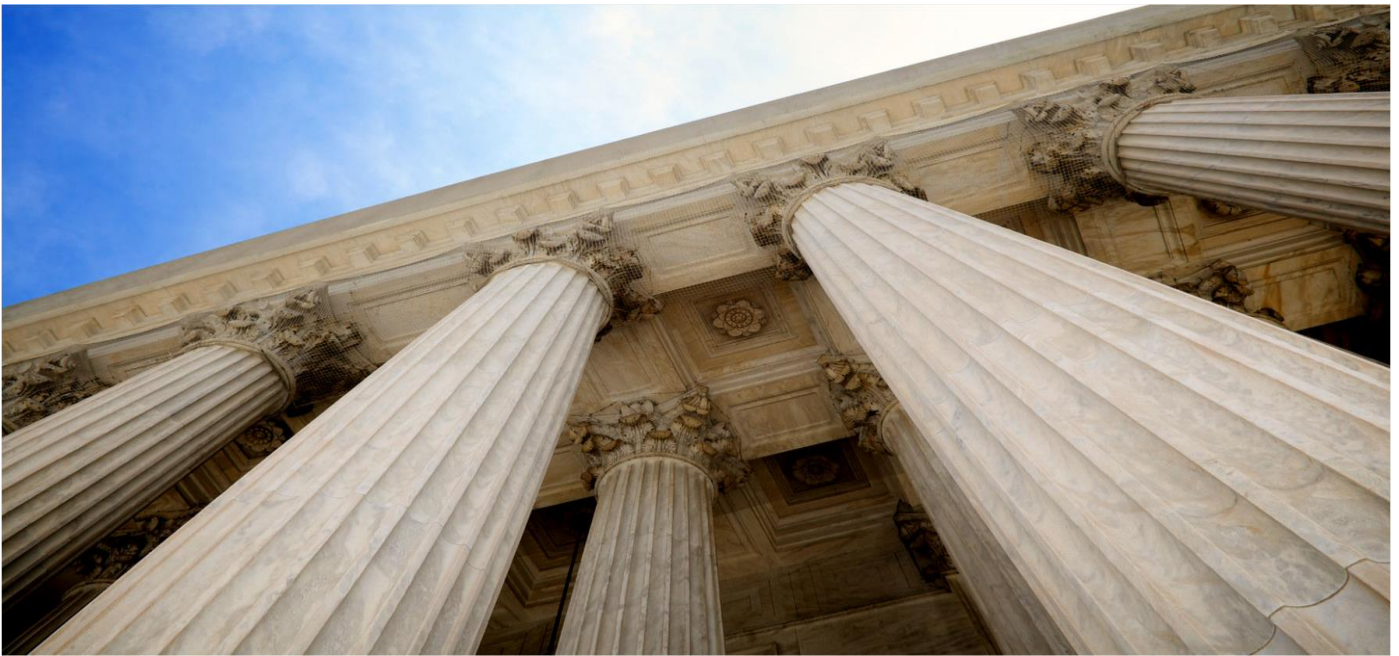


CORPORATE GOVERNANCE MANUAL



西 聯 保 險 有 限 公 司

WESTERN GUARANTY CORPORATION

Insurance for All Seasons, for All Reasons.

SINCE 1964

**Pursuant to Insurance Commission Circular Letter No. 2020-71, dated June 30, 2020*

Insurance for All Seasons, for All Reasons.

Established on August 31, 1964 and licensed by the [Insurance Commission](#) on October 14, 1964, Western Guaranty Corporation has grown from 8 employees and 10 agents to 120 human resources and over a hundred representatives nationwide. After almost half a century, Western Guaranty is now one of the largest, most credible, and stable non-life insurance companies in the Philippines.

We have the expertise, experience, dedication and the heart to provide you with the peace of mind and the guaranty to take care of your needs at a time you need it most – the highest level of genuine care and service that you won't find anywhere else. You can let go of all your worries when you are covered with Western Guaranty Corporation.

Mission

To be the Country's Most Stable and Trusted Non-Life Insurance Provider.

Vision

A Service Oriented Organization that values Genuine Relationship to all its Stakeholders.

Passionate and Committed to expand Distribution Network and Innovate Products that will be Accessible and Affordable to Everyone.

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MANUAL ON CORPORATE GOVERNANCE OF



FRAMEWORK

Corporate Governance is the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders. Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior – reconciling long-term customer satisfaction with shareholder value – to the benefit of all stakeholders and society. Its purpose is to maximize the organization’s long-term success, creating sustainable value for its shareholders, stakeholders and the nation.

Through the years, the Company have developed mechanisms to ensure that corporate governance conforms to regulatory requirements and best practices, and that we pursue our goals ethically and honestly.

The Board of Directors, Management, Employees and Shareholders believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

This Corporate Governance Manual is guided thru Insurance Commission Circular Letter No. 2020-71 dated June 13, 2020.

DEFINITION OF TERMS

The technical terms used in this Manual shall have the respective meanings as set forth below:

Corporate Governance - the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders.

Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior - reconciling long-term customer satisfaction with shareholder value - to the benefit of all stakeholders and society.

Its purpose is to maximize the organization's long-term success, creating sustainable value for its shareholders, stakeholders and the nation.

Board of Directors - the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.

Director- as used in this Code shall also refers to a Trustee'

Management - a group of executives 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.

Independent director - a person who is independent of management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

Executive director - a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.

Non-executive director - a director who has no executive responsibility and does not perform any work related to the operations of the corporation.

Conglomerate - a group of corporations that has diversified business activities in varied industries, whereby the operations of such businesses are controlled and managed by a parent corporate entity.

Internal control - a process designed and effected by the board of directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures.

Enterprise Risk Management - a process, effected by an entity's Board of Directors, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

Entity - shall also refer to a company.

Related Party - shall cover the company's subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the company exerts direct or indirect control over or that exerts direct or indirect control over the company; the company's directors; officers; shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the company.

Related Party Transactions - a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

Shareholder- refers to an owner of a share of stock in a company. For the purpose of this Code, the term shareholder shall also refer to a member of a nonstock non-profit entity.

Stakeholders - any individual, organization or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

THE BOARD OF DIRECTORS

The Board of Directors is the supreme authority in matters of governance and in overseeing the business of the Corporation. It is the governing body elected by the stockholders that exercises the corporate powers of a corporation.

The Company is committed to having a Board comprised of qualified and dedicated Directors with a diverse mix of expertise, experience, skills and backgrounds. Diversity includes business experience, age, gender, and ethnicity. Nominees shall be selected based on merit. With respect to gender, the Board shall commit to ensure appropriate representation of women in the Board to the greatest extent possible.

The Board shall promote the best interest of the Corporation and shall endeavor to exercise objective and independent judgment on all corporate affairs

The Board shall be responsible for ensuring and adopting an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value. This includes adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the Company

Section I. Responsibilities of the Board

The Board shall:

- Oversee the management of the Company and provide directions towards the formulation of a sound corporate strategy. In the exercise of their duties, the members of the Board must exercise their best and unbiased judgment in the utmost interests of the Company. The Board is the guardian of fairness, transparency, and accountability in all of the major financial and business dealings of the Company, protecting the interests of investors and stakeholders.
- Shall be composed of Directors with a collective working knowledge, experience or expertise that is relevant to all matters relating to insurance. The Board shall always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.
- Shall be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.
- The Directors are also required to keep abreast with industry developments and business trends in order that they may promote the Company's competitiveness

and sustainability. The members of the Board are required to regularly attend seminars and conferences to continuously update themselves on the developments in policy, regulations and standards on good corporate governance. The members of the Board shall also be provided with such resources, trainings and continuing education to enable each member to actively, independently and judiciously participate in Board and Committee meetings.

In performing its duties, the Board shall be assisted by the Corporate Secretary and the Compliance Officer, both of whom should not be members of the Board of Directors and should annually attend a training on corporate governance.

The Corporate Secretary shall have the following responsibilities:

- Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;
- Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- Advises on the establishment of board committees and their terms of reference;
- Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- Performs required administrative functions;
- Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- Performs such other duties and responsibilities as may be provided by the IC

The Board is also assisted in its duties by a Compliance Officer, who have a rank of Vice President or an equivalent position with adequate stature and authority in the corporation.

The Compliance Officer is not be a member of the Board of Directors and annually attend a training on corporate governance.

The Compliance Officer shall have the following responsibilities:

- Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
- Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;

- Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- Ensures the integrity and accuracy of all documentary submissions to regulators;
- Appears before the IC when summoned in relation to compliance with this Code;
- Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- Identifies possible areas of compliance issues and works towards the resolution of the same; h. Ensures the attendance of board members and key officers to relevant trainings; and i. Performs such other duties and responsibilities as may be provided by the IC.

Section II. Composition of the Board

The Board shall be composed of such number of directors as may be required in the Articles of Incorporation of the Company. The directors of the Company shall be elected by majority vote at the annual meeting of the stockholders at which meeting a quorum is present by stockholders owning majority of the subscribed capital stock entitled to vote in the manner provided in the By-laws and under existing laws.

The directors so elected shall hold office for one (1) year and until their successors are elected and qualified.

Section III : Independent Directors

The Board should be composed of at least twenty percent (20%) independent directors and is not less than two(2).

An Independent Director refers to a person who:

- a. is not or was not a regular director, officer or employee of the covered entity, its affiliates or related companies during the past three (3) years counted from the date of his election/appointment;
- b. 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;
- c. 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;
- d. 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;
- e. 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;

- f. 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;
- g. 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;
- h. was not appointed in the covered entity, its subsidiaries, affiliates or related companies as Chairman "Emeritus", "Ex-Officio", Regular 26 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;
- i. 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,
- j. is not employed as an executive officer of another company where any of the covered entity's executives serve as regular directors.

[Section IV: 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.

Audit Committee

The Audit Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Audit Committee has the following duties and responsibilities, among others:

- a. Recommends the approval the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;

- b. Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
- c. Prior to the commencement of the audit, discusses with the External Auditor the nature, Scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- d. Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence³. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- f. Reviews and approves the Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
 - I Any change/s in accounting policies and practices
 - Ii Areas where a significant amount of judgment has been exercised
 - iii Significant adjustments resulting from the audit
 - iv Going concern assumptions
 - v Compliance with accounting standards
 - vi Compliance with tax, legal and regulatory requirements
- g. Reviews the disposition of the recommendations in the External Auditor's management letter;
- h. Performs oversight functions over the corporation's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective and it functions;
- i. Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- j. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and

- k. In case the company does not have a Board Risk Oversight Committee and/or Related Party Transactions Committee, performs the functions of said committees.

The Audit Committee meets with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meets with the head of the internal audit.

The Corporate Governance Committee (CG Committee)

The CG Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:

- a. Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- b. Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- c. Ensures 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;
- d. Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- e. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Proposes and plans relevant trainings for the members of the Board;
- g. Determines the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- h. Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.

The establishment of a Corporate Governance Committee does not preclude companies from establishing separate Remuneration or Nomination Committees, if they deem necessary.

Compensation and Remuneration Committee

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

Nomination Committee

- Shall be composed of at least three (3) members and one of whom should be an independent director.
- Shall review and evaluate the qualifications of all persons nominated or recommended to the Board and other positions requiring approval by the Board.

Section V: Qualifications of the Members of the Board

The following are the qualifications of a director

- Any stockholder having at least one (1) share registered in his name may be nominated and elected Director.
- All nominees for election to the Board shall have all the qualifications and none of the disqualifications specified under existing laws, rules and regulations.
- The President and Chief Executive Officer of the Company must always be a director.
- At least one non-executive Director shall have a prior working experience in the insurance industry.
- An independent director shall have the additional qualifications prescribed by the applicable laws, rules and regulations,
- Relevant qualification, such as previous business experience, membership in good standing in relevant industry, and membership in business or professional organizations;
- Integrity, probity and diligence and assiduousness in the performance of his functions.

Section VI. Disqualifications of the Members of the Board

The following are the grounds for the disqualification of a director:

1. Permanently Disqualified

- 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;
- Persons who have been convicted by final judgment of the court for violation of insurance laws;
- Persons who have been judicially, declared insolvent, spendthrift or unable to enter into a contract; or
- 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 Disqualified

- 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;

- 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;
- Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory; o Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
- Directors disqualified for failure to observe/dischage their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification of the Insurance Commission;
- Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;
- Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- Those under preventive suspension;
- 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;
- Persons who are delinquent in the payment of their obligations as defined hereunder:
 - a. 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;
 - b. Obligations shall include all borrowings from an insurance company, or its related companies obtained by:
 - I 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;
 - ii The spouse or child under the parental authority of the director or officer;
 - iii Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
 - iv 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
 - v 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.

Section VII: Conduct of Board of Directors Meeting

The Chairman shall preside at all meetings of the Board and of the stockholders, act as a direct liaison between the Board and the Company's management, exercise the powers given to him in the By-Laws, and perform the duties as well as such other responsibilities as the Board may impose upon him.

The Chairman is responsible to the following:

- Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- Assures the availability of proper orientation for first time directors and continuing training opportunities for all directors; and
- Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

In the absence of the Chairman, the Vice-Chairman shall preside at the meetings of the Board and stockholders.

Section VIII : Trainings for the Members of the Board

The Company shall provide an orientation program for all directors, including an understanding of the contribution that the Director is expected to make, an explanation of the Board and its committees, and an explanation of the Company's business, including corporate governance and other issues that will assist them in discharging their duties.

Attendance in a corporate governance seminar conducted by a duly-recognized private or governmental institution is also a requirement prior to their assumption of office and during their term of office.

IC-mandated topics on corporate governance include the following:

- Code of Corporate Governance for IC Regulated Companies;
- ACGS and IC Annual Corporate Governance Report;
- Board Responsibilities;

- illegal activities of corporations/ directors/officers;
- Protection of minority shareholders;
- Liabilities of directors;
- Confidentialities;
- Conflict of interest;
- Related Party Transactions;
- Enterprise Risk management; and
- Case studies and Financial Reporting and Audit

Section IX: Remuneration

Directors shall be entitled to receive from the Corporation, pursuant to a resolution of the Board of Directors, fees and other compensation for their services as Directors. The level of compensation should be commensurate to the Corporation's size and scope.

The Directors shall in any case be entitled to reasonable per diems for attendance in meetings. Directors shall also be entitled to such other fees and other compensation for their services as Directors, as may be fixed or granted by the majority of the outstanding capital stock in at the regular or annual meeting, provided that, the total yearly compensation of Directors shall not exceed one percent (x%) of the net income before income tax of the Corporation during the preceding year. No Director shall be involved in deciding his own remuneration during his incumbent term

Section X: Performance Evaluation

A formal and rigorous annual evaluation of the Board's own performances and that of its committees and individual Directors shall be undertaken. 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 the appointment of new members to the Board or seek the resignation of Directors.

Performance evaluation of the Board, its committees and its individual Directors shall be conducted and reported. Meanwhile, performance evaluation of the Chairman shall be made by Non-Executive Directors, led by the senior independent Director, taking into account the views of Executive Directors.

RELATED PARTY TRANSACTIONS

The Board has the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations to protect the interest of the Corporation's shareholders and other stakeholders. The Board shall provide guidance in the review, approval and disclosure of Related Party Transactions (RPT) to ensure that they are at arm's length and the terms are fair in accordance with the Corporation's Policy on RPT.

The Company shall enter into any related-party transactions solely in the ordinary course of business, on ordinary commercial terms and on the basis of arm's length arrangements, and subject to appropriate corporate approvals and actions of the Company or the Related Parties, as the case may be. Any related-party transactions entered into by the Company or its Affiliates shall be in accordance with applicable law, rules and regulations and this Policy

Related Party is broadly defined as the Company's directors, executive officers, key management, substantial shareholders, and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if these persons have control, joint control, or significant influence over the Company.

It also covers the affiliate, or an entity that is controlled, jointly controlled, or significantly influenced or managed by a person that is a related party.

With respect to the Company, it also covers:

- Person/s that has or have control or joint control over the Company;
- Person/s that has or have significant influence over the Company;
- Person/s that is or are controlled by or under common control with the Company;
- The directors and executive officers or members of the Key Management of the Company; and
- Any Immediate Family Member of a director or executive officer or Key Management of the Company.

All RPT shall be reviewed and approved by the Board before its commencement.

In the review of Material RPTs, the Committee shall consider the following factors:

- the terms of the transaction;
- the aggregate value of the transaction;
- whether the terms of the transaction are no less favorable than those generally available to nonrelated parties under the same or similar circumstances;
- the extent of the Related Party's interest in the transaction;
- purpose and timing of the transaction;

- whether the transaction would present at an improper conflict of interest or special risks or contingencies for the Company or Affiliates, or the Related Party, taking into account the size of the transaction and the overall financial position of the Related Party; and
- any material information or other factors the Committee deems relevant.

The Company shall ensure that no preferential treatment shall be given to a Related Party that is not extended to a non-related party under similar circumstances. Further, the Company shall commit to exercise due diligence in ensuring compliance with all relevant laws, rules and regulations in carrying out its material RPT.

The following guideline shall be observe in all material RPTs

- All RPTs shall have terms and conditions that are fair and equitable to the Company.
- The approval, award, processing and payment of RPTs shall follow the same procedures as the other transactions and contracts of the Company. No unusual privilege or special treatment shall be afforded a Related Party.
- In case of doubt on the nature of a transaction subject of investigation or review pursuant to this Policy, the Office of the Compliance Officer, in consultation with the Committee, shall determine whether the transaction or relationship constitutes a RPT, and whether the same shall be pursued taking into consideration the cost and benefit to the Company.
- Prior to the award of any Material RPT, the Company shall submit the same for the review of the Committee to confirm that it has undergone the same process as an ordinary transaction and to determine that the Material RPT under review is in the best interest of the Company. When a Material RPT is submitted to the Board for review, the presence of at least two (2) independent directors shall be necessary to constitute a quorum of the Committee.

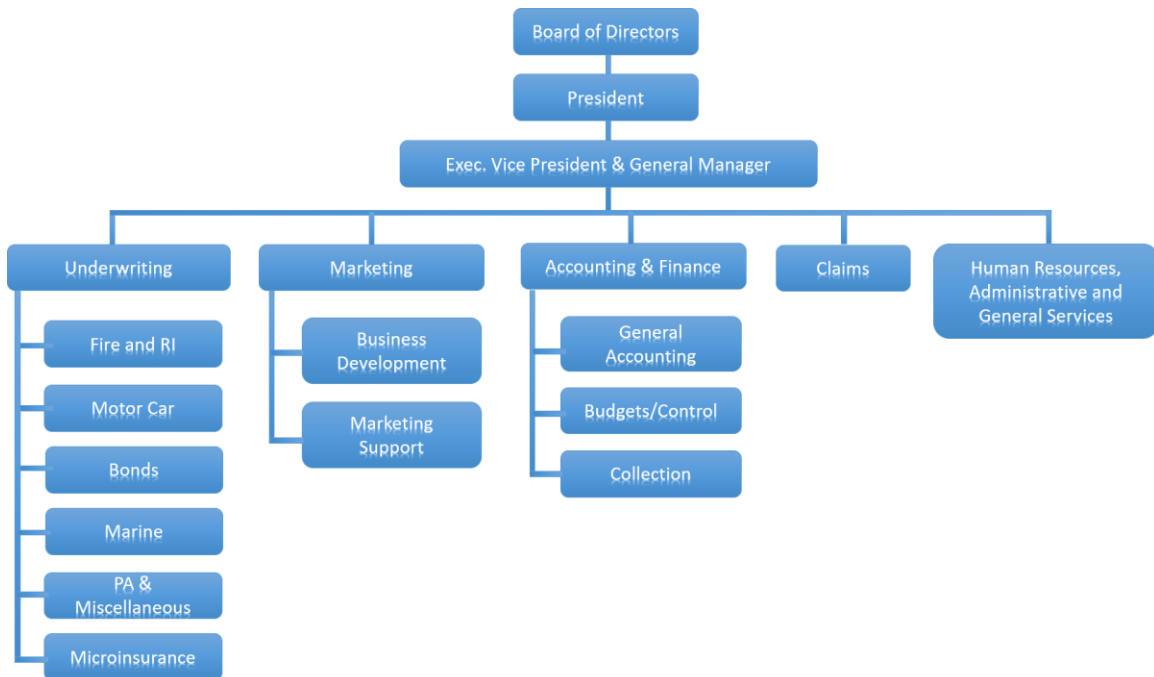
Non-Material RPTs shall be subject to the review and/or approval of the Compliance Officer.

The Whistleblower Policy of the Company extends to any concerns about illegal, unethical or questionable Material RPTs. Directors, officers, employees, and stakeholders are encouraged to communicate any legitimate concerns.

THE MANAGEMENT TEAM

Management is primarily accountable to the Board of Directors for the operations of the Corporation. As part of its accountability, it is also obligated to provide the Board with complete, adequate information on the operations and affairs of the Corporation in a timely manner. It shall inform the Board regularly, promptly and comprehensively about any issues concerning the Corporation's strategy, risk management and compliance.

The Company's management is structured as follows:



BOARD OF DIRECTORS

Levy Edwin C. Ang
Chairman

Members

Choa Siu Tin
Maria Joselita L. Ang

Matthew Joseph L. Ang
Geronimo B. Halili

David Benjamin L. Ang
Caesar R. Certeza

OFFICERS

Choa Siu Tin
President

Clarita N. Chua
Executive Vice President and
General Manager

Elsa R. Reblora
Corporate Secretary
Vice President – Surety & Administration

Bernard Gerard M. Reyes
Vice President
Marketing & Business Development

Ruben G. Oandasan
Vice President
Branch Operations & Agency Development

Carmelita M. Pestanio
Vice President
Accounting

Apolinario P. Manguiat
Assistant Vice President
Claims

Zalde P. Hernaez
Assistant Vice President
Davao Region Head

Maria Joselita L. Ang
Treasurer

Teresita N. Vergara
Vice President – Comptroller

Johnson M. Kwan
Vice President - Underwriting

Lourdes C. Yu
Vice President
Personal Accident & Miscellaneous Casualty

Roberto C. Angeles
Vice President - Makati Business Center

Wilfredo S. Magno
Vice President
Fire, Microinsurance, and Reinsurance

Arthur U. Bulan
Assistant Vice President
Region Head for North Luzon

Lester A. Lim
Assistant Vice President
Region Head for Central & Eastern Visayas

The Management is primarily responsible in deciding and implementing the day-to-day affairs of the Company. It determines the Company's activities by putting the Company's targets in concrete terms and by formulating the basic strategies for achieving these targets.

The Management also puts in place the infrastructure for the Company's success by establishing the following mechanisms in its organization, among others:

- (a) purposeful legal and organizational structures that work effectively and efficiently in attaining the goals of the Company;
- (b) useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach;
- (c) information systems that are defined and aligned with the strategy and the business goals of the Company;
- (d) a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Company.

The Management is primarily accountable to the Board for the operations of the Company. As part of its accountability, it is also obligated to provide the Board with complete, adequate and timely information on the operations and affairs of the Company. Reliance on information volunteered by Management may not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities.

AUDITORS

Section 1. Internal Auditors

The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, Senior Management, Shareholders and Stakeholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The Internal Audit should be able to add value and improve the Corporation's operations, help the Corporation accomplish its objectives, and bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal Auditor(s) shall report to the Audit Committee. Internal auditor(s) shall report that their activities are conducted in accordance with the Standards for the Professional Practice of Internal Auditing. Otherwise, they shall disclose to the Board and Senior Management that it has not yet achieved full compliance with the standards for the professional practice of internal auditing.

The following are the functions of the internal audit, among others:

- a. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- b. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
- c. Performs consulting and advisory services related to governance and control as appropriate for the organization;
- d. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- e. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;
- f. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;

- g. Evaluates specific operations at the request of the Board or Management, as appropriate; and
- h. Monitors and evaluates governance processes

A company's internal audit activity may be a fully resourced activity housed within the organization or may be outsourced to qualified independent third party service providers.

Section II. External Auditors

The external auditors shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation. At each Annual Stockholders' Meeting, the external auditor(s) of the Corporation for the ensuing year shall be appointed. The external auditor(s) shall examine, verify, and report on the earnings and expenses of the Corporation and shall audit and certify the financial statements of the Corporation in accordance with International Financial Reporting Standards, in addition to generally accepted accounting principles practices in the place of business of the Corporation. Only the local affiliate of an internationally reputable accounting firm, satisfactory to all Shareholders may qualify for appointment as such external auditor.

The reason(s) for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the company's financial report. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of the former auditor, would have cause making reference to the subject matter of the disagreement in connection with its report.

The external auditor cannot at the same time provide the services of an internal auditor to the same client. Other non-audit work should not be in conflict with the functions of the external auditor.

The audit partner-in-charge of the Corporation's account will be rotated every three (3) years. The remuneration of the external auditor(s) shall be determined by the Board.

DISCLOSURE AND TRANSPARENCY

The Company hereby adopts a policy of prompt and adequate disclosure of all material facts or changes in the affairs of the Company to give a fair and complete picture of the Company's financial condition, results and business operations.

The Company shall ensure transparency of information to its shareholders, stakeholders and the public. It shall regularly and truthfully update its shareholders, stakeholders and the public on its financial and operational results, business prospects and all other relevant information.

The Company shall fully comply with all the disclosure and reporting requirements of the IC and all other government and regulatory agencies.

Directors, Officers and employees shall not knowingly misrepresent or cause others to misrepresent information relating to the Company to government and regulatory agencies, independent auditors, the media or any other person.

No Director, Officer or employee shall disclose any confidential information obtained from the Company for personal gain or for the advantage of any other person. This prohibition shall include investment in securities and association with a competitor, customer or supplier of the Company

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

The Corporation aligns its objectives with the national development goals and recognizes the importance of interdependence between business and the environment.

The Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the Company to grow its business, while contributing to the advancement of the society where it operates.

The Corporation is mindful of its businesses' impact to the economy, society, and environment. With this discipline, the Corporation ensures that: it gives priority to community-based entrepreneurs, engages only with suppliers who also observe sustainability practices, and continues to pursue opportunities to improve operating efficiencies.

Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development.

STOCKHOLDERS' RIGHTS

It is the duty of the Board to promote stockholder rights, remove impediments to the exercise of stockholder rights and provide effective redress for violation of their rights.

The Board shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

The Board shall be committed to protect and uphold the following stockholders' rights:

- (a) **Right to Notice of Meetings and Right to Attend Meetings**
To promote transparency and goodwill, it is a Company policy to encourage the attendance of all its stockholders, including minority and non-controlling, and institutional investors, at the stockholders' meeting of the Company. The Board should encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least twenty eight (28) days before the scheduled meeting.

Unless otherwise provided by law or the By-laws, stockholders as of Record Date constituting at least a majority of the outstanding voting capital stock of the Company is necessary to constitute a quorum. The stockholders may be present in person or represented by proxy.

- (b) **Right to Appoint a Proxy**
The stockholders shall be apprised ahead of time of their right to appoint a proxy if they cannot attend their meetings in person. Subject to the requirements of the By-laws, the exercise of that right shall not be unduly restricted and any reasonable doubt about the validity of a proxy should be resolved in the stockholder's favor.

- (c) **Right to Propose the Holding of Meetings and to Propose Agenda Items**
All stockholders including minority and non-controlling, have the right to propose the holding of a meeting as well as the right to propose items in the agenda of the meeting, provided that the items proposed are for legitimate business purposes, all in accordance with the By Laws and the existing laws.

With regard to the right of stockholders to propose agenda items, the Company shall ensure the exercise of the right including in the notice and agenda of stockholders meeting an item for the consideration of such other business as may properly come before the meeting

- (d) **Right to Make Nominations to the Board of Directors** Every stockholder, including non-controlling and minority, has a right to submit a nomination for election to the Board. The stockholders, in making their nominations, or the

Company, are encouraged to make use of professional search firms or external sources of candidates when searching for candidates to the Board.

- (e) Voting Right and Right to Participate at Stockholders Meetings
- (i) In all items for approval, each share of stock entitles its registered owner as of the record date to one vote. The Company has two classes of shares, common and participating preferred shares. Both classes of shares have equal voting rights. Voting shall be by poll and the Company shall provide the mechanism to implement the same at every stockholder meeting.
- (ii) Under the Company's By-Laws, the affirmative vote of stockholders as of the record date constituting at least a majority of the outstanding voting capital stock of the Company is necessary to approve matters requiring stockholders' action, unless otherwise provided for under existing laws, with the exception of the following corporate acts and measures which must be ratified and/or approved by the stockholders representing or constituting at least two thirds (2/3) of the outstanding capital stock of the Company:
- Amendment of the Articles of Incorporation;
 - Adoption and/or amendment of the By-Laws (unless the power to amend By Laws have been delegated to the Board by the stockholders);
 - Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the corporate property;
 - Incurring, creating or increasing bonded indebtedness; Increase or decrease of capital stock;
 - Merger or consolidation of the Company with another company; Investment of corporate funds in another corporation or business for any purpose other than the primary purpose for which it was organized; and
 - Dissolution of the Company, among others.
- (iv) For the election for directors, every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes on the same principle among any number of candidates.
- (v) The stockholders shall also have an opportunity during the stockholders' meeting to ask questions and raise their issues relevant to the agenda items. The minutes of the meeting record the shareholder questions and corresponding answers given by the directors and officers of the Company.

- (vi) The Board should encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting should be available on the Company website within five (5) business days from the end of the meeting.
- (f) Dividend Rights - The Company continues its practice of offering its shareholders an equitable share of the Company's profits. Stockholders have the right to receive dividends subject to the requirements of existing laws and contractual covenants on dividend declaration, and the dividend payout policy of the Company.
- (g) Pre-Emptive Right - All stockholders have pre-emptive rights or the right to subscribe to new shares of the Company, unless there is a specific denial of this right in the Articles of Incorporation or any amendment thereto in relation to the feature of a particular class of share. The Articles of Incorporation may provide the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law so long as they are not in conflict with the Corporation Code.
- (i) Right to Information and Inspection - In addition to regular posting and disclosures of material information at the Company website, a shareholder shall be provided with periodic reports on relevant information about the Company upon written request for a legitimate purpose. Shareholders shall be allowed to inspect corporate books and records in accordance with the Corporation Code and shall be provided an annual report, including financial statements.
- (j) Appraisal Right - In accordance with the Corporation Code, shareholders may exercise appraisal rights under the following circumstances:
 - (i) 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 respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
 - (ii) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
 - (iii) In case of merger or consolidation.

RISK MANAGEMENT FRAMEWORK

The control environment of the Corporation is composed of: (i) the Board of Directors which ensures that the Corporation is appropriately and effectively managed and controlled; (ii) a Management that actively manages and operates the Corporation in a sound and prudent manner; (iii) the organizational and procedural controls supported by an effective management information system and risk management reporting system; and, (iv) the independent audit mechanisms to monitor the adequacy and effectiveness of the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations and contracts.

The Board shall ensure that an effective system of control is in place for safeguarding the Corporation's assets. Major risks facing the Corporation which are likely to affect its performance and financial condition (including but not limited to underwriting risk, reinsurance risks, investment risk, geographical 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.

In implementing its Risk Management, the Company shall:

- Define the appropriate timing and strategy for implementation;
- Apply risk management to organizational processes;
- Comply with legal and regulatory requirements;
- Ensure that decision making and objective setting are aligned with the outcomes of risk management processes;
- Explore the links between various risks and how they affect the achievement of company objectives;
- Hold communication, information and training sessions to increase awareness and risk management knowledge among employees, and;
- Ensure that risk management is applied at all levels and functions.

The Risk Management system shall periodically review the framework, policy and plan to determine appropriateness given the company's internal and external environment. Based on results of monitoring and reviews, decisions shall be made on the corporate-wide desired state of Risk Management framework and how the risk management framework, policy and plan can be improved. These decisions shall lead to improvements in the Company's management of risk and its risk management culture.

WHISLEBLOWER POLICY

The Corporation's Whistleblower Policy provides a formal mechanism and an avenue for Directors, officers, employees, suppliers, business partners, contractors and sub-contractors, and other third parties to raise concerns about a perceived wrongdoing, malpractice, or a risk involving the company.

The policy likewise provides an assurance that a whistleblower will be protected from reprisals, harassment, or disciplinary action or victimization for whistleblowing. The whistleblower may submit a written report directly to the Office of the Compliance Officer, or by email to or through a face-to-face meeting with any member of the Whistleblower Committee composed of one representative each from Legal & Regulatory Department, Human Resources and Corporate Services, and Internal Audit Division.

There is an established investigation process to look into reported violations of company policies, rules, and regulations. All reports are treated in confidence and discussed with the Audit Committee who monitors the resolution and closure of all reports.

COMMUNICATION PROCESS

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

All Directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

An adequate number of printed copies of this Manual must be reproduced under the supervision of the Human Resources Department, with a minimum of at least one (1) hard copy of the Manual per department.

MONITORING AND ASSESSMENT

- Each Board Committee shall report regularly to the Board of Directors.
- The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation of the provisions of this Manual shall subject the responsible officer or employee to the appropriate penalty provided for under of this Manual.

- The establishment of such evaluation system, including the features thereof, shall be disclosed in such form of report that is applicable to the Corporation, as may be required by the applicable regulator. The adoption of such performance evaluation system must be covered by a Board approval.
- The Compliance Officer's report on compliance with this Manual shall be submitted to the Corporation's Supervising Government Agencies annually and shall include, among others, the following disclosures:
 1. Timeliness and regularity of meetings of all Board Committees;
 2. Directors' possession of all qualifications and none of the disqualifications required by the Code of Corporate Governance;
 3. Directors' attendance in required seminars on corporate governance; and
 4. Consistency of business processes and practices with the best practices requirement of this Manual.
- This Manual shall be subject to annual review unless the frequency is amended by the Board.
- All business processes and practices being performed within any department or business unit that are not consistent with any portion of this Manual shall be revoked unless modified or upgraded to be in conformity with the Manual.

This Manual shall be subject to review in such frequency as may be determined by the Board of Directors.

COMPLIANCE WITH THE MANUAL

The Corporate Governance Committee shall be responsible for determining violation(s) of this Manual, and shall, after due notice and hearing, prepare an evaluation thereof and recommend to the Board of Directors the imposition of the corresponding penalty for such violation. The decision of the Board of Directors shall be final and non-appealable.

PENALTIES FOR NON-COMPLIANCE

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed after notice and hearing, on the Corporation's Directors, officers and employees in case of violation of any of the provisions:

1. Reprimand for the first violation;
2. Suspension from office for the second violation. The duration of the suspension shall be at the reasonable discretion of the Board, considering the gravity of the violation.
3. Removal from office for the third violation.

The commission of a third violation of this Manual by a member of the Board shall be a sufficient cause for his removal from Directorship.

The Compliance Officer shall be responsible for determining violations and shall recommend to the Chairman of the Board, after notice and hearing, the proper penalty for such violation, for further review and approval of the Board.

EFFECTIVITY AND PERIODIC REVIEW

EFFECTIVITY

This Corporate Governance Manual shall be effective upon submission to the Insurance Commission. It supersedes the previous Manual on Corporate Governance that was adopted by the Corporation.

The Corporate Secretary shall disseminate this Corporate Governance Manual to all directors, officers and employees and shall secure their written acknowledgement thereto. A copy of this Corporate Governance Manual shall be available and accessible in the Corporation's internal website.

PERIODIC REVIEW

This Corporate Governance Manual shall be reviewed periodically by the Corporate Governance and Nomination Committee (together with the other Board Committees, as necessary) and the Board will make appropriate changes based on recommendations from the Committee(s).