



ALLIEDBANKERS INSURANCE CORPORATION

NOMINATION POLICY

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I. Election of Directors

It is the stockholders who elect the Board of Directors. The Board has eleven (11) members of which at least two (2) members should be experienced in insurance or insurance-related disciplines while the other members shall possess diverse talents, backgrounds and perspectives, and who can work effectively as a team, with each able and willing to add value and contribute meaningfully to board decisions.

II. Qualification of Directors

A director of the Corporation shall have the following qualifications:

1. Ownership of at least one (1) share of the capital stock of the Corporation;
2. A college degree or its equivalent or adequate understanding of the insurance industry or sufficient experience and competence in managing a business to substitute for such formal education;
3. Relevant qualification, such as previous business experience, membership in good standing in the relevant industry, and membership in business and professional organizations;
4. Possess integrity, probity and shall be diligent and assiduous in the performance of his functions.

II. Disqualification of Directors

1. Permanently Disqualified

- i. Persons who have been convicted by final judgment of the court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft;
- ii. Persons who have been convicted by final judgment of the court for violation of insurance laws;
- iii. Persons who have been judicially, declared insolvent, spendthrift or unable to enter into a contract; or
- iv. 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.

2. Temporarily Disqualification

- i. 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 Insurance Commission. This disqualification shall be in effect as long as the refusal persists;
- ii. 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 applies for purposes of the succeeding elections;
- iii. Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- iv. Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
- v. 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;
- vi. Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;
- vii. Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- viii. Those under preventive suspension;
- ix. Persons with derogatory records with the NBI, court, police, Interpol and insurance authorities of other countries (for foreign directors) involving violation of any law, rule 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;
- x. Persons who are delinquent in the payment of their obligations as defined hereunder:

- xii. 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;
- xii. Obligations shall include all borrowings from an insurance company, or its related companies obtained by:
 - 1. A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorsers, or surety for loans from such institutions;
 - 2. The spouse or child under the parental authority of the director or officer;
 - 3. Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
 - 4. 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
 - 5. 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 4.

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

III. Independent Directors

The Board shall have at least 20% independent directors.

Qualifications of an Independent Director

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:

- 1. 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;

2. 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;
3. 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 shareholders;
4. 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 stockholders;
5. Is not acting as a nominee or representative of any director or substantial shareholder of the covered entity, any of its related companies or any of its substantial shareholders;
6. Is not or was not retained as professional adviser, auditor, consultant, agent or counsel of the covered entity, any of its related companies or any of its 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;
7. Is independent of management and free from any business or other relationship, has not engaged and 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;
8. Was not appointed in the covered entity, 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;
9. 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,
10. Is not employed as an executive officer of another company where any of the covered entity's executives serve as regular directors. Related company refers 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

1. Service in a board for a long duration may impair a director's ability to act independently and objectively. Hence, the tenure of an independent director is set to a cumulative term of nine years. Independent directors (IDs) who have served for nine years may continue as a non-independent director of the company.
2. Reckoning of the cumulative nine-year term is from 02 January 2015 for Insurance Companies, in connection with IC Circular Letter No. 2018-36 dated 26 June 2018.
3. Any term beyond nine years for an ID is subjected to particularly rigorous review, taking into account the need for progressive change in the Board to ensure an appropriate balance of skills and experience. However, the shareholders may, in exceptional cases, choose to re-elect an independent director who has served for nine years. In such instances, the Board must submit to the Insurance Commission a formal written justification and a shareholder's approval during the annual shareholders' meeting.

IV. Voting Procedures

1. Receive all written nominations to the Board submitted by stockholders not later than the date prescribed by law, rules and regulations or at such earlier or later date as the Board of Directors may fix before the date of the next annual meeting of the stockholders.
2. Review and evaluate the qualifications of all those nominated in accordance with the following criteria provided in sections I-IV.
3. Screen and shortlist qualified individuals for election as directors to ensure that only those that possess all the qualifications and none of the disqualifications from directorship as provided in sections I-IV of this charter and relevant laws, rules and regulations may be elected to the Board.
4. Identify and prepare a final list of qualified nominees, recommend for final approval of the Board such final list, and recommend to the stockholders the qualified nominees included in the final list for election in the annual meeting of stockholders.
5. In case of vacancy in the Board other than removal of a director or expiration of term, determine and identify the qualified nominee and recommend to the Board, if the remaining directors still constitute a quorum, to elect such qualified nominee to fill the vacancy.

6. Identify and recommend directors to fill vacancies in any of the Board committees, taking into account the requirements set forth in their respective charters.