

# REPUBLIC SURETY & INSURANCE COMPANY, INC.

## CORPORATE GOVERNANCE MANUAL

The Board of Directors, officers, managers, and employees of Republic Surety and Insurance Co., Inc. (or the “Company”) hereby commit themselves to the fundamental principles of sound corporate governance provided in this Manual of Corporate Governance, and acknowledge that the same are necessary components of sound strategic business management that will enhance the value of the Company to all its stakeholders.

This Manual is adopted pursuant to Securities and Exchange Commission (SEC) Memorandum Circular No.6, series of 2009 (Revised Code of Corporate Governance) issued on July 15, 2009 in order to achieve policyholder and market investor’s confidence and sustain the growth of the insurance industry thereby contributing to the country’s economic well-being.

### I DEFINITIONS

- 1.0 Corporate Governance-** refers to the framework of rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders.
  
- 2.0 Board of Directors** – refers to the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.

- 3.0 Management-** refers to the body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation;
- 4.0 Executive Director**– refers to a director who is also the head of a department or unit of the corporation or performs any work related to its operation;
- 5.0 Non-Executive Director** – refers to a director who is not the head of a department or unit of the corporation nor performs any work related to its operation;
- 6.0 Independent Director**– refers to a person who apart from his fees and shareholdings is independent of Management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of any independent judgment in carrying out his responsibilities as a director in the company.
- 7.0 Internal Control** – refers to the process affected by a company’s Board of Directors, management and other personnel, designated to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws, regulations and internal control policies.
- 8.0 Internal Control System** – refers to the framework under which internal controls are developed, implemented, alone or in concert with other policies or procedures, to manage and control a particular risk or business activity, or combination of risks or business activities, to which the company is exposed.
- 9.0 Business Risk** – refers to the threat an event or action will adversely affect an organization’s ability to achieve its business objectives and execute its strategies successfully.

- 10.0 Risk Management** – refers to the procedure to minimize the adverse effects of a financial loss by (a) identifying potential source of loss; (b) measuring the financial consequences of a loss occurring; and (c) using available tools to minimize or transfer actual losses or their financial consequences
- 11.0 Internal Audit** – refers to an independent, objective assurance and consulting activity designed to add value and improve an organization’s operation. It helps an organization accomplish its objectives by bringing systematic, and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.
- 12.0 Internal Audit department** – refers to a department, division, consultants if any, that provide independent and objective assurance services in order to add value to and improve the corporation’s operation.
- 13.0 Stakeholders** – refers to the group of company owners, officers and employees, policyholders, suppliers, creditors and the community.
- 14.0 Parent** – is a corporation who has control over another corporation directly or indirectly through one or more intermediaries.
- 15.0 Related company** – means another company which is ; (a) its parent or holding company(b) its subsidiary or affiliate; or (c) a corporation where an insurance company or its majority stockholder owns such number of shares which allow/enable him to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner.

**16.0 Majority stockholder or Majority shareholder** – means a person, whether natural or juridical, owning more than fifty (50%) of the voting stock of an insurance company.

**17.0 Subsidiary** – means a corporation more than fifty percent (50%) of the voting stock of which is owned or controlled directly or indirectly through one or more intermediaries by an insurance company.

## **II BOARD GOVERNANCE**

The Board of Directors (the “Board”) is primarily responsible for the governance of the corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

### **1.0 Composition of the Board**

1.1 The Board consists of nine (9) directors who shall be elected by the stockholders at a regular or special meeting in accordance with the By-Laws of the Company.

1.2 The Board shall have at least (2) independent directors.

1.3 The Chairman of the Board shall be a non- executive director.

1.4 The Board shall include a balance of executive directors and non-executive directors (particularly independent non-executive directors) such that no individual or small group of individuals can dominate the Board’s decision making.

1.5 Considering that the insurance business is imbued with public interest, the role of the Chairman and President

shall in principle be separate, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

## **2.0 Multiple Board Seats**

The Board may consider the adoption of guidelines on the number of directorships that its members can hold in other corporations to ensure diligent and efficient performance of their responsibilities to the Company.

## **3.0 Duties and Responsibilities of the Board**

The Board of Directors is primarily responsible for the governance of the company. It shall also establish the company's vision, mission, strategic objectives, policies and procedures that shall guide its activities. A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability, integrity, and fairness.

To ensure a high standard of best practice for the Company and its stakeholders, the Board shall:

- 3.1 Review and adopt a strategic plan for the company.
- 3.2 Articulate a corporate culture and ensure that it is lived.
- 3.3 Set a high moral tone and deep social responsibility.
- 3.4 Oversee the conduct of the company's business to ensure that the business is being properly managed and dealings with policyholders, claimants and creditors are fair and equitable.

- 3.5 Identify principal business risks and ensure the implementation of appropriate risk management systems to specifically manage the underwriting, reinsurance, investment, financial, and operational risks of the company.
- 3.6 Establish and oversee the company's enterprise-wide risk management system.
- 3.7 Review and approve business plans and set up a mechanism for performance monitoring and evaluation.
- 3.8 Approve corporate policies in core areas of operations, specifically underwriting, investment, reinsurance and claims management.
- 3.9 Plan succession, including appointing, training, fixing the compensation of, and where appropriate, replacing senior management.
- 3.10 Develop and implement an investor relations program or adopt stockholder communication policy for the company.
- 3.11 Review the adequacy and the integrity of the company's internal control system and management information systems including systems for compliance with the Insurance Code and other applicable laws, regulations, rules, directives and guidelines.
- 3.12 Select and appoint officers who are qualified to administer insurance affairs soundly and effectively and to establish an adequate selection process for all personnel.
- 3.13 Apply fit and proper standards on personnel. It must have integrity, technical expertise and experience in the

institution's business, either current or planned, which should be the key considerations in the selection process.

- 3.14 Establish an appropriate compensation package for all personnel that are consistent with the interest of all its stakeholders.
- 3.15 Review and approve material transactions not in the company's ordinary course of business.
- 3.16 Establish a system of check and balance which applies to the Board and its members.
- 3.17 Have an appropriate system so that the Board can monitor, assess and control the performance of Management.
- 3.18 Present to all its members and stockholders a balanced and understandable assessment of the company's performance and financial condition.
- 3.19 Appoint a Compliance Officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.
- 3.20 Appoint a Chief Risk Officer who shall assist the Board in establishing and overseeing the company's enterprise-wide risk management system and ensuring that it is compatible with its strategy and risk appetite.
- 3.21 The Board shall be entitled to the services of a Corporate Secretary who must ensure that all appointments are properly made, that all necessary information are obtained from directors, both for the company's own

records and for the purposes of meeting statutory obligations , as well as obligations arising from the requirements of the Insurance Commission and other regulatory agencies.

#### **4.0 Members of the Board**

Essential standards:

- 4.1 All directors shall make decisions objectively in the interests of the company.
- 4.2 Non-executive director shall scrutinize the performance of management in meeting agreed goals and objectives and monitor the performance report.
- 4.3 Non-executive directors shall constructively challenge and help develop strategic proposals for the company.
- 4.4 Non-executive directors shall satisfy themselves of the integrity of financial information and financial controls as systems of risk management are robust and defensible.

#### **5.0 Chairman of the Board**

In addition to the duties provided in the By-Laws of the Company, the responsibilities of the Chairman in relation to the Board shall include the following:

- 5.1 To ensure that the meetings of the Board are held in accordance with the By-Laws or as the Chairman may deem necessary.
- 5.2 To supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary,



taking into consideration the suggestions of the directors and Management; and

- 5.3 To maintain qualitative and timely line of communication and information between the Board and Management.

If the position of Chairman and President are not separate and matters for resolutions of the Board involve the accountability of Management and there is a perceived conflict of interest in relation thereto, the Chairman must appoint a lead director from among the independent directors to temporarily preside in the meeting to ensure the independence of the Board.

## **6.0. Internal Control Responsibilities of the Company**

### 6.1 The control environment of the Company consists of:

- a. The Board which ensures that the Company is properly managed and effectively supervised;
- b. Management that actively manages and operate the Company in a sound and prudent manner;
- c. The organizational and procedural controls supported by effective management information and risk management reporting systems; and
- d. An independent audit mechanism to monitor the adequacy and effectiveness of the Company's financial reporting, governance, operations and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, confidential information, and compliance with laws, rules, regulations and contracts.

6.2. The Board's internal control mechanisms for the Board's oversight responsibility may include:

- a. Definition of the duties and responsibilities of the President who is ultimately accountable for the Company's organizational and operational controls;
- b. Selection of a President who possesses the ability, integrity and expertise essential for the position;
- c. Establishment by the Company of an internal audit system that can reasonably assure the Board, Management, and stockholders that the Company's key organizational and operational controls are appropriate, adequate, effective, and complied with;
- e. Selection and appointment of proposed senior management officers; and
- f. Review of the Company's personnel and human resource policies and sufficiency, conflict of interest situations, changes in the compensation plan for employees and succession plan for officers and management.

## **7.0 Qualifications**

### 7.1 Directors

- a. Every director shall own at least one (1) share of the capital stock of the Company of which he is a director, which share shall stand in his name in the books of the Company. He must have all the qualifications and none

of the disqualifications of a director. The following are the qualifications:

- i. Shall be at least twenty-five (25) years of age at the time of his appointment;
  - ii. Possesses college education or the skills needed to effectively carry out his function as director;
  - iii. Possesses the necessary skills, competence and experience, in terms of management capabilities preferably in the field of insurance or insurance-related disciplines. In view of the judiciary nature of insurance obligations, directors, shall also be persons of integrity and credibility.
  - iv. Possesses strong adherence to legal and moral principles.
  - v. Must have attended a special seminar on corporate governance conducted by a training provider accredited by the Insurance Commission.
- b. The Nomination Committee may consider and recommend to the Board such other qualifications which are now or may hereafter be provided under existing laws and regulations or any amendments thereto.

## 7.2 Independent Directors

- a. An independent director shall be one who has not been an officer or employee of the corporation, its subsidiaries or affiliates or related interests for at least three (3) years immediately preceding his term or incumbency;

- b. He or she is not related within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or majority stockholder of the company or any of its related companies;
- c. He or she is not a director or officer of the related companies of the institution's majority stockholders;
- e. He or she is not a majority stockholder of the company, any of its related companies, or of its majority shareholder;
- f. He or she is not acting as nominee or representative of any director or substantial stockholder of the company , any of its related companies, or any of its substantial stockholders; and
- g. He or she is free from any business or other relationships with the institution or any of its major stockholders which could materially interfere with the exercise of his judgment, i.e., has not engaged and does not engaged in any transaction with the institution, or any of its related companies or any of its substantial stockholders, whether by himself or with other persons or through a form of which he is a partner , director or a stockholder.

## **8.0 Disqualification of a Director**

### **8.1 Permanent Disqualification**

The following shall be grounds for the permanent disqualification of a director:

- a. Person 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;
- b. Persons who have been convicted by final judgment of the court for violation of insurance laws;
- c. Any person judicially declared as insolvent, spendthrift or unable to enter into a contract;
- d. 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

## 8.2 Temporary Disqualification

The Board may provide for the temporary disqualification of a director for any of the following reasons:

- a. Persons who refuse to fully disclose the extent of his business interest when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the Insurance Commission. The disqualification shall be in effect as long as the refusal persists.
- b. Directors who have been absent( 50%) of all regular and special meetings of the board during his incumbency, or any twelve-month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.

- c. Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- d. Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance commission;
- e. 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 by the Insurance Commission;
- f. Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;
- g. Persons dismissed /terminated from employment for a cause or as director of any corporation covered by the Governance code. 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.
- h. Those under preventive suspension.
- i. Persons with derogatory records with the NBI, court, police, 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.

## 9.0 Board Protocol

### 9.1 Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- a. **To conduct fair business transactions with the insurance company and ensure that his personal interest does not conflict with the interest of the Company.** Directors, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institutions cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others the basic principle to be observed is that a director shall not use his position to make profit or to acquire benefit or advantage for himself and/ or his related interest, He shall avoid situations that would compromise impartiality.
- b. **To devote time and attention necessary to properly discharge and effectively perform his duties and responsibilities.** Directors shall devote sufficient time to familiarize themselves with the institution's business. They must constantly be aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the board's work. They must attend and actively participate in board and committee meetings, request and review meeting materials, ask questions and request explanations. If a person cannot give sufficient time and attention to the affairs of the institution, he should neither accept his nomination nor run for election as member of the board.

- c. **To act judiciously.** Before deciding on any matter brought before the board of directors, every director shall thoroughly evaluate the issues, ask questions and seek clarifications when necessary.
- d. **To exercise independent judgment.** A director shall view each problem/ situation objectively. When a disagreement with others occurs, he shall carefully evaluate the situation and state his position. He shall not be afraid to take a position even though it might be unpopular. Corollarily, he shall support plans and ideas that he thinks will be beneficial to the institution.
- e. **To have a working knowledge of the statutory and regulatory requirements affecting the Institution, including the contents of its articles of incorporation and by-Laws, the requirements of the Securities and Exchange Commission, Insurance Commission, and where applicable, the requirements of other regulatory agencies.** A director shall also keep himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness.
- f. **To observe confidentiality of information.** Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other persons without the authority of the Board.
- g. **To act honestly, in good faith, and with loyalty to the best interest of the institution, its stockholders, ( regardless of the amount of their stockholdings) and other stakeholders such as its policyholders, investors, borrowers, other clients and the general**



**public.** A director must always act in good faith with care which an ordinarily prudent man would exercise under similar circumstances, while a director shall always strive to promote the interest of all stockholders. He shall also give due regard to the rights and interest of other stakeholders.

- h. **To ensure the continuing soundness, effectiveness and adequacy of the company's control environment.**
- i. **Insurance companies shall furnish all of their directors a copy of the specific duties and responsibilities of the Board of Directors as well as the specific duties and responsibilities of a director within thirty (30) working days,** in case of incumbent directors and at the time of election in case of directors elected after the issuance of the Corporate Governance code.
- j. **The directors concerned shall each be required to acknowledge receipt of the copies of such specific duties and responsibilities and shall certify that they fully understand the same.**

## **9.2 Expectations of Directors**

- a. The Directors recognize their duty of loyalty to the company and to the Board, and agree that outside the boardroom they will support the latter's decisions when in contact with other parties.
- b. Directors have a duty not to use information obtained as Directors for the benefit of themselves or any person or persons linked to them.

- c. No Director should act in a way likely to bring discredit to the organization
- d. Directors have a right and duty to consider properly all matters brought to the Board. Attendance at Board meetings is important and, if unable to attend, he or she should advise the Corporate Secretary in advance.
- e. Directors have a right and duty to raise matters of serious concern at Board meetings.
- f. Directors are expected to be frank and open in Board meetings and to question, request information, and raise issues.
- g. Directors are expected to complete the Seminar on Corporate Governance conducted by a training provider accredited by the Insurance Commission.
- h. Directors are expected to keep themselves up to date with the affairs of the organization and the Board.
- i. Each Director has an obligation to declare any material conflict of interest as soon as he or she becomes aware of it, and to withdraw from the discussion and decision of any matter on which he or she has a material conflict, unless the Directors who do not have a conflict have resolved that the Director should stay. Directors agree to notify the Chairman of any actual or potential conflict as soon as they are aware of it (if possible before the beginning of the meeting at which the issue is likely to be raised) and to withdraw from any discussions relating to it, unless invited to remain. The guidance of

the Chairman will normally be accepted on such matters.

### **9.3 Director's Rights**

- a. Directors have a right to identify the information they need and receive it in a timely way.
- b. Individual Directors have a right to obtain information necessary for them to discharge their duties from executives employed by the company.
- c. Outside specialist advice at the company's expense is advice to the Board as a whole and should normally be arranged by the president at the request of the Board.

### **9.4. Compensation of Directors**

Directors, as such, shall not receive any compensation unless approved by the stockholders or provided in the By Laws of the Company. No director should participate in the approval of his compensation. However, the Board may, from time to time, approve a reasonable per diem that a director may receive for attendance in Board and Board Committee meetings

### **9.5 Directors' Resignation**

The Directors vacate office if he or she resigns by written notice address to the Board.

## **10.0 Performance Evaluation**

- 10.1 A formal and rigorous annual evaluation of the Board's own performances and that of its committees and individual directors shall be undertaken.
- 10.2 The Chairman shall act on the results of the performance evaluation by recognizing the strengths and addressing the weaknesses of each director. He may propose appointment of new members to the Board or seek the resignation of directors.
- 10.3 Performance evaluation of the Board, its committees and its individual directors shall be conducted and reported in the annual report.
- 10.4 Performance evaluation of the Chairman shall be made by non-executive directors, led by senior independent director, taking into account the views of executive directors.

## **11.0 Board Committees**

The Board of Directors shall form Board Committees to aid in ensuring compliance with the principles of good corporate governance. The members of such Committees shall be appointed by the board of directors annually.

### **11.1 Nomination Committee**

- a. Shall be composed of at least three (3) directors
- b. Shall review and evaluate the qualifications of all persons nominated to Board as well as those nominated to other positions requiring appointment by

the Board of Directors. It should prepare a description of the roles and capabilities required of a particular appointment.

- c. For the appointment of the Chairman, it should prepare job specifications, including an assessment of the time commitment expected of him, recognizing the need for his availability in the event of crises. The Chairman's other significant commitments shall also be disclosed to the Board before his appointment and included in the annual report. Any change thereof shall be reported to the board and included in the next annual report.
- d. The terms and conditions of appointment of non-executive directors shall be made available for inspection. The letter of appointment shall specify the expected time commitment. They shall undertake sufficient time to meet and do what is expected of them. Their other significant commitments shall be disclosed to the Board before appointments indicating the time lines and in any case, the Board shall be informed of subsequent changes.
- e. The Nomination Committee shall consider the following guidelines in the determination of the number of directorship for the Board:
  - i. The nature of the business of the corporation, where he is a director;
  - ii. Age of director;
  - iii. Number of directorship/active memberships and officership in other corporations or organizations; and
  - iv. Possible conflict of interest.

## **11.2. Audit Committee**

- a. Shall be composed of at least three (3) directors, one of whom must be independent
- b. Must be chaired by an independent board member preferably with accounting and finance experiences.
- c. Provides oversight of the institution's internal and external auditors.
- d. Shall be responsible for the setting-up, re-appointment and removal of internal audit department, and the appointment of internal auditors as well as of independent external auditors.
- e. Shall monitor and evaluate the adequacy and effectiveness of the internal control system of the company.

## **11.3 Risk Oversight Committee**

- a. Shall be composed of at least three (3) directors.
- b. Shall oversee Management activities in managing credit, market, liquidity, operations, legal, underwriting and other risks of the Company. This function shall include regular receipt from Management of information on risk management activities.

#### **11.4 Compensation and Remuneration Committee**

- a. The Compensation and Remuneration Committee preferably shall be composed of at least three (3) directors.
- b. Shall establish a formal and transparent procedure for developing policy on remuneration of directors and officers to ensure that their compensation is consistent with the company's culture, strategy, and the business environment in which it operates;
- c. Shall oversee the formulation of the compensation and retirement philosophy as well as study and evaluate the appropriate compensation, retention, and retirement policies and programs for the officers of the Company as appointed in accordance with the company's By-Laws, as well as managers or executives with the rank of assistant vice president and up ;
- d. Shall review management succession plan ; and
- e. Such other duties and responsibilities as may be provided in the Compensation and Remuneration Committee Charter

#### **11.5 Investment Committee**

- a. The investment Committee shall be composed of three (3) representative from the Board of Directors.
- b. The Investment Committee shall review, advise and recommend approval to the Board for decision or action on proposed investment by the Company's Management.

## **12.0 The Management**

The Management is represented by a Management Committee (Mancom) composed of corporate officers and executives formed and headed by the President. All Principal policies and directions governing the organization, management and operation of the Company shall be formulated and implemented by this committee, subject to Board approval when required by existing laws. The Committee shall regularly report to the board at its regular board meeting , or during special meeting whenever necessary or requested by the Board or the President, on all matters concerning the Company's operation as well as significant events or occurrences affecting the Company.

### **12.0 Duties & Responsibilities of the President**

The President shall be in charge of the management and administration of the business operations, affairs and properties of the Company. He shall ensure that all resolutions of the Board are carried into effect and see that the business and affairs of the Company are managed in a sound and prudent manner. He shall ensure the reliability and integrity of financial and operational information and effectiveness, as well as, the efficiency of operations,

### **13.0 Compliance Officer**

The Chairman of the Board shall designate a Compliance Officer who shall hold at least the position of Vice President or its equivalent. He /She shall report directly to the Chairman of the Board and shall ensure the adherence to the Corporate Governance Manual.



## **14.0 Chief Risk Officer**

The Board shall designate a Chief Risk Officer who shall hold at least a position of Vice President or its equivalent. He /She shall report directly to the Board and is responsible in managing and developing a process for assessing, identifying, monitoring and reducing pertinent business risk that could interfere with company's goals and objectives.

## **15.0 External auditor**

The Board, after consultation with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Securities and Exchange Commission and the Insurance Commission who shall undertake an independent audit of the Company and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholder

The Company's external auditor should be rotated or the handling partner should be changed every five (5) years or earlier.

## **16.0 Corporate Secretary**

The Corporate Secretary is an officer of the company and is expected to observe the highest degree of professionalism, integrity, and diligence.

### **16.1 Qualifications of Corporate Secretary**

- a. Shall be a resident Filipino Citizen of good moral character.
- b. Shall have an adequate legal, administrative, and interpersonal skills.

## **16.2 Duties and responsibilities of the Corporate Secretary**

- a) Work and deal fairly and objectively with all the constituencies of the Company, namely, the Board, Management, stockholders and other stakeholders.
- b) Be fully informed and be part of scheduling the board activities.
- c) Be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities.
- d) Schedule meetings at least once a month and duly notify the board before every meeting.
- e) Advise Directors on matters pertaining to their legal responsibilities and obligations and ensure that appropriate Board procedures are being followed and that applicable rules and regulations are complied with.
- f) Conduct orientation for new Directors on the Company's organizational structures and business operation.
- g) Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- h) Attend all Board meetings and maintain record of the same.
- i) Submit to the SEC, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

- j) Safe keep and preserve the integrity of minutes and other official records of the Company.
- k) Be loyal to the mission, vision, and objectives of the Company.
- l) Have working knowledge of the operations of the Company.
- m) Ensure that all Board procedures, rules and regulations are faithfully followed by its members.

## **17.0 Internal Auditor**

The Company shall have in place an independent internal audit function. It shall provide the Board, senior management, and stockholders the assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

## **III SUPPLY INFORMATION**

All directors should be provided with complete, adequate and timely information about the matters to be taken up in their meetings which would enable them to discharge their duties.

- 1.0 Management is responsible for providing the Board with appropriate and timely information. If the information provided by Management is insufficient, the Board will make further inquiries where necessary to which the persons responsible will respond as fully and promptly as possible.
- 2.0 The Directors, either individually or as a group, in the performance of their duties may seek independent professional advice within the guidelines set by the Board.

- 3.0 A full Agenda and comprehensive Board papers are to be circulated to all directors well in advance of each meeting.
- 4.0 Full Board minutes of each Board meeting are kept by the Corporate Secretary and are available for inspection by any director during office hours.

## **IV. DISCLOSURE AND TRANSPARENCY**

The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders. All material information may include: earning results, acquisition or disposition of assets, board changes, related party transactions, shareholdings of directors, changes in ownership, remuneration of all directors and senior management, corporate strategy, and off balance sheet transactions.

The process of risk management and the overall results of risk assessments should be appropriately disclosed in a transparent and understandable fashion. Disclosure of risk factors should identify those most relevant to the company's strategy

All such information should be disclosed through approved regulatory procedure for company announcements as well as through annual report.

## **V. ACCOUNTABILITY AND AUDIT**

- 1.0 The Board shall ensure that stockholders are provided with a balanced and comprehensible assessment of the Company's financial position and projects.

- 2.0 The Board shall ensure that an effective system of control is in place for safeguarding the corporation's assets.
- 3.0 Major risks facing the corporation which are likely to affect the performance and financial condition of the corporation (including underwriting risk, reinsurance risks, investment risk, operational risk and legal risk) and the approach taken by management in dealing with these risks, shall be reported to the Board to enable the latter to effectively address said risks.
- 4.0 The Board shall ensure that reports accurately reflect the financial condition and the results of corporate operations.
- 5.0 The Board shall regularly review the system of securing adherence to key internal policies as well as to significant laws and regulations that apply to it. An effective and comprehensive internal audit of the corporation's internal control system shall be carried out by independent and competent staff. Audit findings and recommendation shall be reported to the Board and the President.
- 6.0 The Board shall protect shareholders' value through adequate environment of strong internal control, fiscal accountability, high ethical standards and compliance with the law and code of conduct.
- 7.0 Related Party Transactions
- a. Overlapping interests in the insurance entity shall be disclosed to the Board and any material transaction involving such interests shall be similarly disclosed.
  - b. Related party transaction shall be conducted in terms that are at least comparable to normal commercial practices to safeguard the best interest of the insurance corporation, its policyholders, creditors and claimants.

In all cases, the provision of Title 20, Chapter III of the Insurance Code shall be complied with.

- c. Related party transactions shall be disclosed fully to the Board. Prior Board approval shall be obtained for related party transaction that are material in nature.

## **VI. INVESTOR'S RIGHTS AND PROTECTION**

The Board shall commit to respect the following rights of the stockholders:

### **1.0 Voting Right**

Stockholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. Cumulative voting shall be used in the election of directors.

### **2.0 Pre-emptive Right**

Unless otherwise stated in the Articles of the Incorporation or Corporation Code of the Philippines, all stockholders shall enjoy pre-emptive right to subscribe to all issues or disposition of shares in proportion to their respective shareholdings

### **3.0 Right of Inspection**

Any stockholder who desires to exercise his right to inspect corporate books and record of the Company must make a written request addressed to the Corporate Secretary, and stating the specific reason(s) or purpose(s) for the inspection. The exercise of such right may be denied if: (i) the requesting stockholder improperly used information obtained from prior examination; or (ii) is not acting

in good faith; or, (iii) there is a reasonable ground to safeguard the interests of the Company, such as when the subject of inspection contains confidential or proprietary information or covered by a confidentiality or non-disclosure obligation which will be violated by the Company if inspection were allowed. In no case the stockholder be allowed to take corporate books and other records out of the principal office of the Company for the purpose of inspecting them. The Corporate Secretary may elevate the request for inspection for the information, approval, or other appropriate action by the Board.

This Manual shall be available for inspection by any stockholder of the Company at reasonable hours on business days.

#### **4.0 Right to Information**

Stockholders shall be provided upon request, with periodic reports filed by the company with the SEC (e.g., proxy statement/ information statement and annual report) which disclose personal or personal information about the Directors and Officers such as their educational and business background, holdings of the Company's shares, material transactions with the Company, relationship with other Directors and Officers and the aggregate compensation of Directors and Officers.

#### **5.0 Right to Dividends**

Stockholders shall have the right to receive declared dividends subject to the procedures prescribed by the Board. The Company shall be compelled to declare dividends when its retained earnings exceeds 100% of its paid –in- capital stock, except:

- a. When justified by definite corporate expansion projects or programs approved by the Board; or
- b. When the Company is prohibited under any loan agreement with any financial institution or creditor,

whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or

- c. When it can be clearly shown that such retention is necessary under special circumstances obtaining in the company, such as when there is a need for special reserve for probable contingencies.

## **6.0 Appraisal Right**

The stockholders shall have appraisal right under any of the following circumstances:

- a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any aspect superior to those of outstanding shares of any class, or of existing or reducing the term of corporate existence;
- b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the property and assets of the Company;
- c. In case of merger or consolidation; and
- d. Investment of funds in any other corporation or business or for a purpose other than the primary purpose for which the Company was organized.



## **7.0 Right to Transfer and Fair Conduct of Stockholders' Meeting**

The board shall adopt appropriate measure to ensure that stockholders' meetings are conducted in a fair and transparent manner. The stockholders should be encouraged to personally attend such meetings, and if unable to do so, they should be advised ahead of time of their right to appoint a proxy on their behalf. Subject to the requirements of law, rules and regulations, the By-Laws of the Company and the rules approved by the board, the validity of a proxy should be resolved in favor of the stockholder.

It shall be the duty of the directors to promote stockholders rights, remove impediments to the exercise of stockholders' rights and allow possibilities to seek redress for violation of their rights. The directors shall envisage the exercise of stockholders' voting rights and the solution of problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and/ or voting in person.

## **VII RELATIONS WITH STOCKHOLDERS**

### **1 Dialogue with stockholders**

- a. There shall be a dialogue with stockholders based on the mutual understanding of objectives.
- b. The Board must maintain an effective communications policy that enable both the Board and management to communicate effectively with its stockholders, stakeholders and the general public.
- c. The Board shall keep in touch with stockholders' opinion in whatever way it is most practical and efficient.

## **2.0 Essential standards**

- a. The Chairman shall ensure that the views of stockholder are communicated to the Board.
- b. The Chairman shall discuss governance and strategies with major stockholders.
- c. Non-executives directors shall be offered the opportunity to attend meetings with major stockholders and shall be expected to attend when requested by major stockholders.
- d. The senior independent director shall attend sufficient meetings with major stockholders to listen to their views in order to develop a balanced understanding of the issues and concerns of major stockholders.

## **3.0 Constructive use of the AGM (Annual General Meeting)**

- a. The Board shall use the AGM or Annual Stockholder's Meeting to communicate with investors and encourage their participation.
- b. The company shall count all proxy votes.
- c. The company ensures that votes cast are properly received and recorded.
- d. The Board proposes a separate resolution at the AGM on each material issue (i.e reports, accounts.)
- e. The Chairman, directors and members of the Audit, Remuneration and Nomination committees shall be present at the AGM to answer questions.

- f. Notices, annual reports including the latest annual Financial Statements of the company shall be given to stockholders at least two (2) weeks prior to the AGM.

## **VIII PUBLIC ACCOUNTABILITY**

As custodian of public funds, insurance corporations shall ensure that dealings with the public are always conducted in a fair , honest and equitable manner.

- a. Officers of insurance corporations shall avoid conflict of interest
- b. They shall not engage in any unfair or deceptive acts of conduct that constitute unfair trade practices detrimental to policyholders and claimants.

## **IX RESPONSIBILITY FOR GOOD GOVERNANCE**

The Board of Directors and the management of the insurance companies shall commit themselves to the principles and leading practices contained in this Corporate Governance Manual. The Board, the management, employees and stockholders, who believe that corporate governance is a necessary component of what constitutes sound strategic business management, shall undertake every effort necessary to create awareness within the organization.

**X EFFECTIVITY**

**XI SIGNED**