

**PNB GENERAL INSURERS CO., INC.**  
**Corporate Governance Charter**

**I. Corporate Governance defined -**

Corporate governance refers to that “set of relationships between management, its board, its shareholders, and other stakeholders. Corporate governance also provides the structure through which the objectives of the institution are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the Board and Management to pursue objectives that are in the best interest of the company and its various stakeholders. It should facilitate effective monitoring thereby encouraging firms to use resources more efficiently. More briefly, it is the system by which business are directed and implemented by the institution’s board of directors.

Corporate governance is the framework of rules, systems and processes in the corporation that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to the stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates.

It is a form of organization of power and its control which gives the Board of Directors and informing shareholders a larger role specifically in:

1. Establishing strategic objectives and a set of corporate values that are communicated throughout the institution;
2. Setting and enforcing clear lines of responsibility and accountability throughout the Company;
3. Ensuring that Board members are qualified for their positions, have a clear understanding of their role in corporate governance and are not subject to undue influence from Management or outside concerns;
4. Effectively utilizing the work conducted by internal and external auditors, in recognition of the important control function they provide;
5. Ensuring that compensation approaches are consistent with the Company’s ethical values, objectives, strategy and control environment; and
6. Conducting corporate governance in a transparent manner.

**II. Composition of the Corporate/Nomination/Remuneration/RPT Committee**

- a) The Committee shall be composed of three (3) members of the board of directors, two (2) of whom shall be independent directors. They shall be entitled to the payment of the usual per diems given to members of the Committees created by the Board.

- b) The Committee shall invite resource persons in any of its meetings to render a report, clarify and provide guidance to the Committee on any relevant issue the Committee is confronted with.
- c) The presence of two (2) members will constitute a quorum in all the meetings of the Committee.
- d) The administrative requirements of the Committee shall be handled by a Secretariat to be designated by the Committee.

### **III. Duties and Responsibilities**

#### **1. Corporate Governance**

- Oversee the periodic performance evaluation of the Board and its committees and executive management; conduct an annual self-evaluation of the committee's performance; and review/evaluate the annual self-assessment of the directors, board and committees prior to Board approval/notation;
- Decide whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation);
- Make recommendations to the Board the continuing education of directors, assignment to board committees, succession plans for the board members and senior officers, and their remuneration commensurate with corporate and individual performance.
- Adopt such internal guidelines that will address the competing time commitments that are faced when directors of the Company serve on multiple boards;
- Formulate such policies regarding the continuing education of Directors, assignment to Board Committees, succession plan for Board members and senior officers, and their remuneration commensurate with corporate and individual performance;
- Review and formulate policies to strengthen provisions on conflict of interest, salaries and benefits, promotion and career advancement of personnel concerned in line with the existing professional development program and succession plan for Senior Management; and
- To receive and evaluate complaints regarding conflict of interest situations;

#### **2. Nomination and Qualifications of Board Members and Senior Management**

- Review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors;
- Assess the effectiveness of the board's processes and procedures in the election or replacement of directors;
- Pre-screen and shortlist all candidates nominated to become member of the board of directors in accordance with the qualifications and disqualifications;

### **3. Remuneration of Directors/Officers**

- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of Senior Management and other key personnel ensuring that compensation is consistent with the industry culture, financial capacity, business strategy and control environment;
- Designate the amount of remuneration and fringe benefits, which shall be at a sufficient level to attract and retain directors and officers who are needed to run the company successfully;
- Provide in the company's annual reports, information and proxy statements a clear, concise and understandable disclosure of the aggregate compensation of its executive officers for the previous fiscal year and the ensuing year.
- Pre-screen and shortlist all candidates nominated to become member of the board of directors in accordance with the qualifications and disqualifications;

### **4. Related Party Transactions (RPT) Committee**

- Review and approve policy guidelines and implementing procedures in handling of relevant RPTs by ensuring an effective compliance with existing laws, rules and regulation, accounting standards and global best practices;
- Review and inform the Board in advance of any related party transaction causing material conflicts of interest, conclude the transaction with the approval of the Board through an effective monitoring system;
- Oversee the proposed deals on RPTs clearly articulate the identity of the parties involved and the terms of transactions are made substantially on the same terms as other individuals and businesses of comparable risk;
- Ensure company compliance with the disclosure and reporting of materially significant RPTs.

### **5. Committee Chairman**

Generally, the powers and duties of the Chairman of the Committee are as follows:

1. To convene the members of the Committee whenever he deems it necessary, either on his own initiative, or upon the request of the members of the Committee;
2. To preside over all the meetings Committee;
3. To maintain efficient lines of communication and information between the Board and Management; and
4. To perform such other functions as provided by law or as may be assigned to him by the Board of Directors.

## **IV. Frequency of Meeting**

The Committee shall hold a meeting at such time and place as it considers appropriate, provided that a meeting shall be held at least every quarter.

**V. Secretariat**

The administrative requirements of the Committee shall be handled by a Secretariat to be designated by the Committee.

**VI. Review of the Charter**

The Committee shall review and assess the adequacy of this Charter annually and recommend any proposed changes for approval of the Board of Directors.