

# THE MERCANTILE INSURANCE CO., INC.

2/F MERCANTILE INSURANCE BUILDING, BEATERIO CORNER GEN. LUNA STS., INTRAMUROS, MANILA

## MANUAL

### (FOR COMPENSATION AND NOMINATION COMMITTEE)

This Manual sets out the composition, role, responsibilities and operations of the **Compensation and Nomination Committee ("COMMITTEE")** of the **Board of Directors ("BOARD")** of The Mercantile Insurance Co., Inc. ("**MIC**").

#### I. COMPOSITION

The Committee shall be composed of the following:

1	Independent Director
2	Director
3	President as Executive Director
4	Chief Operating Officer
5	Head of Accounting and Collection
6	Head of HRD

#### II. ROLE

The Committee is tasked to determine and approve, by vote of majority of all its members, matters relating to compensation, remuneration and benefits of MIC'S key officers and directors.

The Committee is also tasked to determine the nominee for election to the Board, including those nominated to positions that require Board approval in accordance with MIC'S by-laws. They may recommend candidates to fill-up vacancies occupying between annual shareholder meetings.

THE MERCANTILE INSURANCE CO., INC.	
BOARD OF DIRECTORS	
DATE:	_____
RTD	_____
MCM	_____
JTL	_____
BTL	_____
JSL	_____
MTL	_____
NTL	_____
ECT	_____
FTO	_____
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	<input type="checkbox"/> DEFER

### III. DUTIES AND RESPONSIBILITIES

The Committee has the following duties and responsibilities:

#### 3.1. COMPENSATION:

- a. Formulate a formal and transparent procedure for developing a policy on determination of the compensation of directors and officers, and fixing the remuneration packages of MIC'S senior management, consistent with MIC'S culture, strategy and business environment.
- b. Determine the amount of remuneration of the directors and managers, which should be sufficient to attract and retain key directors and officers.
- c. Make sure that the annual reports, information, and proxy statements provide a clear and consistent disclosure of compensation of its Executive officers for the previous fiscal year and the ensuring year.
- d. Revisit and review existing human resources policies and rules to refine details especially on conflict resolution, salaries, benefits, promotion, career advancement, and compliance with statutory requirements for continued employment.

#### 3.2. NOMINATION:

- a. Formulate guidelines to govern the conduct of nominations for all directors.
- b. Establish parameters or guidelines in reviewing the qualifications of the nominees for independent directors.
- c. Pre-screen the candidates filling the vacancies in the Board, in accordance with the qualifications provided under the MIC'S manual on corporate governance and other relevant policies.
- d. Ensure that the number of simultaneous directorships which a member of the Board may hold are in accordance with the guidelines and limits provided under the Manual on Corporate Governance and all relevant rules and regulations.
- e. Ensure presence of proper safeguards for the selection and/or replacement of members of the Board, and to observe continuity of the Board and its Executive leadership.
- f. Comply with all other duties and responsibilities required by the SEC in accordance with applicable laws and regulations.

THE MERCANTILE INSURANCE CO., INC.	
BOARD OF DIRECTORS	
DATE:	_____
BTO	_____
MCM	_____
JPL	_____
BTL	_____
JSL	_____
NTL	_____
ECT	_____
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#### IV. MEETINGS

Committee Meetings shall be held at least twice a year, or as often as it may deem necessary, upon call by any bona fide member.

Meetings will be held as follows:

January – 2<sup>nd</sup> Thursday

July – 2<sup>nd</sup> Thursday

The presence of four (4) members are sufficient to constitute a quorum, to exercise all or any of the authorities, powers or discretions vested in the Committee.

#### V. REPORTS

The Committee, through its Chairman, shall report to the Board regarding all Committee actions, activities, deliberations, decisions and recommendations.

#### VI. COMMITTEE ADVISORS

Whenever deemed necessary, the Committee is authorized to procure the services of an independent advisor/s, for the proper performance of its Committee functions under this Charter. Moreover, the Chairman of the Board and the President of MIC shall automatically be advisors to the committee. They may delegate such responsibilities as the committee deems appropriate.

#### VII. ANNUAL REVIEW OF CHARTER

The Committee shall conduct an annual review and assessment of the adequacy of the Committee Charter, and propose any changes as may be deemed necessary for the Board's approval.

#### VIII. EFFECTIVITY

This Charter shall take effect immediately upon approval by the Board of Directors.

THE MERCANTILE INSURANCE CO., INC. BOARD OF DIRECTORS	
RTD	<i>[Signature]</i>
MCM	<i>[Signature]</i>
JTL	<i>[Signature]</i>
BTL	<i>[Signature]</i>
JSL	<i>[Signature]</i>
MTL	<i>[Signature]</i>
NTL	<i>[Signature]</i>
ECT	<i>[Signature]</i>
FTO	<i>[Signature]</i>

APPROVED       DISAPPROVED       DEFER