

WESTERN GUARANTY CORPORATION

**MANUAL ON
CORPORATE GOVERNANCE**

BOARD GOVERNANCE

Western Guaranty Corporation (the “Company” fully recognizes its role in the continued progress of the country’s insurance industry. It believes that implementing sound corporate governance practices are vital in attaining and preserving the public trust and belief in the insurance industry. (sector)

The Board of Directors

The Board of Directors (the “Board”) is primarily responsible for the governance of the Corporation. Consequent to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on the Management. It ensures that the Organization is being run in a sound and prudent manner to fulfill its obligations to all shareholders while upholding and protecting the interests of policyholders/stakeholders.

1.0 Composition of the Board

- 1.1 The Board consists of seven (7) directors, two (2) of whom are independent directors who shall be elected by the stockholders at a regular meeting in accordance with the By-Laws of the Company.
- 1.2 The Chairman of the Board shall be a non-executive director.
- 1.3 The role of the Chairman and President shall in principle be separate, to ensure balance of power, accountability and independent decision making.
- 1.4 Ensure that meetings of the Board are held in accordance with the By-Laws or the Chairman may deem necessary.

2.0 Duties and Responsibilities

The Board

The Board of Directors is collectively responsible for the long-term shareholder value of the company and has the responsibility to approve and review the implementation of its objectives. It establishes the company’s vision, mission, policies and procedures that shall guide its activities.

To foster the long-term success of the Company, the Board shall:

- 2.1 Create and adopt a strategic plan for the company.
- 2.2 Conduct itself with honesty and integrity.
- 2.3 Ensure proper management of company's business, and dealings with policyholders, claimants and creditors are fair and equitable.
- 2.4 Implement a process for the selection of professional, qualified and competent officers, including appointing, training and succession for senior management.
- 2.5 Ensure the implementation of appropriate risk management system in the management of underwriting, reinsurance, investments and financial operations of the company.
- 2.6 Set up a mechanism for performance monitoring and evaluation.
- 2.7 Ensure the corporation's faithful compliance with the Insurance Code and other applicable laws, regulations, rules, directives, guidelines and best business practices.
- 2.8 Adopt a system of check and balance applicable to the Board and its members.
- 2.9 Shall have general and active administration and management of the corporation.
- 2.10 Shall see to it that all orders and resolutions of the Board of Directors are carried into effect.
- 2.11 Shall have general superintendence and direction of all other officers of the Corporation and of the agents or employees thereof; it shall see to it that their respective duties are properly performed.
- 2.12 Appoint a compliance officer who shall have the rank of at least Vice-President and who shall be responsible for coordinating, monitoring and observing compliance with existing laws, rules and regulations.
- 2.13 The Board shall engage the services of a Corporate Secretary who must ensure that all schedules of meetings are properly made, and who shall keep in safe custody of all corporate files, records, books and seal of the corporation.

3.0 Members of the Board

- 3.1 Shall participate in making decisions objectively in the best interests of the company.
- 3.2 Exercise independent judgment.
- 3.3 Attend regular meetings and act judiciously.
- 3.4 Non-executive director shall examine closely the performance of management in meeting agreed objectives and monitor the performance report.
- 3.5 Observe confidentiality.

4.0 Qualifications

4.1 Directors

Every director shall own at least one (1) share of the capital stock of the Company. He must possess all the qualifications and none of the disqualifications of a director. The following are the qualifications:

- 4.1.1 Shall be at least twenty-five (25) years of age at the time of his appointment.
- 4.1.2 College education or equivalent academic degree.
- 4.1.3 Possesses the necessary skills, competence and experience to understand the business of the company.
- 4.1.4 Integrity and good moral character.

4.2 Independent Directors

- 4.2.1 Shall be one who has not been an officer or employee of the corporation, its subsidiaries or affiliates for at least three (3) years immediately preceding his term.
- 4.2.2 He is not related within the fourth degree of consanguinity or affinity, legitimate or common-law partner of any director, officer or majority stockholder of the company.
- 4.2.3 He is not a director or officer of the related companies of the company's majority stockholders.
- 4.2.4 He is not acting as nominee or representative of any director of the company, or any of its related companies.

5.0 Disqualification of a Director

5.1 Permanent Disqualification

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

- 5.1.1 Any person convicted by final judgment or order by a competent judicial or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, malversation, forgery, bribery, perjury or other fraudulent acts.
- 5.1.2 Any person convicted by final judgment or order by a competent judicial or administrative body of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.
- 5.1.3 Any person judicially declared as insolvent.
- 5.1.4 An elected independent director who becomes an officer, employee or consultant of the same corporation.

5.2 Temporary Disqualification

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

- 5.2.1 Non-disclosure of extent of business interest when required under the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the non-disclosure or refusal persists.
- 5.2.2 Absence in more than fifty (50%) percent of all regular and special meetings of the Board 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. The disqualification shall apply for purposes of the succeeding election.
- 5.2.3 Dismissal or termination for cause as director of any corporation. The disqualification shall be in effect until he has cleared himself from the accusation hurled against him.

5.2.4 Directors and officers of insurance companies included in the negative list submitted to the Insurance Commission. This disqualification applies until the lapse of the specific period of disqualification by the Insurance Commission.

5.2.5 Persons under preventive suspension.

6.0 Board Committees

In compliance with the principles of good corporate governance, the Board shall constitute an Audit Committee, Compensation and Remuneration Committee and Nomination Committee. The members of such Committees shall be appointed by the board of directors annually.

6.1 Audit Committee

6.1.1 Shall be composed of at least three (3) members, one of whom must be an independent director.

6.1.2 Must be chaired by an independent director preferably with audit and finance experience.

6.1.3 Shall perform oversight functions over company's internal and external auditor.

6.1.4 Shall assist the Board in monitoring and evaluation of internal control system of the company.

6.2 Compensation and Remuneration Committee

6.2.1 Shall be composed of at least three (3) directors.

6.2.2 Shall establish transparent policies and procedures 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.

6.3 Nomination Committee

6.3.1 Shall be composed of at least three (3) members and one of whom should be an independent director.

6.3.2 Shall review and evaluate the qualifications of all persons nominated or recommended to the Board and other positions requiring approval by the Board.

7.0 The Corporate Secretary

- 7.1 Should be a Filipino citizen and a resident of the Philippines.
- 7.2 It shall be elected by the Board, or may or may not be elected from the members thereof.
- 7.3 Attend all sessions of the Board and all meetings of the members and record minutes of all proceedings.
- 7.4 Shall give or cause to be given notices of all meetings of the members of the corporation and of the Board of Directors, and shall perform such other duties as maybe prescribed by the Board of Directors or by the President under whose supervision he shall be.
- 7.5 He shall keep in safe custody all corporate files, records, books, and the seal of the corporation.

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