



MEGA RE INTERNATIONAL, INC.

BOARD OF DIRECTORS CHARTER

This Charter intends to supplement the provisions of 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.

SECTION 1. OVERALL RESPONSIBILITIES OF THE BOARD

The Board shall be primarily responsible in the exercise of corporate powers of the corporation and the conduct of all business and controls or holds all properties of the corporation.

SECTION 2. 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 the areas of corporate responsibility for the promotion of 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; in order to ensure the observance 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. Formulation of the Company's vision, mission, policies and procedures that shall serve as guidelines in carrying out its conduct of business activities.
- B. Adopt and monitor compliance of the Company's Code of Conduct.
- C. Creation of committees as prescribed by Securities and Exchange Commission and Insurance Commission.
- D. Implementation of procedure for the selection of directors who can contribute independent judgment for the formulation of sound corporate policies and procedures.
- E. Conduct annual performance assessment of the Chairman, President and General Manager and the board members as well as key officers.

F. Evaluation and approval of major resource allocations and investments.

G. Review of the Company's internal controls and risk management systems.

SECTION 3. BOARD COMPOSITION

The Board shall be composed of seven (7) members who shall be elected by the stockholders as provided for in the Amended Articles of Incorporation and Amended By-Laws.

The Company shall have at least one (1) independent directors and/or twenty percent (25%) 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

SECTION 4. BOARD MEETINGS AND QUORUM OF THE MEETINGS

Members of the Board shall attend regular and special meetings of the Board in person. In the event that the government shall impose restrictions on the conduct of 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.

SECTION 5. CHAIRMAN OF THE BOARD

The Chairman's responsibilities shall include:

- A. Scheduling of meetings for the Board to perform its duties dutifully while not interfering with the flow of the company's operations.
- B. Preparation of meeting agenda in consultation with the President & General Manager.
- 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. Preside over all the meetings of the Board of Directors and the stockholders.
- B. Initiate the formulation of long-term development plans and programs for the approval of the Board of Directors, including but not limited in the areas of trainings, professional advancement and compensation.
- C. Exercise such powers as may be incidental to his office.

In the absence of the Chairman, the Vice-Chairman shall assume his duties and responsibilities.

SECTION 6. PRESIDENT AND GENERAL MANAGER

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

The President and General Manager's responsibilities shall, among other powers and duties inherent in his office, execute and administer the policies, measures, orders and resolutions duly approved by the Board including directing and supervision of the operations and administration of the company. In so doing, he shall have the following powers and duties:

- A. Execute all contracts and to enter into all authorized transactions on behalf of the company;
- B. Exercise, in his capacity as Chief Executive Officer, the power of supervision and control over decisions or actions of subordinate officers and all other powers as may be granted by the Board;
- C. Recommend to the Board the appointment, promotion or termination of service of the officers of the company with the rank of at least Assistant Vice- President or its equivalent;
- D. Appoint, promote or terminate the services of employees and officers of the company, except those who are to be appointed or removed by the Board;
- E. Transfer, assignment and reassignment of officers and personnel of the company;
- F. To render periodic report to the Board on the operations of the company;
- G. To submit a report annually on the result of operations of the company to the stockholders;
- and H. Delegate any of his powers, duties and functions which he may deem fit to any of the corporate officers of the company subject to the approval of the Board.

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

SECTION 7. CORPORATE SECRETARY

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

Like the President and Manager, 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 that his colleagues and constituencies can turn to, trust and confide with on a regular basis.

The Corporate Secretary shall see to it that the Board of Directors have before them everything that they need to make an informed decision. When the Board makes a decision, it must be supported 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. Shall record all the votes and proceedings of the meeting of Stockholders and of the Board of Directors.
- B. Shall keep, at the principal office of the Corporation or at any place designated by the Board, the stocks and transfer book, the corporate seal and therein keep a record of all the stocks, the names of stockholders with the addresses to which notices may be sent, the Page 10 of 10 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 stocks made, the date thereof and by and to whom made.
- C. Must always be kept abreast with 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 that shall affect the Organization as they arise;
- D. Shall inform 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 enough period to review and make intelligent decisions on matters that require their approval;
- E. Shall attend all stockholders and board meetings; and

- F. Shall assist the Chairman or Vice-Chairman or the President and General Manager, as the case may be, in organizing the board's activities such as preparing the agenda, reporting of meetings, and evaluating the sequence of activity.

SECTION 8. 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 take into consideration rewards to corporate and individual performance.

The Company may establish a formal and transparent procedure for the creation of a policy with regard to executive remuneration and for fixing the remuneration packages of individual directors, if any, including officers. No director shall be involved in deciding his or her own remuneration.

Each director shall receive a reasonable per diem for his attendance in any of the Board meetings. 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 their 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 shall be subject to determination and approval by the Remuneration Committee pursuant to the policies and principles set forth in its charter.

SECTION 9. BOARD COMMITTEES

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

- A. 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:
 - (i). Provide oversight over the senior management's activities in managing catastrophe exposure, market, liquidity, operational, legal and other risks of the corporation. These functions 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;
 - (ii). Provide oversight of the corporation's internal and external auditors;

(iii). Review and approve audit scope and frequency, including the annual internal audit plan;

(iv). Discuss with the external auditor, prior to the commencement of audit proper, the nature and scope of the audit, and ensure that there is proper coordination should more than one audit firm is involved;

(v). 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 fees and on matters relating to any question of resignation or dismissal;

(vi). Monitor and evaluate the adequacy and effectiveness of the Company's internal control system;

(vii). Receive and review the reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking the necessary appropriate corrective actions, in a timely manner, in addressing control measures and compliance functions with regulatory agencies.

(viii). Review the quarterly, mid-year and annual financial statements before submission to the Board, focusing particularly on:

- a. Any deviation/s in accounting policies and practices
- b. Major judgmental areas
- c. Significant adjustments resulting from the audit
- d. Going concern assumption
- e. Compliance with accounting standards
- f. Compliance with tax, legal, and other regulatory agencies' requirements

(ix). Responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. It may also constitute a Compliance Unit for this purpose.

(x). 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.

(xi). Establish and identify the reporting line of the chief audit executive in order 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 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 the committee shall preferably be an independent director. He is responsible for instilling in the minds of the Board members the importance and relevance of management responsibilities in maintaining a sound system of internal control and the Board's oversight responsibility.

B. The Board may also constitute the following committees:

(i). 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 that require appointment by the Board and provide assessment on the Board's effectiveness in directing the process of renewing and/or replacing Board members.

(ii). The 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 the creation of a policy on executive remuneration including the setting up of the remuneration packages for corporate officers and directors and provide oversight over remuneration of senior management and other key personnel to ensure that compensation is consistent with the corporation's culture, strategy and control environment.

(iii). The Related Party Transaction Committee may be composed of at least three (3) but not to exceed five (5) members, one of whom shall be an independent director. It may establish a formal and transparent procedure for developing a policy to ensure that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations in order to protect the interest of the company's shareholders and other stakeholders.

(iv). 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 to properly define 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.

SECTION 10. 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 appropriate steps to monitor compliance with significant corporate policies, including policies addressing communication, disclosure and confidentiality of corporate or material information.
- B. Render 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 maybe deemed appropriate;
 - (ii). ensure that all members of the Board shall undergo training, seminars and other professional development programs including the orientation of new member/s of the Board;
 - (iii). implement methods and procedures 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 Organization and approve the contents of the Company's major communications to shareholders and the investing public, unless delegated to a Committee by the Board.

SECTION 11. BOARD GOVERNANCE

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

- A. Approval of the company's approach to corporate governance, including the approval of and monitoring compliance with its practices, principles and related policies.
- B. Approval of the required capabilities, expectations and responsibilities of directors, including basic duties and responsibilities in relation to their attendance at Board meetings and advance review of meeting materials.

- C. Approval of the proposed candidate(s) for nomination for election to the Board at the next annual general meeting of the shareholders of the Corporation or the appointment to fill-up any vacancy that is anticipated or has arisen on the Board.
- D. Ascertainment of the "independence" of directors of the Company in accordance with the independence standards established by all applicable corporate and securities laws standards.
- E. Approval of criteria for the determination of the size and composition 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 designation of the Committee Chairs and the appointment of directors as members of Committees.
- H. Approval of the Charter for the Board and Board Committees.
- I. Approval of the position descriptions for the Board Chair and each of the Board Committee Chairs.

SECTION 12. ANNUAL PERFORMANCE EVALUATION OF THE BOARD and KEY OFFICERS

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

SECTION 13. CHARTER REVIEW

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