



## Corporate Governance Committee Charter

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## Corporate Governance Committee Charter

### INTRODUCTION

The Corporate Governance Committee (“Committee”) of Rizal Commercial Banking Corporation (“Bank”) was constituted to assist the Board of Directors in fulfilling its corporate governance responsibilities pursuant to the provisions of its By-laws, the Corporate Governance Manual, and Subsec. X141.3 (c)(7) of the Manual of Regulations for Banks (“MORB”).

This Corporate Governance Committee Charter (“Charter”) sets out the roles, responsibilities, and authority of the Committee and the rules of procedure that will guide the function of the Committee.

### 1.0 GENERAL PURPOSE AND AUTHORITY

The Corporate Governance Committee (the “Committee”) is constituted by the Board of Directors (the “Board”) for the following purposes:

- 1.1 Oversee the development and implementation of corporate governance principles and policies;
- 1.2 Review and evaluate the qualifications of the persons nominated to the Board as well as those nominated for election to other positions requiring appointment by the Board;
- 1.3 Identify persons believed to be qualified to become members of the Board and/or the Board committees;
- 1.4 Assist the Board in making an assessment of the Board’s effectiveness in the process of replacing or appointing new members of the Board and/or Board Committees;
- 1.5 Assist the Board in developing and implementing the Board’s performance evaluation process and rating system that constitute a powerful and valuable feedback mechanism to improve board effectiveness, maximize strengths and highlight areas for further development;
- 1.6 Provide guidance to and assist the Board in developing a compensation philosophy or policy consistent with the culture, strategy and control environment of the Company;
- 1.7 Oversee the development and administration of the Company’s executive compensation programs, including long term incentive plans and equity based plans for Officers and Executives; and
- 1.8 Assist the Board in the performance evaluation of and succession planning for Directors and Officers including the CEO and in overseeing the development and implementation of professional development programs for Directors and Officers.

### 2.0 COMPOSITION

- 2.1 The committee shall be composed of at least three (3) members of the Board of Directors who shall be non-executive directors, majority of whom shall be independent directors, including the chairman with one (1) member representing the minority stockholders.



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- 2.2 The chairman and the members of the Committee shall be appointed by the Board. An independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in the Committee without prior approval of the Monetary Board.<sup>1</sup>
- 2.3 The Board may appoint one or more individuals to serve as advisor(s) to the Committee. The advisors shall have the right to attend and speak at any meeting of the Committee, but shall not have the right to vote on any action of the Committee.
- 2.4 The chairman of the Committee or any of its members may be removed from office only by the Board. If the office of the member is vacated, the Board shall appoint a new member in order to meet the required composition of the Committee.

### 3.0 QUALIFICATIONS

- 3.1 The chairman of the Committee shall be an independent director.
- 3.2 The members of the Committee who are directors or independent directors shall possess the same qualifications and none of the disqualifications of a director or independent director, as the case may be.
- 3.3 The members of the Committee shall be provided periodic professional education/training.
- 3.4 The members of the Committee who have been absent or who have not participated for whatever reason in more than fifty percent (50%) of all meetings, and members who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all meetings during the year, shall be disqualified for reappointment in the succeeding election, except that if the chairman certifies that said members were given the agenda for the meeting and their comments/discussions thereon were taken up in the meeting, said members shall be considered present in the meeting.

### 4.0 MEETINGS

- 4.1 The Committee shall meet as frequently as considered necessary by the Committee. Meetings of the Committee shall be convened by the chairman as deemed appropriate or upon request of the majority of the members.
- 4.2 A quorum will comprise of majority of the members of the Committee. Voting on Committee matters shall be on one member – one vote basis. Majority vote of all members present shall constitute an official action of the Committee. In case of a tie/equal votes by the Committee members, the matter shall be elevated to the Board for final resolution.
- 4.3 The members of the Committee shall attend its meetings in person or through teleconferencing and videoconferencing conducted in accordance with the rules and regulations of the SEC in such a manner that will allow the member who is taking part in said meetings to actively take part in the deliberations on matters taken up therein, except when justifiable causes prevent his attendance to ensure that the quorum requirement will be met. Justifiable causes include, but are not limited to, grave illness or death of an immediate family or serious accidents.

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<sup>1</sup> BSP Circular No. 757, Series of 2012.



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4.4 The notice and agenda of the meeting shall be furnished to the members prior to each meeting and will include relevant supporting papers as appropriate.

4.5 Minutes of the meeting shall be submitted to the Board of Directors.

### **5.0 DUTIES AND RESPONSIBILITIES OF THE CORPORATE GOVERNANCE COMMITTEE. The Committee shall assist the Board of directors in fulfilling its corporate governance responsibilities. In this regard, the Committee shall:**

5.1 Oversee the nomination process of the members of the board of directors and for positions appointed by the board of directors.

The committee shall recommend to the board of directors matters pertaining to the assignment to board committees, as well as succession plan for the members of the board of directors and senior management.

a. The Committee shall review the composition of the board and determine the set of qualifications, skills, experience and/or expertise which are aligned with the Bank's strategic direction. Candidates are then identified from various sources. To the extent practicable, the members of the Board shall be selected from a broad pool of qualified candidates. The Committee shall have the authority to engage professional search firms or other external sources of candidates when searching for candidates to the board.

The qualifications of shortlisted candidates shall be reviewed to determine whether the candidate is a fit and proper person for the office and whether he possesses all the qualifications and none of the disqualifications of a director of the Bank under relevant laws and regulations and internal policies. In selecting independent directors, the number and types of entities where the candidate is likewise elected as such shall be considered to ensure that he will be able to provide sufficient time to effectively carry out his duties and responsibilities.

The Committee shall then proceed to make recommendations to the Board.

The Committee shall also review and evaluate the qualifications of those persons nominated to other positions requiring appointment by the board of directors in accordance with the foregoing guidelines.

b. In consultation with the executive or management committee/s, it shall re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

c. The Committee shall review and evaluate the qualifications of all persons nominated to positions requiring appointment by the Board of Directors.

d. The Committee shall consider the following guidelines in the determination of the number of directorships of a nominee for the Board:

d.1 The nature of the business of the Corporations which he is a director;

d.2 Age of the Director;

d.3 Number of directorships/active memberships and officerships in other corporations or organizations; and

d.4 Possible conflict of interest.



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The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

### 5.2 Oversee the continuing education program for the board of directors.

- a. The committee shall ensure allocation of sufficient time, budget and other resources for the continuing education of directors, and draw on external expertise as needed.
- b. The committee shall establish and ensure effective implementation of policy for on-boarding/orientation program for first time directors and annual continuing education for all directors.

For this purpose, the orientation program for first time directors shall be for at least eight hours, while the annual continuing training shall be at least for four hours. The training programs should cover topics relevant in carrying out their duties and responsibilities as directors.

- c. The committee shall oversee the adoption of a policy on retirement for directors and officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power.

### 5.3 Oversee the periodic performance evaluation of the Board and its committees and executive management; and shall also conduct an annual self-evaluation of its performance.

- a. The Committee shall decide the manner by which the Board's performance may be evaluated and propose an objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long term shareholder's value.
- b. The Committee shall review the Bank's Performance Management Framework and oversee the implementation thereof.
- c. The Committee shall 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.

### 5.4 Decide whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness, and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards.

### 5.5 Monitor compliance of the submission of the Annual Corporate Governance Scorecard on the scope, nature and extent of the actions taken to meet the objectives of the SEC's Revised Code of Corporate Governance.

### 5.6 The Committee shall be responsible for the amicable resolution of disputes and/or settle conflicts or differences between the Bank and its stockholders, and the Bank and third parties, including regulatory authorities.



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### 5.7 Oversee the design and operation of the remuneration and other incentives policy:

- a. The Committee shall 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 ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.
- b. It shall designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully.
- c. The Committee shall develop a form of Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
- d. It shall disallow any director to decide his or her own remuneration.
- e. It shall provide in the Bank's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.
- f. It shall review the existing Human Resources Policy Manual or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.
- g. Or in the absence of such Personnel Handbook, it shall cause the development of such, covering the same parameters of governance stated above.
- h. It shall work closely with the Bank's risk oversight committee in evaluating the incentives created by the remuneration system. In particular, the risk oversight committee shall examine whether incentives provided by the remuneration system take into consideration risk, capital, and the likelihood and timing of earnings.

## 6.0 REPORTING

The Committee shall report periodically to the Board. Minutes of meetings of the Committee which specify opinions and official actions of the Committee on various matters, shall be disclosed to the Board of Directors.

## 7.0 CHARTER AMENDMENTS

- 7.1 The Committee shall from time to time assess the adequacy of the Charter and recommend changes thereto to the Board.
- 7.2 The Committee charter shall be approved by the Board of Directors and reviewed and updated at least annually or whenever there are significant changes therein.