



**ALLIEDBANKERS INSURANCE CORPORATION
INVESTMENTS COMMITTEE CHARTER**

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I. Purpose

The Investments Committee Charter (the “Committee”) shall assist the Board of Directors (the “Board”) in performing the prime authority on reviewing, and directing the implementation of Alliedbankers Insurance Corporation’s (the “ABIC/s”) corporate policies on investing, in the achievement of its investment objective.

The primary objective of ABIC, is to achieve medium to long term growth through interest income, capital gains and dividends by investing in deposits, repurchase agreements collateralized by government securities, corporate papers and Philippine equities.

II. Membership

1. **Composition** – The Committee shall be composed of at least three (3) members, of whom shall be any directors of the Corporation. The Committee shall elect a Chairman among the members, who shall ensure the effective interaction among Committee members and, as necessary, with relevant members of Management.
2. **Term** – The Board shall appoint the members of the Committee at its annual organizational meeting and each member shall serve upon his election until the next organization meeting of the Board, unless removed or replaced by the Board.
3. **Vacancy** – any vacancy in the Committee caused by death, resignation, or disqualification of any member, or by any other cause, may be filled by the Board. The member elected to fill the vacancy shall hold office for the remainder of the term, or until his successor shall have been duly elected and disqualified.

III. Schedule and Conduct of Meetings

1. **Frequency** – The Committee shall meet at least once every quarter, or more frequently, as needed. The Chairman of the Committee shall determine the agenda for meetings of the Committee. The agenda shall be sent to members of the Committee at least two (2) business days prior to each meeting, along with supporting materials for each agenda item.

Members may participate in meetings through video/teleconference or any other similar means. Members may give their consent or approval to an item in the agenda in writing or by any electronic means.

A quorum shall be achieved when there are at least two (2) plus one (1) other member, with the Committee Chairman present during the meeting.

If in case, the Committee Chairman is unavailable, he will delegate his replacement, and may ask another member of the committee to preside over the meeting.

2. **Minutes of Meeting** – Minutes of the Committee meetings shall be kept and members shall be furnished copies thereof and any action taken or resolution decided. The Committee shall also make regular reports of its proceedings to the BOD for notation.

Attendance of members at Committee meetings shall be recorded and properly disclosed for the information of shareholders and other stakeholders through relevant annual reports and the company website.

3. The designated Corporate Secretary of the Board will be responsible for recording and documenting the minutes of the meeting.
4. The designated Secretariat of the Investments Committee will be responsible preparing the materials for the meeting and keeping all relevant records of the Committee.
5. The Committee may invite such other officers, employees and external parties to its meetings, as it deems necessary.
6. In cases where Investment Committee and Board approvals are necessary but outside of these scheduled meetings, the Committee Chairman shall approve but for regularization on the next available Committee and Board Meeting.

IV. Duties and Responsibilities

1. Develop and maintain, subject to Board approval, the Investment Policy Statement and all other documents governing the investment and overall management of the Reserves.
2. At least annually, review the Board-approved target for reserve levels for potential impact to the Investment Policy Statement or Asset Allocation Policy.
3. At least once every three years, gather relevant input from the Board regarding risk tolerance and key Reserves portfolio characteristics, including but not limited to expected return, volatility and liquidity.
4. Review the investment performance of the invested Reserves relative to their benchmarks on a quarterly basis.
5. Determine whether investment service providers with respect to the invested Reserves should be retained or replaced.
6. At least annually, review the performance of the Investment Advisor for the Reserves, and determine whether the contract with such Investment Advisor should be renewed, terminated.

7. Review, at least annually, the Committee’s Charter and recommend any proposed changes to the Board for approval.
8. Review, at least annually, the Investment Policy Statement (including the Asset Allocation Policy), and the Reserves Operating Guidelines, and recommend any proposed changes thereto to the Board for approval.
9. Prepare and report to the Board the results of an annual performance evaluation of the Committee, which shall compare the performance of the Committee with the requirements of this Charter.
10. Report formally to the Board at least annually on the Committee findings and recommendations.

V. Investment Implementing Guidelines

Objective: The primary objective of Alliedbankers Insurance Corp. Inc., is to achieve medium to long term growth through interest income, capital gains and dividends by investing in deposits, repurchase agreements collateralized by government securities, corporate papers and Philippine equities.

1. All investments will be in Philippine Pesos, US Dollars and other currencies that may be recommended by the expert advisers.
2. The investment instruments will only be through the following and shall be clearly classified as per Section E for proper classification and recognition. The investment should also identify the details as per table below:

TYPE	DURATION	PRODUCT
Certificate of Deposits	1) Short Term Investment of Less Than One Year 2) Long Term Negotiable Certificate of Deposit More Than One Year	Savings/time deposits maintained with and managed by a duly authorized bank with satisfactory examination rating as of the last examination by the Bangko Sentral ng Pilipinas (the “BSP”).
Treasury Bills	Short Term Investment of Not More Than One Year	Government Securities issued by the Republic of the Philippines, provided that the minimum net worth reserve required by the Insurance Commission (the “IC”) of not less than 25% is retained by the insurance company.
Bonds Treasury Bonds	Long Term Investment of More than One Year	<ul style="list-style-type: none"> • Peso Denominated Bonds and other evidences of indebtedness issued by privately owned domestic corporations duly registered with the Securities and Exchange Commission (the “SEC”) with a

TYPE	DURATION	PRODUCT
		credit rating of at least “A” by an accredited Philippine rating agency. <ul style="list-style-type: none"> Local and/or foreign currency denominated Philippine issued bonds pursuant to the provisions of RA10607 Revised Insurance Code.
Stocks	Generally, for Trading, please see below rules as to holding period	<ul style="list-style-type: none"> Preferred Shares/Stocks for higher claim to dividends or asset distribution. Equities will be limited to Philippine stock market listed equities that are financially stable, actively traded, possess good track record and have declared dividends for the past three (3) years.
Notes Fixed Rate Unsecured Subordinated Notes	Long Term Investment of 10 years from issue date	Tier 2 Notes issued by banks with a credit rating or investment grade rating of no less than “A” from Philrating
Other Allowable Instruments	Pursuant to the provisions of RA 10607 Revised Insurance Code	

VI. Portfolio Mix

The portfolio mix as to investment asset class will be 80% fixed income and 20% equities, subject to the revision as approved by the Committee.

ASSET CLASS	BENCHMARK	TACTICAL ALLOCATION
Fixed Income and Other Investments	80%	50%-80%
Stocks/Equities	20%	0-20%
Total	100%	50%-100%

The Portfolio Mix Limits as to measurement class, FVPL, AFS & HTM, shall be determined periodically as per Section 4.b, and approved by Investment Committee and the Board, accordingly.

VII. Recognition and Measurement

The following are the accepted classification and corresponding basis and method to measure the investment assets:

- Financial assets at fair value through profit & loss (FVPL)** – which could be designated at initial recognition to be measured at such and those to be held for trading;

2. **Available-for-sale financial assets (AFS)** – AFS are measured at fair value in the balance sheet, and fair value changes recognized directly in equity through Other Comprehensive Income (OCI);
3. **Loans and receivables** – ABIC has no current approval to hold these financial instruments;
4. **Held-to-Maturity** – are non-derivative financial assets with fixed or determinable payments that an entity intends to hold at maturity

Measurement Classification of Financial Assets	Measurement Basis	Method
FVPL	Fair Value (PL)	Market Value
AFS	Fair Value (OCI)	Market Value
HTM	Amortized Cost	Effective Interest Rate

The above rules are subject to change with the implementation of IFRS 9 together with IFRS 17.

For Risk-Based-Capital (RBC) purpose, the credit rating or investment grade rating of each investment should also be identified, i.e.:

- a. **AAA, AA, A** – Good Credit Rating or Investment Grade Rating
- b. **BBB, BB** – Average Credit Rating or Investment Grade Rating (if allowed and approved)
- c. **B, C, D** – Low Credit Rating or Investment Grade Rating (if allowed and approved)

VIII. Sale, Change in Asset Class & Measurement Classification, Performance and Loss Limits

1. **FVPL Gain/Loss Limits** – disposal or sale, shall be done in instances per below:
 - a. **For FVPL held for trading** - if the fair value of financial instruments in the form of stocks increased to 15% - 20% of initial costs, ABIC, through PNB Trust, shall be allowed to sell the stocks within the approving limits under Section 3;
 - b. **For FVPL held for trading** - if the fair value of financial instruments in the form of stocks decreased by 15% - 20% of initial costs, ABIC, through PNB Trust, shall be allowed to sell the stocks within the approving limits under Section F. If however, PNB sees it fit to hold on to the stock, PNB Trust has to report to ABIC every week as to these stocks, and approval to sell shall follow the approving limits under Section 3.

2. Portfolio Mix Limits as to FVPL, AFS & HTM

PNB Trust, as the appointed investment manager of ABIC Funds, shall provide market updates, yield projections and other market scenarios of bonds and other fixed income instruments in the short to long term. This shall include:

- a. Long Term more than 10 years
- b. Medium Term more than 5 years to 10 years
- c. Short Term under 5 years

Based on their view of the markets and trends, PNB Trust shall propose the ABIC portfolio mix in terms of asset class and measurement classifications, i.e. FVPL, AFS and HTM. This shall be within the limits under Section E, however, exceptions to this general rule shall be approved by the Investment Committee and the Board.

- 3. **Concentration Risk Limits** – There shall be no concentration of investment to one entity at more than 15% of ABIC investments funds.
- 4. **Recording and Monitoring** – The rules under this Policy shall be recorded and monitored by ABIC Comptrollership Division and shall report the performance accordingly.

IX. Authority and Approving Limit

The Comptroller and/or the President of ABIC will have the authority to decide up to PHP25 Million as to the investment of funds, and to retain up to PHP150 Million of the funds on hand as working capital. Any amount above the PHP25M for investment placement/sale/changes in portfolio mix and the PHP150M for working capital will be endorsed by the Committee to the Board for final approval.

Amount	Usage	Approver	Escalation to the Committee	Board Approval
Up to PHP10M	Investment placement/Sale	Comptroller		
Above PHP10M – PHP25M		President		
Above PHP25M			✓	✓
Up to PHP85M	Working capital retention	Comptroller		
Up to PHP150M		President		
Above PHP 150M			✓	✓

The proposed approving framework is based on the principle of materiality in financial transactions and reporting. Relevant industry benchmark is applied in materiality determination.

The benchmark proposes to provide guidance as to levels of materiality based on the entity's risks tolerance, i.e. low, medium to high and the corresponding risks level of high, medium to low, respectively. This framework provides that low tolerance of 10% to high tolerance of 5% of profits before tax, or low tolerance of 2% to high tolerance of 0.50% of Total Assets, are to be used as benchmarks.

This is then applied to ABIC's current risk environment, risk management policies and the resulting tolerance level in each area. The industry benchmark and relevant table of limits per area are shown as part of Appendix A, subject to approval by the Board.

X. Performance Evaluation and Continuous Improvement

The Committee shall conduct an annual self-assessment of its performance that is included in the annual Board self-assessment questionnaire, wherein members of the Board are given a venue to rate and comment on the performance of the Committee and its members. The self-assessment questionnaire shall benchmark the Committee's and its individual members' performance against the expectations set out in this Charter, the records of activities and operation of the Committee.

As necessary, the Committee may also subject itself to an independent assessment by the Board relative to its performance in accordance with expectations set out in this Charter and its responsibilities.

Based on the results of the self-assessment, the Committee shall formulate and implement plans to improve its performance. All members shall be given the opportunity to attend professional and technical development courses and training programs, as necessary.

All documents and records pertinent to the assessment process shall be kept intact by the Compliance Department, which may be examined by the Board and/or relevant regulatory agencies upon request.

XI. Miscellaneous

The Investments Committee (the "Committee") shall have direct access to, and complete and open communications with senior management, and may obtain advice and assistance from internal legal, accounting, and other advisors to assist it.

The Committee may retain independent legal, accounting and other advisors to assist it, and may determine the compensation of such advisors, and the Corporation shall be responsible for any costs or expenses so incurred. Specifically for this Committee, it will receive expert advice on investment from PNB Treasury, PNB Securities and PNB Risk, unless otherwise revised.

The Committee shall be provided with sufficient resources to perform its duties.

Annex A
Principle of Materiality

Industry Benchmark						Proposed Approving Framework for ABIC			
Section	User's Tolerance for Financial Misstatements					ABIC Tolerance Based in Risks			
	Low	Low to Medium	Medium	Medium to High	High	Area	Percentage	Basis	Amount
Revenue	2%	1.75%	1.5%	1%	0.50%	Annual OPEX Budget	0%	Actual Budget Amount	All
Profit Before Tax	10%	8%	7%	6%	5%	OPEX Excess Budget	1%	Net Income of PHP107M	PHP1M
Total Assets/Total Liabilities	2%	1.75%	1.5%	1%	0.5%	Investments	1%-2%	Investments of PHP1.3B	PHP10M – PHP25M
						Claims Liabilities	0.50%	Insurance Liabilities of PHP600M	PHP3M
Net Assets/Current Assets/Equity	10%	8%	7%	6%	5%	Annual CAPEX Budget	0%	Actual Budget Amount	All
						CAPEX Excess Budget	10%	PPE of P26M	PHP3M
						Regulatory Compliance Breaches	0%	Actual Fees and Penalty Amount	All
						Write-Offs/Offsetting	0%	Actual Write-Off/Offset Amount	All