

PHILIPPINE BRITISH ASSURANCE COMPANY, INC.

MEMORANDUM

FOR : The Board  
FROM : The President  
RE : Non – Executive Committee  
DATE : April 5, 2019

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The following Board Members constitutes the Non-Executive Committee :

- Chairman - NELIA D. WONGCHUKING
- Member - ERNEST KENNETH S. CUYEGKENG
- Member - CHRISTOPHER KARL W. CUYEGKENG
- Member (Independent Director) - DIANNE LYNNEBAYSAC NATIVIDAD

**ROLE OF THE NON-EXECUTIVE DIRECTORS**

- Essentially the non-executive director's role is to provide a creative contribution to the board by providing independent oversight and constructive challenge to the executive directors.
- Non-Executive Directors are responsible for determining appropriate levels of remuneration of executive directors;
- Non-Executive Directors have a prime role in appointing, and where necessary removing executive directors;
- Non-Executive Directors shall ensure that there is an appropriate selection process for appointment of independent directors
- Non-Executive Directors have also a prime role in succession planning

**FUNCTIONS OF NON-EXECUTIVE DIRECTORS**

Non-Executive Directors are expected to focus on board matters and not stray into " executive direction", thus providing an independent view of the company, then, are appointed to the board to bring:

- Independence
- Impartiality
- Wide experience
- Special knowledge
- Personal qualities

## KEY RESPONSIBILITIES OF NON-EXECUTIVE DIRECTORS

1. **Strategic direction** - to provide a creative and informed contribution and to act as a constructive critic in looking at the objectives and plans devised by the chief executive and the executive team..
2. **Monitoring performance** - should take the responsibility for monitoring the performance of executive management, especially with regards to the progress made towards achieving the determined company strategy and objectives.
3. **Remuneration** - Non- executive directors are also responsible for determining appropriate levels of remuneration of executive directors. In large companies this is carried out by the remuneration committee, the objective of which is to ensure there is an independent process for setting the remuneration of executive directors.
4. **Communication** – to help connect the business and board with networks of potentially useful people and organizations.
5. **Risk** – should satisfy themselves on the integrity of financial information and that financial controls and system of risk management are robust and defensible.
6. **Audit** – It is the duty of the whole board to ensure that the company accounts properly to its shareholders by presenting a true and fair reflection of its actions and financial performance and that the necessary internal control system are put into place and monitored regularly.

## A. SUCCESSION MANAGEMENT, SUCCESSION PLANNING AND REPLACEMENT PLANNING

The fundamental purpose of succession management is to ensure that appropriate and ready candidates will be available when a need arises. The primary focus of succession management is pro active development and management of talent pipelines or pools. These support the organization's strategy, and range from critical positions at top levels of leadership and management through to vital, hard-to-replace technical positions.

Succession planning has a similar purpose but usually is focused on preparing for succession at the top two or three organizational levels. With replacement planning, the primary focus is identification of immediate and long term successors, often with minimal regards for actual readiness. Both replacement and succession planning may be of help in meeting needs at the very top of an organization.

## B. PERFORMANCE EVALUATION OF INDEPENDENT DIRECTOR

The Code of conduct for Independent Directors is a guide to maintain professional conduct. To ensure adherence to the standards of the Code of Conduct and fulfill their responsibilities in a professional and faithful manner, and to promote confidence of all the stakeholders and Companies in the institution of Independent Directors.

### **Professional Conduct:**

The Independent Directors must follow the following principles in fulfilling their fiduciary responsibilities:

- 1) Uphold ethical standards of integrity and probity;
- 2) Act objectively and constructively while exercising his duties;
- 3) Exercise his responsibilities in a bona fide manner in the interest of the company;
- 4) Devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- 5) Not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
- 6) Not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person.
- 7) Refrain from any action that would lead to loss of his independence;
- 8) Where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
- 9) Assist the company in implementing the best Corporate Governance practices.

### **Role and Functions**

The Independent Directors shall:

- 1) Help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standard of conduct;
- 2) Bring an objective view in the evaluation of the performance of board and management;
- 3) Scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting performance;
- 4) Satisfy themselves on the integrity of financial information and that the financial controls and the systems of risk management are robust and defensible;
- 5) Safeguard the interests of all stakeholders, particularly the minority shareholders;
- 6) Balance the conflicting interest of the stakeholders;
- 7) Determine appropriate levels of remuneration of Executive Directors, Key Managerial Personnel and Senior Management and have a prime role in appointing and where necessary recommend removal of Executive Directors, Key Managerial Personnel and Senior Management;
- 8) Moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

### **Evaluation Mechanism**

- 1) The performance evaluation of Independent Directors shall be done by the entire Board of Directors, excluding the Director being evaluated;
- 2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the Independent Director.

Approved By:

NON-EXECUTIVE COMMITTEE

  
NELIA D. WONGCHUKING  
Chairman

  
CHRISTOPHER KARL W. CUYEGKENG  
Member

  
EARNEST KENNETH S. CUYEGKENG  
Member

DIANNE LYNNE BAYSAC NATIVIDAD  
Independent Director