

CHARTER PING AN INSURANCE CORPORATION (CPAIC) 2017 CORPORATE GOVERNANCE REPORT

The report contains further disclosures on CPAIC's corporate governance, activities, and internal control.

VISION AND MISSION

As a fully owned subsidiary of AXA Philippines, CPAIC also adopts and adheres to the vision and mission of the AXA Group (<https://www.axa.com/en/about-us/our-purpose>)

Particularly, President & CEO, Mr. Rahul Hora, discussed in the 2017 Annual Reports that “empowering people to live the life they choose” is the core mission that drives both AXA Philippines and Charter Ping An.

COMPOSITION OF THE BOARD OF DIRECTORS

In 2017, the Board of Directors consisted of eleven (11) members. Each of the members of the 2017 Board of Directors owns five (5) nominal shares.

From the 11 members, only two (2) are Executive Directors and members of the Senior Management Team – the President and CEO, and the Chief General Insurance Officer. The other members of the Senior Management Team do not have direct or indirect shareholdings in the Company.

INTERNAL AUDIT HEAD

As part of the Shared Services Agreement with AXA Philippines, the internal audit of CPAIC is handled by the Head of Internal Audit, Ms. Zaida Angelita P. Lazaro.

DIVIDEND POLICY

CPAIC declares and pays dividends in accordance with applicable laws, rules, and regulations taking in consideration the reasonable financial requirements of the Company for the following 12 months in order for it to maintain the required solvency ratio plus such margin as is determined by the Board of Directors from time to time.

CPAIC pays its shareholders dividends proportionate to their shares and dividends are paid immediately from approval of the relevant regulatory authorities.

CREDITORS' RIGHTS

CPAIC recognizes and shall protect the rights of its creditors, counterparties and suppliers. It is committed to honor all its contractual obligations with its creditors, counterparties and suppliers based on the covenants agreed with them and in accordance with existing laws, rules and regulations.

For its suppliers, CPAIC, as fully owned subsidiary of AXA Philippines, has adopted the latter's established policies that govern the vendor accreditation, selection, bidding and approval processes. Under the Procurement Policy, all vendors should be accredited by CPAIC before they participate in the procurement process. Once a supplier has passed the accreditation process, the vendor is required to submit the Supplier Registration Form to the Procurement Team for inclusion into the Approved Supplier List. The Procurement Team maintains and updates the Approved Supplier List and recommends this panel to the appropriate Business Units upon concurrence. To ensure continuous improvement and quality of approved suppliers, the Procurement Team periodically conducts the Supplier Performance Review and source new suppliers for comparative purposes.

CPAIC's policies on creditor protection are found in the General Procurement Guidelines and other Finance policies on disbursements and payments. These include policies on ensuring timely payment, disclosure of contact person/s, procedure on notification of unpaid invoices, and review of compliance with all contractual obligations to which CPAIC complies.

ENVIRONMENT-FRIENDLY VALUE CHAIN

CPAIC adheres to the AXA Group Compliance and Ethics Guide which promotes the following principles on environment:

1. Businesses should support a precautionary approach to environmental challenges;
2. Undertake initiatives to promote greater environmental responsibility; and
3. Encourage the development and diffusion of environmental friendly technologies.

In line with the above principles, for year 2017, CPAIC implemented the following initiatives at its head office in order to promote environment-friendly value chain and sustainable development:

1. Use of design techniques (e.g. agile working environment, open spaces, etc.) in the renovation of the workplace that prioritizes natural light during the day.
2. Regular maintenance of airconditioning units, lighting units, water faucets, and other facilities to minimize energy and/or water consumption and to promote cleanliness.
3. Policy on Health & Safety which promotes good housekeeping.
4. Designated areas (plazas, mini plazas, pantry area) for eating on each floor to discourage employees from eating at their work stations.