies of INPH.

Following collation of individual responses to the questionnaire, the Chairman will lead a Board discussion of these findings and any proposed remedial actions and, as appropriate, will discuss the findings with individual directors.

In addition, the Chairman may conduct annual one-on-one meetings with individual directors to discuss their individual performance and contribution to identify any ways of making individual directors more effective, should the need arise.

##### Board Committees

Under CGS FIM B.1.5, The Chair of the Audit and Risk Committee, assisted by the Committee Secretary and/or Corporate Secretary, should undertake annual performance review of the committees (by way of an Annual Effectiveness Review/Survey of said Committee against its terms of reference) to assess suitability and to identify any areas of improvement. Should any



significant findings/failings be identified from the performance review, these will be submitted to the Board for discussion.

### **Board Succession Planning**

Under the leadership of the Chairman, the Board is responsible for the orderly succession of Board membership. In the performance of this responsibility, the Board will:

1. consider the size and composition of the Board and recommend any necessary changes;
2. recommend individuals for nomination as potential new non-executive directors; and
3. recommend candidates to board committees.

Non-executive directors are appointed for an initial three-year term subject to re-election at the end of the term. The HSBC Group policy for subsidiary company non-executive director terms of appointment provides that non-executive directors will typically serve two three-year terms (i.e. six years) and, subject to review, may serve an additional three-year term (i.e. nine years) at the invitation of the Board. Thereafter, a non-executive director may serve further one-year terms at the invitation of the Board, subject to the prevailing local regulatory requirements.

### Appointment of Directors

Having due regard for the maximum number of directors that may be appointed under the By-Laws and after considering the necessary and desirable competencies for new directors, prudential fitness and propriety criteria and relevant regulatory and statutory requirements, the Board's collective membership should comprise directors with an appropriate mix of skills, experience and personal attributes that allow them both individually and collectively to:

1. discharge their responsibilities and duties under the law effectively and efficiently;
2. understand the business of the Bank and the environment in which the Bank operates so as to allow them to set management objectives, goals and strategic direction; and
3. assess the performance of management in meeting those objectives and goals.

Not every non-executive director will necessarily fulfill all criteria, but the following core attributes are important selection criteria. Directors should:

- have relevant and extensive business experience.
- fit culturally with the existing Board and be empathic to the INPH's culture.
- maintain a high level of personal integrity.
- have the ability to work in a collegial manner.
- bring an independent state of mind to Board decisions.
- be free of material conflicts.
- be available to meet the time commitment required.

In addition, the desirability of having diversity of skills and experience is also considered.

HSBC Holdings plc, the ultimate holding company of the HSBC Group, has adopted a board diversity policy (which is consistent with the Group's strategic focus on ethnicity, age and gender diversity for the employee base) and stated its intention to exceed a target of 30% female representation on its board.

The Bank committed to an aspirational target of 40% female representation at Board level by the end of 2019 as part of its Workplace Gender Equality Agency (WGEA) submission and broader 3-year plan. While the aspirational target date has been extended to 2025, the aspirational target remains unchanged. .

Notwithstanding the above and whilst the Board recognise the advantages that diversity brings, the Board believe first and foremost that appointments should be made based on merit and that candidates should be considered against objective criteria, having due regard for the benefits of diversity, including gender diversity.

The Board may engage executive search consultants to undertake research on, or identify candidates for new non-executive director positions. Recommendations for Board appointments will be put to the full Board for consideration and approval. All Board appointments are subject to the endorsement of the Chief Executive Officer of The Hongkong and Shanghai Banking Corporation Limited (the Bank's regional holding company) and approval by applicable regulatory entities.

#### Removal of Directors

A non-executive director's appointment may be terminated in accordance with the By-Laws of the Bank and is contingent on their continued satisfactory performance.

#### Reappointment of Directors

In consultation with the Board and HSBC's regional Corporate Governance team, the Chairman is responsible for the re-composition of the Board, particularly when any non-executive director is approaching maturity of his/her term in office. The Board recognises the inherent strength of retaining directors experienced at both industry and at Bank level and balances this against the value of board renewal and appropriate succession planning.

The Board is required to consider and approve the appointment and reappointment of the Chairman. In doing so, the Board determine the Chairman's independence and whether he/she continues to discharge his/her responsibilities, as would be expected of an independent non-executive director.