



NATIONAL
REINSURANCE
CORPORATION
OF THE PHILIPPINES

Nat Re Copy

28 May 2021

HONORABLE COMMISSIONER ATTY. DENNIS B. FUNA
Insurance Commissioner
Office of the Insurance Commission
1071 United Nations Avenue,
Ermita, Manila



Re: **Submission of the 2021 Revised Manual on Corporate Governance**

Dear Commissioner Funa:

In compliance of the National Reinsurance Corporation of the Philippines (the "Company") to adopt the Revised Code of Corporate Governance for Insurance Commission Regulated Companies under IC Circular no. 2020-71, we hereby submit our 2021 Revised Manual on Corporate Governance in conformity thereof.

We hope you find our submission in good order.

Very Truly Yours,



Regina S. Ramos
Head of Risk and Compliance

National Reinsurance Corporation of the Philippines

2021 Revised Nat Re Manual on Corporate Governance

(An adoption of SEC's MC No. 19, s2016, 2016 Code of Corporate Governance for Publicly Listed Companies and IC CL 2020-71, Revised Code of Corporate Governance for Insurance Commission Regulated Companies, issued 13 June 2020)

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I. INTRODUCTION

This Nat Re Manual on Corporate Governance (the "Manual") defines the framework of rules, systems and processes in National Reinsurance Corporation of the Philippines (the "Company", the "Corporation" or "Nat Re"), that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates.

The rules embodied in this Manual shall be used as a reference by the members of the Board of Directors and the Management of the Company.

II. COMMITMENT TO GOOD CORPORATE GOVERNANCE

We, the Board of Directors and Management of National Reinsurance Corporation of the Philippines, recognize that a good corporate governance system is integral to the mandate bestowed upon us by the Company's stockholders. We are fully conscious of our fiduciary duties, accountabilities and responsibilities to all stakeholders, and we subscribe to the belief that the pursuit of corporate goals must be bound by high ethical standards. Accordingly, we commit ourselves to the following principles in the performance of our functions: *Altruism, Integrity, Objectivity, Accountability, Transparency, Probity, Sensible Frugality, Respect and Leadership.*

As part of the Company's commitment to corporate governance, we adopt and implement our corporate governance rules and guidelines in accordance with the Securities and Exchange Commission's (the "SEC") *2016 Code of Corporate Governance for Publicly Listed Companies* and *IC Circular Letter (CL) No. 2020-71, Revised Code of Corporate Governance for Insurance Commission Regulated Entities* and other pertinent regulations of the SEC and the Insurance Commission ("IC").

III. DEFINITION OF TERMS

- a. **Board of Directors** – the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.
- b. **Conglomerate** – a group of corporations that has diversified business activities in varied industries, whereby the operations of such businesses are controlled and managed by a parent corporate entity.

- c. **Corporate Governance** – the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders.

Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management (*refers to employees with designation of Vice President and up*) accountable for ensuring ethical behavior – reconciling long- term customer satisfaction with shareholder value – to the benefit of all stakeholders and society.

Its purpose is to maximize the organization's long-term success, creating sustainable value for its shareholders, stakeholders and the nation.

- d. **Director-** as used in this Code shall also refer to a Trustee.
- e. **Enterprise Risk Management** – a process, effected by an entity's Board of Directors, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.
- f. **Entity** – shall also refer to a company.
- g. **Executive director** – a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
- h. **Independent director** – a person who is independent of management and the controlling shareholder and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.
- i. **Internal control** – a process designed and effected by the board of directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures.
- j. **Management** – a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation.

- k. **Non-executive director** – a director who has no executive responsibility and does not perform any work related to the operations of the corporation.
- l. **Related Party**- shall cover the company's subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the company exerts direct or indirect control over or that exerts direct or indirect control over the company; the company's directors; officers, shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the company.
- m. **Related Party Transactions** – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.
- n. **Shareholder** – refers to an owner of a share in the Company.
- o. **Stakeholders** – any individual, organization or society at large who can either affect and/or be affected by the Company's strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

IV. THE BOARD' S GOVERNANCE RESPONSIBILITIES

1. Principle 1: Establishing a Competent Board

The Company should be headed by a competent, working board to foster the long-term success and sustainability of the Corporation in a manner consistent with its corporate objectives and the long-term best interests of its Shareholders and other Stakeholders.

Board Composition

- 1.1. The Board should be composed of directors with collective working knowledge, experience and expertise that is relevant to the company's insurance industry/sector. The board should always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually

and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

- 1.2. The Board should be composed of a majority of non- executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.
- 1.3. The Company should provide in its Board Charter and Manual on Corporate Governance a policy on the training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors.
- 1.4. The Board should have a policy on board diversity.

Corporate Secretary

1.5. The Board should ensure that it is assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer. The Corporate Secretary should not be a member of the Board of Directors and should annually attend a training on corporate governance.

The Corporate Secretary is primarily responsible to the Corporation and its Shareholders, and not to the Chairman or President of the Company and has, among others, the following duties and responsibilities:

- a. Assist the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings,
- b. Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Corporation,
- c. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Corporation, and advises the Board and the Chairman on all relevant issues as they arise,
- d. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the

Board and its stakeholders, including shareholders,

- e. Advises on the establishment of board committees and their terms of reference,
- f. Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval,
- g. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so,
- h. Performs required administrative functions,
- i. Oversees the drafting/amendments of the by-laws and ensures that they conform with regulatory requirements; and
- j. Performs such other duties and responsibilities as may be provided by the SEC, Philippine Stock Exchange ("PSE"), Insurance Commission (IC), and any other government and regulatory agencies.

Compliance Officer

1.6. The Board should ensure that it is assisted in its duties by a Compliance Officer, who should have a rank of a Vice President or an equivalent position with adequate stature and authority in the Corporation. The Compliance Officer should not be a member of the Board of Directors and should annually attend a training on corporate governance.

The Compliance Officer has, among others, the following duties and responsibilities:

- a. Ensures proper on boarding of new directors (i.e., orientation on the Company's business, charter, articles of incorporation and by-laws, among others),
- b. Monitors, reviews, evaluates and ensures the compliance by the Corporation, its officers and directors with the relevant laws, this Manual, rules and regulations and all governance issuances of regulatory agencies,
- c. Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action,

- d. Ensures the integrity and accuracy of all documentary submissions to regulators,
- e. Appears before the SEC / IC when summoned in relation to compliance with this Code,
- f. Collaborates with other departments to properly address compliance issues, which may be subject to investigation,
- g. Identifies possible areas of compliance issues and works towards the resolution of the same,
- h. Ensures the attendance of board members and key officers to relevant trainings; and
- i. Performs such other duties and responsibilities as may be provided by the SEC, PSE, IC, and any other government and regulatory agencies.

2. Principle 2: Establishing Clear Roles and Responsibilities of the Board

The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to shareholders and other stakeholders.

Roles and Responsibilities

2.1. The board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and all Shareholders.

2.2. The board should oversee the development of and approve the Company's business objectives and strategy, and monitor their implementation, in order to sustain the Company's long-term viability and strength.

Chairperson of the Board

2.3 The Board should be headed by a competent and qualified Chairperson, whose roles and responsibilities include, among others the following:

- 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.

2.4 The Board should be responsible for ensuring and adopting an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the Shareholders' value.

2.5 The Board should formulate and adopt a policy specifying the relationship between remuneration and performance of key officers and board members which should be aligned with the long-term interests of the Company. Further, no director should participate in the final discussions or deliberations involving his own remuneration.

2.6 The Board should have and disclose in its Manual of Corporate Governance, a formal and transparent board nomination and election policy that should include how it accepts nominations from minority shareholders and reviews nominated candidates. The policy should also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director. In addition, its process of identifying the quality of directors should be aligned with the strategic direction of the Company.

Nomination and Election Process

It is the Board's responsibility to develop a policy on board nomination, which is contained in the Company's Manual on Corporate Governance. The policy should encourage Shareholders' participation by including procedures on how the Board accepts nominations from the minority

Shareholders. The policy should also promote transparency of the Board's nomination and election process.

The nomination and election process also includes the review and evaluation of the qualifications of all persons nominated to the Board, including whether candidates:

- 1) possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and in light of the entity's business and risk profile,
- 2) have a record of integrity and good repute,
- 3) have sufficient time to carry out their responsibilities; and
- 4) have the ability to promote a smooth interaction between board members.

The following are the grounds for the disqualification of a director:

Grounds for Permanent Disqualification of a Director

The following may be considered as grounds for the permanent disqualification of a director:

- a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that: (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC, Bangko Sentral ng Pilipinas (BSP) or any court or administrative body of competent jurisdiction (including the IC) from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification should also apply if (a) such person is the subject of an order of the SEC, BSP or any court or administrative body (including the IC) denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code, Insurance Code or any other law administered by the SEC, IC or BSP, or under any rule or regulation issued by the Commission, the IC or BSP; (b) such person has otherwise been restrained to engage in any activity involving securities and banking; or (c) such person is the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- c. Any person convicted by final judgment or order by a court, or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- d. Any person who has been adjudged by final judgment or order of the SEC, IC, BSP, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law, rule, regulation or order administered by the SEC, IC or BSP;
- e. Any person judicially declared as insolvent, spendthrift or unable to enter into a contract; or
- f. 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;
- g. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated previously;
- h. Conviction by final judgment of an offense punishable by imprisonment for more than six years, or a violation of the Corporation Code committed within five years prior to the date of his election or appointment; and
- i. Other grounds as the SEC and or the Insurance Commission may provide.

Grounds for Temporary Disqualification of a Director

- a. Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
- b. Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special of the Board of Directors during their incumbency, or any twelve (12) month period during said incumbency. This disqualification should apply for purposes of the succeeding elections;
- c. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with; and
- d. 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 SEC / PSE / IC. This disqualification shall be in effect as long as the refusal persists;
- e. Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- f. Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
- g. 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;
- h. Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned has attended such seminar;
- i. Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;

- j. 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, rules 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;
- k. Persons who are delinquent in the payment of their obligations as defined hereunder;
 - 1. 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;
 - 2. Obligations shall include all borrowings from an insurance company, or its related companies obtained by:
 - i. 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;
 - ii. The spouse or child under the parental authority of the director or officer;
 - iii. Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
 - iv. 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
 - v. 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
- l. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

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

2.7 The Board should have the overall responsibility in ensuring that there is

group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy should include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy should encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations.

2.8 The Board should be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO), and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).

2.9 The Board should establish an effective performance management framework that will ensure that the Management, including the Chief Executive Officer, and personnel's performance is at par with the standards set by the Board and Senior Management.

2.10 The Board should oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders. The Board should also approve the Internal Audit Charter.

2.11 The Board should oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework should guide the Board in identifying units/ business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

Board Charter

2.12 The Board should have a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter should serve as a guide to the directors in the performance of their functions and should be publicly available and posted on the company's website.

3. Principle 3: Establishing Board Committees

Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.

3.1 The Board should establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.

Audit Committee

3.2 The Board should establish an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The Audit Committee shall be composed of at least three (3) directors, majority of whom, including the Chairman, should be independent, preferably with accounting and finance background and such other qualifications as may be required under the applicable rules and regulations promulgated by the Insurance Commission and the Securities and Exchange Commission. The Chairman of the Audit Committee should not be the chairman of the Board or of any other committees.

The Audit Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Audit Committee has the following duties and responsibilities, among others:

- a. Recommends the approval the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter,
- b. Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations,
- c. Oversees the Internal Audit Department and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE). The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;

- d. Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee,
- e. Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations,
- f. Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts,
- g. Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence³. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report,
- h. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
 - 1. Any change/s in accounting policies and practices,
 - 2. Areas where a significant amount of judgment has been exercised,
 - 3. Significant adjustments resulting from the audit,
 - 4. Going concern assumptions,
 - 5. Compliance with accounting standards,
 - 6. Compliance with tax, legal and regulatory requirements
- i. Reviews the disposition of the recommendations in the External Auditor's management letter,
- j. Performs oversight functions over the corporation's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions,
- k. Coordinates, monitors and facilitates compliance with laws, rules and regulations,
- l. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and

provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and

- m. In case the company does not have a Board Risk Oversight Committee and/or Related Party Transactions Committee, performs the functions of said committees as provided under Recommendations 3.4 and 3.5.

The Audit Committee may meet with the Board without the presence of the CEO or other management team members as the need arises, and periodically meets with the head of the internal audit.

Governance and Related Party Transaction Committee

3.3 The Board should establish a Governance and Related Party Transaction Committee, a Governance Committee that should be tasked to assist the Board in the performance of its corporate governance responsibilities and in its review of material related party transactions (RPTs). It should be composed of at least three members, all of whom should be independent directors, including the Chairman.

1. On Corporate Governance Responsibilities

Provide reasonable assurance on compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:

- a. Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- b. Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- c. Ensure that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d. Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- e. Adopts corporate governance policies and ensures that these are

reviewed and updated regularly, and consistently implemented in form and substance;

- f. Proposes and plans relevant trainings for the members of the Board;
- g. Determines the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- h. Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.

2. On Related Party Transaction Responsibilities

Generally, oversee the review of all material related party transactions of the company and has the following specific functions, among others:

- a. Evaluates on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;
- b. Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:
 - 1. The related party's relationship to the company and interest in the transaction;
 - 2. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - 3. The benefits to the corporation of the proposed RPT;
 - 4. The availability of other sources of comparable products or services; and

5. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
- c. Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;
 - d. Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
 - e. Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
 - f. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

Risk Oversight Committee

3.4 Subject to a corporation's size, risk profile and complexity of operations, the Board should establish a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness. The BROC should be composed of at least three members, the majority of whom should be independent directors, including the Chairman. The Chairman should not be the Chairman of the Board or of any other committee. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

The BROC has the following duties and responsibilities, among others:

- a. Develops a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;

- b. Oversees the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The BROOC conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- c. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROOC revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
- d. Advises the Board on its risk appetite levels and risk tolerance limits;
- e. Reviews at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Company;
- f. Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
- g. Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- h. Reports to the Board on a regular basis, or as deemed necessary, the Company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

Other Board Committees

The Board of Directors shall constitute other committees to support the effective performance of its functions, promote good governance principles and practices and as may be required by the SEC, PSE, IC or other government agencies. Among these are the following board committees:

Nomination and Compensation Committee

The Nomination and Compensation Committee shall be composed of at least three (3) members, one of whom shall be an independent director. This committee shall 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 and provide assessment on the Board's effectiveness in directing the process of renewing and replacing Board members. It may 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.

Underwriting Committee

The Underwriting Committee shall be composed of at least three (3) members including the Chairman, who shall be appointed by a majority vote of the Board. The Committee shall assist the Board in the development and oversight of the company's underwriting and reinsurance management program.

Investment and Budget Committee

The Investment and Budget Committee shall be composed of at least three (3) members including the Chairman, who shall be appointed by a majority vote of the Board. The Committee is authorized by the Board to implement the Company's investment strategy and to make specific investments in accordance with the provisions of the Company's investment policy.

3.5 All established committees should be required to have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters should provide the standards for evaluating the performance of the Committees. It should also be fully disclosed on the Company's website.

4. Principle 4: Fostering Commitment

To show full commitment to the Company, the directors should devote the time and attention necessary to properly and effectively, perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

4.1 The directors should attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele-/video conferencing conducted in accordance with the rules and regulations of the

Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

Multiple Board Seat

4.2 The board may consider the adoption of guidelines on the number of directorships that its non-executive directors (NED) can hold in publicly-listed corporations, always making sure however that the shareholders' legal right to vote and be voted as directors remains inviolable. The number of directorships should take into consideration the ability of the director to diligently and efficiently perform his duties and responsibilities and the nature and kind of corporations he may be director of, regardless of the number of directorships he may be holding.

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

5. Principle 5: Reinforcing Board Independence

The board should endeavor to exercise an objective and independent judgment on all corporate affairs.

Independent Directors

5.1 The Board should have at least twenty percent (20%) independent directors.

5.2 The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

An Independent Director refers to a person who, ideally:

- a. Is not or was not a regular director, officer or employee of the covered entity, its subsidiaries, affiliates or related companies during the past three (3) years counted from the date of his election / appointment;
- b. Is not or was not a regular director, officer, or employee of the covered entity's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;
- c. Has not been appointed in the covered company, its subsidiaries, affiliates or related companies as Chairman "Emeritus," "Ex-Officio"

Regular Directors, Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board of Directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his election/appointment;

- d. Is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the covered entity or in any of its related companies or of its majority corporate shareholder;
- e. Is not a relative by affinity or consanguinity within the fourth (4th) degree of a director, officer, or stockholder holding shares of stock sufficient to elect one (1) seat in the board of the covered entity or any of its related companies or of any of its substantial shareholder;
- f. Is not acting as a nominee or representative of any director or substantial shareholder of the covered entity or any of its related companies;
- g. Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- h. Is not or was not retained as a professional adviser, auditor, consultant, agent or counsel of the covered entity, any of its related companies or substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election/appointment;
- i. Is independent of management and free from any business or other relationship, has not engaged or does not engage in any transaction with the covered entity or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner, or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;
- j. Is not affiliated with any non-profit organization that receives significant funding from the covered entity or any of its related companies or substantial shareholders; and

- k. Is not employed as an executive officer of another company where any of the covered company's executives serve as directors.

Related companies, as used in this section, refer to (a) the covered entity's holding/parent company; (b) its subsidiary or affiliate; (c) subsidiaries of its holding/parent company; or (d) a corporation where a covered entity or its majority stockholder own such number of shares that will allow/enable such person or group to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner.

Term Limit of Independent Directors

5.3 As a rule, independent directors may serve for a maximum of nine consecutive years, starting from January 2, 2015 (under IC CL No. 2020-71)¹, making sure however that the shareholders' legal right to vote and be voted directors remain inviolable. If the company wants to retain an independent director who has served for nine consecutive years, the Board should provide meritorious justifications and seek shareholders' approval during the annual shareholders' meeting. The Board should likewise submit to the Insurance Commission a formal written justification on the retention of the Independent Director.

Chief Executive Officer

5.4 The positions of Chairman of the Board and Chief Executive Officer should be held by separate individuals and each should have clearly defined responsibilities.

The CEO has the following roles and responsibilities, among others:

- a. Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;
- b. Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- c. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
- d. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;

¹ Under SEC issuances, the reckoning period for the nine-year term is 2012, however, given that the Insurance Commission is the primary regulatory authority of Nat Re, the reckoning period for the term of Independent Directors is January 2, 2015 pursuant to IC CL No. 2020-71.

- e. Directs, evaluates and guides the work of the key officers of the Corporation;
- f. Manages the Corporation's resources prudently and ensures a proper balance of the same;
- g. Provides the Board with timely information and interfaces between the Board and the employees;
- h. Builds the corporate culture and motivates the employees of the corporation; and
- i. Serves as the link between internal operations and external stakeholders.

The roles and responsibilities of the Chairman are provided under Recommendation 2.3.

Lead Independent Director

5.5 The Board should designate a lead director among the Independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and the Chief Executive Officer are held by one person.

The Lead Director shall be designated from among the Independent Directors. He should have sufficient authority to lead the Board in cases where management has clear conflicts of interest.

The functions of the lead director include, among others, the following:

- a. Serves as an intermediary between the Chairman and the other directors when necessary;
- b. Convenes and chairs meetings of the non-executive directors; and
- c. Contributes to the performance evaluation of the Chairman, as required.

5.6 A director with a material interest in any transaction affecting the corporation should abstain from taking part in the deliberations for the same.

5.7 The non-executive directors (NEDs) should have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation. The meetings should be chaired by the lead independent director.

6. Principle 6: Assessing Board Performance

The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body and assess whether it possess the right mix of backgrounds and competencies.

Annual Performance Assessment

6.1 The Board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment may be supported by an external facilitator.

6.2 The Board should have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders.

7. Principle 7: Strengthening Board Ethics

Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

Code of Business Conduct and Ethics

7.1 The Board should adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code should be properly disseminated to the Board, senior management and employees. It should also be disclosed and made available to the public through the company website.

7.2 The Board should ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

V. DISCLOSURE AND TRANSPARENCY

1. Principle 8: Enhancing Company Disclosure Policies and Procedures

The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

Disclosure Policies and Procedures

8.1 The Board should establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders

and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.

8.2 The Company should have a policy requiring all directors and officers to disclose/report to the company any dealings in the company's shares within three business days.

8.3 The Board should fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.

8.4 The company should provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report consistent with ASEAN Corporate Governance Scorecard (ACGS) and the Revised Corporation Code. Also, the Company should disclose the remuneration on an individual basis, including termination and retirement provisions.

8.5 The company should disclose its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance. The material or significant RPTs reviewed and approved by the Board during the year should be submitted for confirmation by majority vote of the stockholders in the annual stockholders' meeting. All material or significant RPTs for the year should be disclosed in its Annual Company Report or Annual Corporate Governance Report.

8.6 The company should make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board of the offeree company should appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.

8.7 The company's corporate governance policies, programs and procedures should be contained in its Manual on Corporate Governance, which should be submitted to the regulators and posted on the company's website.

2. Principle 9: Strengthening the External Auditor's Independence and Improving Audit Quality

The Company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

Audit Committee Responsibilities

9.1 The Audit Committee should have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor should be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the Company website and required disclosures.

9.2 The Audit Committee Charter should include the Audit Committee's responsibility on assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Charter should also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.

9.3 The company should disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. The Audit Committee should be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.

3. Principle 10: Increasing Focus on Non-Financial and Sustainability Reporting

The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.

10.1 The Board should have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. Companies should adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.

4. Principle 11: Promoting a Comprehensive and Cost-Efficient Access to Relevant Information

The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

11.1 The company should include media and analysts' briefings as channels

of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.

VI. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK

1. Principle 12: Strengthening the Internal Control System and Enterprise Risk Management Framework

To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.

Internal Control System

12.1 The Company should have an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, taking into account its size, risk profile and complexity of operations.

12.2 The Company should have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.

The following are the functions of the internal audit, among others:

- a. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- b. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
- c. Performs consulting and advisory services related to governance and control as appropriate for the organization;
- d. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- e. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;

- f. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- g. Evaluates specific operations at the request of the Board or Management, as appropriate; and
- h. Monitors and evaluates governance processes.

A company's internal audit activity may be a fully resourced activity housed within the organization or may be outsourced to qualified independent third-party service providers.

Chief Audit Executive

12.3 Subject to a company's size, risk profile and complexity of operations, it should have a qualified Chief Audit Executive (CAE) appointed by the Board. The CAE shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third-party service provider. In case of a fully outsourced internal audit activity, a qualified, independent, executive or senior management personnel should be assigned the responsibility for managing the fully outsourced internal audit activity.

The following are the responsibilities of the Chief Audit Executive, among others:

- a. Periodically reviews the internal audit charter and presents it to senior management and the Board Audit Committee for approval;
- b. Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;
- c. Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
- d. Spearheads the performance of the internal audit activity to ensure it adds value to the organization;
- e. Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- f. Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

Risk Management Function

12.4 Subject to its size, risk profile and complexity of operations, the company should have a separate risk management function to identify, assess and monitor key risk exposures.

The risk management function involves the following activities, among others:

- a. Defining a risk management strategy;
- b. Identifying and analyzing key risks exposure relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization's strategic objectives;
- c. Evaluating and categorizing each identified risk using the company's predefined risk categories and parameters;
- d. Establishing a risk register with clearly defined, prioritized and residual risks;
- e. Developing a risk mitigation plan for the most important risks to the company, as defined by the risk management strategy;
- f. Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Board Risk Oversight Committee; and
- g. Monitoring and evaluating the effectiveness of the organization's risk management processes.

Chief Risk Officer

12.5 In managing the Company's Risk Management System, the Company should have a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to the Company's size, risk profile and complexity of operations.

The CRO has the following functions, among others:

- a. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- b. Communicates the top risks and the status of implementation of risk

management strategies and action plans to the Board Risk Oversight Committee;

- c. Collaborates with the CEO in updating and making recommendation to the Board Risk Oversight Committee;
- d. Suggests ERM policies and related guidance, as may be needed; and
- e. Provides insights on the following:
 - Risk Management processes are performing as intended;
 - Risk measures reported are continuously reviewed by risk owners for effectiveness; and
 - Established risk policies and procedures are being complied with.

There should be clear communication between the Board Risk Oversight Committee and the CRO.

VII. CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS

1. Principle 13: Promoting Shareholder Rights

The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

13.1 The Board should ensure that basic shareholder rights are disclosed in the Manual on Corporate Governance and on the Company's website.

It is the responsibility of the Board to adopt a policy informing the shareholders of all their rights. Shareholders are encouraged to exercise their rights by providing clear-cut processes for them to follow.

Shareholders' rights relate to the following, among others:

- Pre-emptive rights;
- Dividend policies;
- Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting;
- Right to nominate candidates to the Board of Directors;
- Nomination process; and
- Voting procedures that would govern the Annual and Special Shareholders' Meeting.

13.2 The Board should encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.

13.3 The Board should encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting should be available on the Company website within five (5) business days from the end of the meeting.

13.4 The Board should have an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner. This should be included in the company's Manual on Corporate Governance.

Investor Relations Office

13.5 The Board should establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO should be present at every shareholders' meeting.

VIII. DUTIES TO STAKEHOLDERS

1. Principle 14: Respecting Rights of Stakeholders and Effective Redress for the Violation of Stakeholders' Rights

The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

14.1 The Board should identify the Company's various stakeholders and promote cooperation between them and the Company in creating wealth, growth and sustainability.

Stakeholders in corporate governance include, but are not limited to, customers, employees, suppliers, shareholders, investors, creditors, the community the Company operates in, society, the government, regulators, competitors, external auditors, etc. In formulating the Company's strategic and operational decisions affecting its wealth, growth and sustainability, due consideration is given to those who have interest in the Company and are directly affected by its operations.

14.2 The Board should establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.

14.3 The Board should adopt a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.

2. Principle 15: Encouraging Employees' Participation

A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.

15.1 The Board should establish policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and in its governance.

Anti-Bribery and Corruption Policy

15.2 The Board should set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. Further, the Board should disseminate the policy and program to employees across the organization through trainings to embed them in the company's culture. *The Company has already disclosed to the SEC on September 15, 2016 its Anti-Bribery and Corruption Policy.*

Whistleblowing Policy

15.3 The Board should establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board should be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

3. Principle 16: Encouraging Sustainability and Social Responsibility

The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

16.1 The Company should recognize and place an importance on the interdependence between business and society and promote a mutually beneficial relationship that allows the Company to grow its business, while contributing to the advancement of the society where it operates.

IX. EFFECTIVITY

This **2021 Revised Nat Re Manual on Corporate Governance** shall take effect upon approval by the Board of Directors. This supersedes the *NRCP Manual on Corporate Governance* approved on April 20, 2017.



REGINA S. RAMOS

Head of Risk and Compliance/ Compliance Officer



ALLAN R. SANTOS

President and Chief Executive Officer



WILFREDO C. MALDIA

Chairman of the Board