

## **CORPORATE GOVERNANCE AND RELATED PARTY TRANSACTION COMMITTEE CHARTER**

The Board of Directors (Board) of PHINMA Corporation (Corporation) has constituted a Corporate Governance and Related Party Transaction Committee to assist in the performance of its corporate governance responsibilities including the functions that were formerly assigned to the Nominations Committee, and the review and recommendation of all material related party transactions of the Corporation that were formerly the function of the Audit Committee.

This Board hereby adopts this Charter of the Corporate Governance and Related Party Transaction Committee.

### **Section 1. Membership**

The Board shall create a Corporate Governance and Related Party Transaction Committee which shall have three (3) members at the minimum, at least one (1) of whom must be independent.<sup>1</sup> In carrying out its duties, the Committee may request the assistance of the officers of the Corporation.

The members of the Committee shall be appointed by the Board and shall serve until the next organization meeting, unless earlier replaced by the Board. The Board shall designate the Chairman of the Committee.

Vacancies in the Committee may be filled at any meeting of the Board of Directors, and the member who will fill the vacancy shall hold office for the remainder of the term.

### **Section 2. Duties and Responsibilities<sup>2</sup>**

#### **2.1 Corporate Governance**

- Generally, ensure compliance with and proper observance by the Corporation of corporate governance principles and practices.
- Oversee the implementation of the corporate governance framework and periodically review 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.
- Oversee the periodic performance evaluation of the Board and conduct an annual self-evaluation of its performance.
- 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.
- Recommend 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.

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<sup>1</sup> Manual of Good Corporate Governance 2017

<sup>2</sup> Manual of Good Corporate Governance 2017

- Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance.
- Propose and plan relevant trainings for the members of the Board.

## **2.2 Related Party Transaction (RPT)**

- In general, review all material Related Party Transactions of the Corporation.
- Evaluate 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.
- Ensure that related parties, RPTs and changes in relationships are reflected in relevant reports to regulators/supervisors.
- Evaluate 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 Corporation 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 shall take into account, among others, the following:
  1. The related party's relationship to the Corporation 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
  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.
- Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Corporation's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with policies and conflicts that could arise as a result of the Corporation's affiliation or transactions with other related parties.
- Report to the Board of Directors on a regular basis, RPTs and changes in relationships, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties.
- Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process.

- Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

### **2.3 Nomination and Election**

- Determine the nomination and election process for the Corporation’s directors with the special duty of defining the general profile of board members that the Corporation may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board.
- Subject to the pertinent provisions of the By-Laws on the disqualification of persons engaged in business antagonistic to that of the Corporation, the Corporate Governance and Related Party Transaction Committee shall pre-screen and shortlist all candidates nominated to become members of the Board of Directors in accordance with the following qualifications and disqualifications guidelines.

#### **2.3.1 Qualifications:**

- He shall be the holder of at least one (1) share of stock of the Corporation ;
- He shall be at least a college graduate and shall have practical understanding of the business of the corporation.
- He shall be at least twenty one (21) years of age;
- He shall possess integrity and probity;
- He shall be diligent; and
- He shall possess previous business experience.

Further, the Committee shall consider the following guidelines in the determination of the availability of a nominee to serve as a director:

- the nature of the business of other corporations of which he is a director;
- age of the director;
- number of directorships/active memberships and officerships in other corporations or organizations;
- possible conflict of interest;
- experience from other boards;
- experience as chief executive officer or chief operating officer;
- knowledge of finance;
- knowledge of accounting;
- knowledge of the industry of the Corporation;
- knowledge of the local and international market and strategic vision;
- contacts of value to the Corporation

A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an independent director after a three (3) year “cooling-off” period.

Likewise, persons appointed as Chairman Emeritus , Ex-officio director/officers or members of any executive advisory board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities shall be subject to a three (3) year “cooling-off” period prior to his qualification as an independent director.

The Committee shall determine a low indicative limit on membership by the Chief Executive Officer and other executive directors in other corporate boards and on service by independent, non-executive directors as full-time executives in other corporations, without compromising the capacity of directors to serve with diligence and with the determination of the low indicative limit to be related to the capacity of a director to perform his duties diligently in general.

### **2.3.2 Permanent Disqualifications**

Any of the following shall be a ground for the permanent disqualification of a director:

- 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;
- Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction 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, quasibank, 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 wilfully violating the laws that govern securities and banking activities.
- Any person is currently the subject of an order of the Securities and Exchange Commission (SEC) or the Bangko Sentral ng Pilipinas (BSP) or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently 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;
- 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;
- Any person adjudged by final judgment or order of the SEC, BSP, court or competent administrative body to have wilfully violated, or wilfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the

Corporation Code, or any other law, rule, regulation or order administered by the SEC or BSP Commission or Bangko Sentral ng Pilipinas,

- Any person who has filed a materially false or misleading application, report or registration statement required by the SEC or any rule, regulation or order of the SEC or BSP;
- Any person judicially declared insolvent;
- 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 listed in the foregoing paragraphs; and
- Any other ground provided by law, including the Corporation Code of the Philippines (Batas Pambansa Blg. 68), and by the SEC.

### **2.3.3. Temporary Disqualification**

Any of the following shall be a ground for the temporary disqualification of a director:

- Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- Absence or non-participation without justification in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during the said incumbency unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;
- Dismissal/termination for cause from directorship in any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the SEC. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination;
- If the beneficial equity ownership of an independent director in the corporation or its subsidiaries, associates, affiliates or related companies exceeds 2% of its subscribed capital stock; with the disqualification being lifted if the limit is later complied with;
- Conviction for any of the acts or violations referred to in the grounds for permanent disqualification of directors that has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualifications mentioned above, take the appropriate action to remedy or correct the disqualification, including reversal of the conviction. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

### **Section 3. Approval**

The findings and recommendations of the Corporate Governance and Related Party Transaction Committee shall be submitted to the Board for approval; provided that a director whose qualifications are in issue shall not have the right to vote when the Board considers his case.

### **Section 4. Meetings**

The Committee shall hold at least two (2) meetings annually, in person or by tele- or video-conference at a time and place to be determined by its Chairman. Actions of the Committee may also be taken by consent (in physical, electronic or digital format) of the majority of the members when deemed necessary by the Committee or its Chairman.

All minutes of the meetings of the Committee approved by said Committee shall be forwarded to the Corporate Secretary for safekeeping.

The Chairman of the Committee or his representative shall report to the Board all actions of the Committee at the meeting of the Board following such actions.

### **Section 5. Performance Assessment**

The Committee shall conduct an annual self-assessment to appraise its performance as a body and of its individual members. The evaluation of Committee performance shall consider the following factors:

- the right mix of backgrounds and competencies of the individual members
- attendance and participation at Board and Committee meetings
- timely resolution of matters escalated to it and adoption of recommendations relevant to its function

### **Section 6. Effectivity**

The Charter shall take effect upon approval by the Board.

The Committee shall periodically review and assess the Charter for its adequacy and shall recommend, when found necessary, amendments thereto to the Board for approval.

**Approved by:**

**Corporate Governance Committee  
PHINMA Corporation Board of Directors**

August 2, 2017  
August 3, 2017