



NATIONAL  
REINSURANCE  
CORPORATION  
OF THE PHILIPPINES

National Reinsurance Corporation of the Philippines

# Board of Directors Charter

## NAT RE BOARD OF DIRECTORS CHARTER

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# NAT RE BOARD OF DIRECTORS CHARTER

## A. INTRODUCTION

The Board of Directors of National Reinsurance Corporation of the Philippines (“Nat Re”, the “Company”, or the “Corporation”) is mainly responsible on matters of governance and in managing the business of the Corporation. Unless otherwise provided by the Corporation Code of the Philippines, the corporate powers of the Corporation shall be exercised, all business shall be conducted, and all properties of the Corporation shall be controlled and held by the Board of Directors. *(Amended By-Laws, Article 3, Section 1)*

The Board of Directors recognizes that a good corporate governance system is integral to the mandate bestowed upon it by the Corporation's stockholders. The Board is fully conscious of its fiduciary duties, accountabilities, and responsibilities to all stakeholders, and subscribe to the belief that the pursuit of corporate goals must be bound by high ethical standards. Accordingly, the Board commits itself to the principles in the performance of its functions: Altruism, Integrity, Objectivity, Accountability, Transparency, Probity, Sensible Frugality and Leadership. *(2021 Revised Nat Re Manual on Corporate Governance, p.3)*

The Board shall exercise its powers and duties in the best interest of the Corporation, its shareholders, and all other stakeholders.

## B. GOVERNANCE

### 1. COMPOSITION OF THE BOARD

The Board should be composed of directors with collective working knowledge, experience and expertise that is relevant to the company's business and the industry/sector where it operates. 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. Number of Directors.** - The Board shall have thirteen (13) members, at least three (3) of whom must be independent directors, or such number as may be provided in the Company's Articles of Incorporation duly approved by the Securities and Exchange Commission (“SEC”). *(Articles of Incorporation, Section 6)*

**2. Board Competencies and Diversity.** - The Board shall include a balance of executive and non-executive directors, including independent non-executive directors having a clear division of responsibilities, such that no individual or small group of individuals can dominate the Board's decision making.

Considering that the insurance business is imbued with public interest, the roles of Chairman of the Board and Chief Executive Officer shall as a general rule not be combined to ensure a balance of power and authority, such that no one person has unfettered decision-making powers. *(Amended By-Laws, Article 3, Section 1)*

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Directors sitting in the Board shall be possessed of the necessary skills, competence, and experience, in terms of management capabilities and preferably in the field of insurance or insurance-related disciplines.

Subject to existing laws, non-Filipino nationals may become members of the Board of Directors to the extent of the foreign participation in the equity of the Corporation. *(Amended By-Laws, Article 3, Section 2)*

**3. Review of Board Profile.** - The Board shall regularly review its composition, considering the evolving requirements of the Corporation, and best practices in corporate governance. Directors of the Company must possess all the qualifications and none of the disqualifications provided under the IC Circular Letter No. 31-2005, SRC Rule 38, the SEC Revised Code of Corporate Governance, and other relevant IC and SEC issuances and regulations. *(2021 Revised Nat Re Manual on Corporate Governance)*

**4. Independent Directors** – The Corporation shall have at least three (3) independent directors, or such number as shall be required under the applicable rules and regulations of the Insurance Commission and the SEC.

An independent director refers to a person other than an officer or employee of the Corporation, its parent or subsidiaries, or any other individual having any relationship with the Corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. This means that apart from the directors' fees and shareholding, he should be independent of management and free from any business or other relationship which could materially interfere with the exercise of his independent judgment. *(Amended By-Laws, Article 6, Section I)*

Attached as **ANNEX A** of this Charter are the requirements or criteria for a director to qualify as an Independent Director under the related Insurance Commission circular letter and the SRC Rule 38.

**5. Lead Independent Director-** 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.

The Lead Independent Director shall be appointed by the vote of at least a majority of the members of the Board during its organizational board meeting following the conduct of the annual stockholders' meeting.

A director with a material interest in any transaction affecting the Corporation should abstain from

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taking part in the deliberations for the same.

The non-executive directors (NEDs) should have separate periodic meetings, at least once every three years, 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.

### 2. BOARD INDEPENDENCE AND CONFLICT OF INTEREST

It is the responsibility of each Director to promote the best interest of the Corporation. Therefore, in making decisions, they should only pursue the interest of the Corporation, and must not consider their personal interest. *(Nat Re Code of Ethics)*

1. **Disclosure of Interest.** - Each Director shall disclose any conflict of interest, annually to the Corporate Secretary. A Director shall avoid any actual or apparent conflict of interest between private interests, including the private interests of family members, and the interest of the Company, unless prior approval has been obtained from the appropriate approving authorities as designated in applicable policies of the Company.

Notwithstanding the precautions set by the annual disclosure of conflict of interest, a Director shall abstain from participating in the discussion of, and voting on, any matter where he is in conflict of interest.

2. **Dealing in Corporation's Shares.** - In line with the *Insider Trading Policy* of the Company, each Director is required to report to the Company within two (2) calendar days from dealing in the shares of stock of the Corporation. *(Policy on Insider's Trading)*

3. **Policy on Multiple Board Seats.** - The Corporation shall ensure that adequate time and attention is given to the fulfilment of the Directors of their duties. The CEO and other executive directors may be covered by a lower indicative limit (four or lower) on membership in other corporate boards. The same low limit also applies to independent non-executive directors who serve as full-time executives in other corporations. There can be a higher indicative limit (five or lower) for other directors who hold non-executive position in any corporation. In the implementation of this policy, the Board may consider several directorships in related companies or companies in the same industry as one.

In any case, the capacity of directors to serve with diligence shall not be compromised.

A director should notify the Board where he/she is an incumbent director before accepting a directorship in another company. *(2021 Revised Nat Re Manual of Corporate Governance)*

4. **Confidentiality Rule** - Directors shall keep confidential all the information entrusted by the Company, customers, business partners, or such other parties with whom the Company relates, except when disclosure is authorized or legally mandated.

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### 3. ELECTION OF DIRECTORS

The Directors shall be elected by the Corporation's stockholders entitled to vote at the annual meeting in accordance with the By-laws and the Rules of Procedure for Annual Stockholders' Meeting. Pursuant to the Corporation Code, any shareholder, including minority shareholders, shall have the right to nominate candidates for the Board, subject to compliance for nomination under the Company's Articles of Incorporation.

1. **Nomination of Directors.** – Nominations for directors shall be made in writing and shall be delivered or mailed to the Chairman of the Board or Vice-Chairman of the Board at the principal office of the Corporation, with the written consent of the nominees, at least 60 days before the scheduled date of the annual stockholders' meeting. The Chairman or Vice-Chairman of the Board shall forward or refer such nominations to the Nomination Committee.

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.

2. **Required Votes.** – The election of directors shall be by secret ballot unless the stockholders agree otherwise. Cumulative voting shall be allowed, and each registered owner of one or more shares, whether a natural or juridical person, shall have the right to vote in person or by proxy the number of shares standing in his name at record date, and said stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal or he may distribute them on the same principle among as many candidates as he shall see fit. Candidates receiving the highest number of votes shall be declared elected.
3. **Ownership of Corporation Shares.** - Every director shall own at least one (1) share of the outstanding capital stock of the Corporation which share shall stand in his name in the books of the Corporation.
4. **Qualification of Directors.** A majority of the directors must be residents of the Philippines. Directors sitting in the Board must possess the necessary skills, competence, and

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experience, in terms of management capabilities and preferably in the field of insurance or insurance-related disciplines. The Board of Directors may provide for additional qualifications of a director, such as but not limited to the following: (a) educational attainment; (b) adequate competency and understanding of the business; (c) integrity, credibility, and probity; and (d) assiduousness or diligence. Subject to existing laws, non-Filipino nationals may become members of the Board of Directors to the extent of the foreign participation in the equity of the Corporation. *(Amended By-laws, Article 3, Section 2)*

5. **Term of Office.** - Directors shall hold office for a term of one (1) year and until their successors shall have been elected and qualified in accordance with the By-Laws. *(Amended By-laws, Article 3, Section 1)*
  6. **Term Limits for Independent Directors.** - Independent Directors can serve for a maximum of nine consecutive years, starting from January 2, 2015 (under IC CL 2020-71)<sup>1</sup>, making sure however that the shareholders' legal right to vote and be voted as directors remain inviolable. The term limit may be extended subject to compliance with the relevant issuances of the IC and the SEC.
  7. **Re-election of Independent Directors.** - 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 stockholders meeting. The Board shall likewise submit to the Insurance Commission and the Securities and Exchange Commission, a formal written justification on the retention of an Independent Director beyond the term limit.
  8. **Vacancy in the Board.** - Any vacancy in the Board of Directors, other than those caused by removal by the stockholders or expiration of term, shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, otherwise, said vacancies must be filled by stockholders in a regular or special meeting called for that purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office. *(Amended By-laws, Article 3, Section 3)*
  4. **Absence, Illness or Temporary Incapacity of the Chairman.** In the event of absence, illness or temporary incapacity of the Chairman of the Board, the Vice Chairman shall assume the powers and duties of the Chairman in an acting or temporary capacity. However, in the event of death, resignation or permanent disability or incapacity of the Chairman of the Board, the said position shall also be assumed temporarily by the Vice Chairman until such time that a new Chairman is elected by the members of the Board. *(Amended By-laws, Article 3, Section 12)*
- ### RESPONSIBILITIES OF THE CHAIRMAN OF THE BOARD

**Powers of the Chairman.** - The Chairman of the Board shall have the following powers *(Amended By-laws, Article 3, Section 11)*:

- a. Presides at all meetings of the Stockholders and of the Board of Directors.

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<sup>1</sup> 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.

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- b. Casts the deciding vote in case of a tie in the stockholders' meetings or in the Board meetings.
- c. Submits for the consideration of the Board of Directors, recommendations regarding the business of the Corporation.
- d. Exercises such powers which are given him under the Amended By-laws, and such other duties customarily incident to the said office and those which may be prescribed by the Board of Directors from time to time.

The 2021 *Revised Nat Re Manual of Corporate Governance* also enumerates the roles and responsibilities of the Chairperson of the Board as follows:

- 1) Meeting Agenda. 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.
- 2) Board Information. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions.
- 3) Key Issues. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors.
- 4) Management Reports. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management.
- 5) Board Orientation. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors.
- 6) Board Performance. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

## 5. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

**Duties, Powers and Attributes of the Board.** - The Board shall exercise its powers and authorities in accordance with the provisions of the Company's By-Laws, in addition to those provided by the Corporation Code and other relevant laws of the Philippines. To ensure a high standard of best practice for the corporation, the stockholders and other stakeholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following detailed duties, and responsibilities:

- a. BUSINESS OF THE CORPORATION. Determine the period, manner, and conditions under which the Corporation shall engage in the kinds of business specified in Article II of the Articles of Incorporation;
- b. BUSINESS PLAN. Approve medium-term and long-range plans of the Corporation and policies to guide management in the conduct of the business;
- c. INVESTMENTS. Determine the manner in which the funds shall be invested;
- d. POLICIES. Make rules for the internal regulation of the Corporation;



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- e. COMPANY OFFICERS. Appoint the other officers of the Corporation and fix their remuneration or compensation for services as well as their powers and duties;
- f. DEPARTMENTS and COMMITTEES. Approve the creation of office departments and constitute special and other standing committees as it may deem proper and necessary to attend to the major activities of the Corporation under the conditions it may deem advisable, determine the number of members and the qualifications therefore and the per diems of the committee members, if any. Such committees shall keep a record of all actions taken by them and shall submit the same at the next regular meeting of the Board of Directors;
- g. AUTHORIZED BANKS. Decide as to the safekeeping of the funds of the Corporation, open current accounts, fixed deposit accounts and savings accounts with any bank authorized to operate in the Philippines and/ or abroad;
- h. ANNUAL BUDGET and EXPENSES. Approve, upon recommendation of the President, the budgets and general expense accounts of the Corporation for every year;
- i. DEPRECIATION and DIVIDEND DECLARATION. Fix annually the percentage of depreciation of all capital expenditures of the Corporation, such as buildings, furniture and fixtures, etc. and determine the distribution of profits and dividends;
- j. ANNUAL FINANCIAL REPORTS. Submit annually at the regular General Meeting of Stockholders the Balance Sheet, Profit and Loss Statement and Annual Report on the condition of the Corporation;
- k. SPECIAL STOCKHOLDERS' MEETINGS. Call Special Meetings of the stockholders;
- l. REAL or PERSONAL PROPERTIES. Authorize any other person or persons it may deem fit, aside from the President, to purchase, sell, or mortgage the real or personal properties of the Corporation;
- m. MORTGAGES or PLEDGES. Authorize any other person or persons it may deem fit, aside from the President, to cancel mortgages or pledges executed as securities for loans and bonds when such mortgages have been repaid to the Corporation and when the bonds have been cancelled;
- n. REINSURANCE TREATIES. Approve reinsurance treaties, whether inward or outward;
- o. STOCK ISSUANCE. Determine the time and manner of issuance of unissued stock of the Corporation;
- p. LITIGATIONS. Institute, maintain, defend, compromise, or drop any litigation in which the Corporation or its officers may be interested as plaintiff or defendant in connection with the business of the Corporation, and grant extension of time for the payment or settlement of any indebtedness in favor of the Corporation;
- q. BY-LAWS INTERPRETATION. Settle any doubts that may arise relative to the interpretation of the company's By-laws and supply any omissions, reporting thereon to Stockholders' Annual Meeting for such action as it may see fit to take;
- r. EXTERNAL AUDIT FEE. Fix the remuneration of the External Auditor;
- s. EMPLOYEE BENEFITS. Determine the manner and conditions under which employees of the Corporation shall be granted pension, retirement, or gratuity or life insurance protection.

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- t. SUCCESSION PLANNING. Adopt an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value.
- u. PERFORMANCE MANAGEMENT. 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.

### 6. RESPONSIBILITIES OF THE PRESIDENT AND CEO

The President shall be the Chief Executive Officer of the Corporation. He shall be responsible for the effective management of the Corporation. His powers are as follows:

- a. To ensure that the administrative and operational policies of the Corporation are carried out under his supervision and control.
- b. To sign such deeds, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by the Amended By-laws to some other officers of the Corporation or shall be required by law to be otherwise signed or executed.
- c. To sign, with the Secretary or any other proper officer of the Corporation authorized by the Board of Directors, stock certificates for shares of the Corporation.
- d. To submit for the ratification and/or approval of the Board of Directors the Balance Sheet, the Profit and Loss Statement, the budget of administration expenses and the Annual Report on the operation and condition of the Corporation.
- e. To appoint and discharge the employees occupying the positions authorized by the Board of Directors.
- f. To supervise and manage the internal organization and business affairs of the Corporation, subject to the policies adopted by the Board of Directors.
- g. To submit and recommend short and long- range plans for the Corporation for the approval of the Board of Directors.
- h. To authorize, if approved by the Board, the purchase or acquisition of personal property, furniture, fixtures, or office equipment as may be needed by the Corporation.
- i. To approve all the expenses or disbursements authorized in the budget of the Corporation.
- j. To execute the resolutions of the stockholders and the Board of Directors.
- k. To represent the Corporation in any negotiation which may be necessary to make in the usual course of business of the Corporation or which the Board of Directors may specifically authorize him so to do and in connection therewith to sign, execute and deliver such contracts, documents, deeds or other instruments as may be necessary and proper.

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- l. To represent the Corporation in any judicial or administrative proceeding which the Corporation may have with any branch or department of the government or its sub-divisions or instrumentalities.
- m. To perform all other duties customarily incident to this office and as may be prescribed by the Board of Directors from time to time; provided, however, that he may, in his discretion and with a view to ensuring the smooth and efficient operation of the Corporation, delegate any of the foregoing functions and duties to any other officers of the Corporation who shall exercise the same until withdrawn by the President; provided, however, that such delegation shall not divest the President of the authority to exercise the same powers nor discharge him from the responsibilities of his position.

### 7. RESPONSIBILITIES OF THE CORPORATE SECRETARY

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. *(2021 Nat Re Revised Manual 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

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- j. Performs such other duties and responsibilities as may be provided by the SEC, PSE, Insurance Commission and any other government and regulatory agencies.

### C. BOARD PROCESSES

#### 1. BOARD MEETINGS

**1. Frequency of Meetings.** - There shall be a regular meeting of the Board of Directors at least every month at such time, date and place as may be designated by the Board. Special meetings of the Board of Directors may be called by the Chairman, or in his absence the Vice Chairman, or upon written request of at least four (4) directors. The Chairman of the Board of Directors, or in his absence, the Vice-Chairman of the Board, shall preside at all meetings.

The monthly regular board meeting is set every *last Thursday* of the month at 8:30 AM.

**2. Quorum.** – At all meetings of the Board of Directors, at least 2/3 of the members of the Board of Directors shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, provided, however, that in the election of officers, the vote of at least a majority of all the members of the Board of Directors shall be necessary.

In view of modern technology, however, attendance at Board meetings through telephone or video conference or similar communications equipment, whereby all persons participating in the meeting can hear each other, may be allowed, and participation in such meeting in such manner shall constitute presence in person at such meeting.

**3. Attendance.** Directors are encouraged to attend all Board meetings, either in person or via telephone or video conferencing facility.

Absence of a Director in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, is a ground for temporary disqualification, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.

**4. Notice of Meeting.** Notice of the time and place of the regular and special meetings of the Board of Directors shall be served by personal delivery, by electronic mail, or by mail, postage prepaid, addressed to each director at his address as shown by the books of the Corporation, at least five (5) days prior to the date of the meeting. Notice of a regular or special meeting of the Board of Directors may be waived by any director, either before or after the meeting, by written assent or electronic mail, signed by such director, and attendance at the meeting by a director shall constitute a waiver of such notice by such director.

**5. Chairman of the Meeting.** Board meetings shall be chaired by the Chairman of the Board or, in his or her absence, by the Vice Chairman. In case of absence of both the Chairman and the Vice Chairman, the President shall preside at the Board meeting, unless the Board designates any one of the directors to act as Acting Chairman of such meeting.

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**6. Matters for Discussion in Meetings.** - In any Board meeting, decisions may be made on matters not included in the distributed meeting agenda only if there are no objections posed by any member of the Board.

**7. Minutes of the Meeting.** - Minutes of the Board meetings shall be taken and recorded by the Office of the Corporate Secretary. Minutes of Board meetings shall be signed by the Corporate Secretary, countersigned by the Chairman of the meeting, together with the Directors present during the meeting. Minutes of stockholders' meetings shall be signed by the Corporate Secretary and the Chairman of the stockholders' meeting.

**8. Non-Executive Sessions.** - At least once every three (3) years or as deemed necessary, the Board should meet without any executives present.

### 2. BOARD COMMITTEES

1. **Creation of Board Committees.** The Board of Directors shall constitute committees to support the effective performance of its functions and promote good governance principles and practices, namely: Audit Committee, Nomination and Compensation Committee, Governance and Related Party Transaction Committee; Risk Oversight Committee; Underwriting Committee and Investment and Budget Committee and such other committees as the Board may find it necessary, or as may be required by the SEC, PSE, IC, and other government agencies.
2. **Delegation of Rights and Responsibilities to the Board Committees.** - The Board may delegate part of its rights and responsibilities to any of its committees. The committees shall be composed of Board members and key officers of the Corporation specifically chosen for their particular background and areas of expertise that will allow them to adequately perform the functions assigned to their committee. The rights and responsibilities of each Board committee may be defined in greater detail in specific *Committee Charters* duly approved by the Board.
3. **Board Committee Charters.** - The Board shall adopt for each Board Committee a charter providing, among others, the composition of the Board Committee, the qualifications of the members, the powers, duties and responsibilities of the Board Committee and the rules governing the exercise of its powers or performance of its duties and responsibilities.

### D. BOARD EFFECTIVENESS

#### 1. DIRECTORS' FEES.

The directors of the Corporation shall not receive any compensation in their capacity as such, except for reasonable per diems: Provided, however, That the stockholders representing at least a majority of the outstanding capital stock may grant directors with compensation and approve the amount thereof at a regular or special meeting.

In no case shall the total yearly compensation of directors exceed ten percent (10%) of the net income before income tax of the corporation during the preceding year.

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Directors shall not participate in the final determination of their own per diems or compensation, which is subject to approval by the stockholders representing at least a majority of the outstanding capital stock.

Each director of the Corporation receives a per diem based on the schedule provided (please refer to **ANNEX C**) for attendance in meetings of the Board of Directors/ Board Committees:

### 2. ORIENTATION AND CONTINUING EDUCATION PROGRAMS

Prior to assuming office, all new Directors are provided with the Board Book which contains relevant materials about the Company, its business, corporate structure, its vision, mission and corporate strategy, the Amended By-laws and the 2021 Revised Nat Re Manual on Corporate Governance, and other relevant references to aid in better understanding the business of the Company and assist them in performing their duties and responsibilities.

Directors shall likewise be required to undergo training, more specifically annual corporate governance training and other continuing education programs to further their knowledge and assist in their development as Directors of the Company.

### 3. BOARD EVALUATION

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.

The Board shall 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. (**Annex B**)

## E. MISCELLANEOUS

1. **Access to Information.** The Board shall have reasonably free and full access to all relevant information, data, records, properties, and personnel of the Corporation.
2. **Technical Assistance.** The Board may invite such members of Management and other persons to its meetings and may secure independent expert advice as it may deem desirable or appropriate.
3. **Annual Review.** This Charter shall be reviewed by the Board every two years or as deemed necessary. Any amendment to this Charter shall require at least a majority vote of the Board constituting a quorum.
4. **Effectivity.** This Charter shall take effect when approved by the Board and shall apply prospectively.

### **ANNEX A** **REQUIREMENTS/CRITERIA FOR INDEPENDENT DIRECTORS (IDs)**

#### **I. An Independent Director under Insurance Commission's Circular Letter No. 31-2005, dated September 26,2005:**

An *independent director* shall be one who has not been an officer or employee of the corporation, its subsidiaries or affiliates or related interests for at least three (3) years immediately preceding his term or incumbency;

1. He or she is not related within the *fourth degree of consanguinity or affinity*, legitimate or common-law of any director, officer or majority shareholder of the company or any of its related companies;
2. He or she is not a director or officer of the related companies of the institution's majority shareholders;
3. He or she is not a majority shareholder of the company, any of its related companies, or of its majority shareholder;
4. He or she is not acting as nominee or representative of any director or substantial shareholder of the company, any of its related companies, or any of its substantial shareholders; and
5. He or she is free from any business or other relationships with the institution or any of its major stockholders which could materially interfere with the exercise of his judgment, i.e., has not engaged and does not engage in any transaction with the institution, or any of its related companies or any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner director or a shareholder.

#### **II. SRC Rule 38 - Requirements on Nomination and Election of Independent Directors**

- A. As used in Section 38 of the Code, *independent director* means a person who, apart from his fees and shareholdings, is independent of management and 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 in any covered company and includes, among others, any person who:

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1. Is not a director or officer of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
  2. Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;
  3. Is not related to any director, officer or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
  4. Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
  5. Has not been employed in any executive capacity by the covered company, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;
  6. Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies and/or any of its substantial shareholders, within the last two (2) years; or
  7. Has not engaged and does not engage in any transaction with the covered company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.
- B. No person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of this Code, committed within five (5) years prior to the date of his election, shall qualify as an independent director. This is without prejudice to other disqualifications which the covered company's Manual on Corporate Governance provides.
- C. Any controversy or issue arising from the selection, nomination or election of independent directors shall be resolved by the Commission by appointing independent directors from the list of nominees submitted by the stockholders.



## NAT RE BOARD OF DIRECTORS CHARTER

D. When used in relation to a company subject to the requirements of this Rule and Section 38 of the Code:

- Related company means another company which is: (a) its holding company; (b) its subsidiary; or (c) a subsidiary of its holding company; and
- Substantial shareholder means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

### III. Qualifications and Disqualifications (*SRC 38.6*)

An independent director shall have the following qualifications:

1. He shall have at least one (1) share of stock of the corporation;
2. He shall be at least a college graduate, or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;
3. He shall possess integrity/probity; and
4. He shall be assiduous.

No person enumerated under Section II (5) of the Code of Corporate Governance shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes: (*SRC 38.6.2*)

1. He becomes an officer or employee of the corporation where he is such member of the board of directors/trustees, or becomes any of the persons enumerated under Section II (5) of the Code on Corporate Governance;
2. His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the company where he is such director;
3. Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family;
4. Such other disqualifications which the covered company's Manual on Corporate Governance provides.

## **ANNEX B**

### **GUIDELINES IN CONDUCTING PERFORMANCE ASSESSMENTS**

Annual performance assessments of the Board, the individual Directors, the Board Committees, and the President and CEO and key management officials shall be conducted in accordance with the following guidelines:

#### **1. For the performance assessment of the Board**

The Board shall conduct a self-evaluation where all the board members shall participate. An outside consultant may be employed to conduct simultaneous evaluation of the Board's performance. In evaluating the Board's performance, the following criteria/factors shall be considered:

- 1) Knowledge – Whether the Board possesses adequate information on industry trends and overall business environment;
- 2) Strategy and Implementation – Whether the Board has adopted appropriate corporate strategy and whether the same has been effectively implemented;
- 3) Risk Management – Whether the Board has a keen understanding of the types of risks to which the Corporation may be exposed and would be vulnerable, and whether it has adopted appropriate systems and processes to manage these risks;
- 4) Corporate Ethics – Whether the Board has taken the lead role to ensure faithful compliance with all the applicable laws and rules, and the Corporation's By-laws, Manual of Corporate Governance, Code of Conduct and Ethics, and other relevant company policies; and
- 5) Internal Control/Oversight Function – Whether the Board has taken reasonable steps to ensure that the Corporation is properly managed, including monitoring of the operational and financial results

#### **2. For the performance assessment of the Directors**

## **NAT RE BOARD OF DIRECTORS CHARTER**

The Board shall assess the performance of its individual members. In evaluating the performance of each Director, the following criteria/factors shall be considered:

- 1) Knowledge – Whether the Director has an in-depth knowledge of the Corporation's business and strategic direction;
- 2) Participation – Whether the Director attended all, some or only a few of the meetings of the Board and of the committees in which he/she is a member, and whether he/she made valuable contributions in the discussion of matters before the Board and/or the committees; and
- 3) Fair Dealing – Whether the Director conducted fair business transactions with the Corporation and ensured that his/her personal interest did not conflict with the interest of the Corporation.

### **3. For the performance assessment of the Board Committees**

The Board Committees shall assess their respective performance. The Board may conduct simultaneous evaluation of the performance of each Board Committee. In evaluating the performance of the Board Committees, the following criteria/factors shall be considered:

- 1) Committee Organization – Whether the Committee is composed of appropriate number of Directors with the right balance of skills, experiences and backgrounds to ensure the proper performance of the roles and responsibilities of the Committee;
- 2) Committee Meetings – Whether the Committee had adequate number of meetings to sufficiently focus on significant matters of concern; and
- 3) Committee Processes and Procedures – Whether the Committee adopted processes and procedures to ensure timely resolution of matters before it.

### **4. For the performance assessment of the President and CEO, and other key management officials**

The Board shall assess the performance of the President and CEO, and other key management officials. In evaluating their performance, the following criteria/factors shall be considered:

- 1) Compliance – Whether the President and CEO, and other key management officials have taken steps to ensure the Corporation's compliance with all the legal requirements in the management of its affairs;
- 2) Administration – Whether the President and CEO, and other key management officials have effectively managed the day-to-day operations of the Corporation towards the achievement of the organization's goals and objectives;
- 3) Knowledge, Skills and Competence – Whether the President and CEO, and other key management officials possess appropriate knowledge, skills and competence essential to the due performance of duties;

## NAT RE BOARD OF DIRECTORS CHARTER

- 4) Corporate Ethics – Whether the President and CEO, and other key management officials have consistently demonstrated integrity and observed the corporate core values; and
- 5) Board-Management Relationship – Whether the President and CEO, and other key management officials have worked closely with the Board and provided them with complete, adequate information on the operations and affairs of the Corporation in a timely manner.

### **ANNEX C**

#### **SCHEDULE OF DIRECTORS' PER DIEM**

##### **A. Board Meetings**

1. Chairman	P 50,000
2. Vice Chairman	45,000
3. Treasurer	37,500
4. Independent Director	25,000
5. Regular Director	25,000

##### **B. Committee Meetings**

1. Independent Director	P 15,000
2. Regular Director	15,000