

# ***SGI Philippines General Insurance Company, Inc.***

## ***Corporate Governance Manual***

### **INTRODUCTION**

The SGI Philippines General Insurance Company's Board of Directors recognizes its responsibility to provide effective corporate governance oversight of the Company's affairs. Accordingly, the Board has adopted corporate governance guidelines to assist it in the discharge of its duties and responsibilities. These guidelines are in addition to and are not intended to change any applicable law or regulation, or the Charter or By-laws of the Company. The Board may modify or make exceptions to the Guidelines from time to time in its discretion and consistent with the duties and responsibilities owed to the Company and its shareholders and/or stakeholders.

### **DUTIES AND RESPONSIBILITIES OF BOARD OF DIRECTORS**

In fulfilling its mission, the duties and responsibilities of Board of Directors include, but are not limited to, the following:

- Review and approval of strategic and business plans, including operating and capital plans of the Company.
- Oversee the conduct of Company's business to ensure that the business is being properly managed and dealings with policyholders, claimants, and creditors are fair and equitable.
- Identify principal business risks and ensure the implementation of appropriate risk management system to specifically manage the underwriting, reinsurance, investment, financial, and operational risks of the Company.
- Approve corporate policies in core areas of operations, specifically underwriting, investments, reinsurance, and claims management.
- Develop and implement an investor relations program or adopt shareholder communications policy for the Company.
- Review the adequacy and the integrity of Company's internal control systems and management information systems including systems for compliance with the Insurance Code and other applicable laws, regulations, rules, directives, and guidelines.
- Election of Directors to fill vacancies on the Board.
- Election of Company's Chairman of the Board and Chief Executive Officer

- Determination of compensation for Non-employee Directors.
- Review and approve material transactions not in the Company's ordinary course of business.
- Present to all its members and shareholders a balanced and understandable assessment of the Company's performance and financial conditions.
- Appoint a Compliance Officer who shall be responsible for coordinating, monitoring, and facilitating compliance with existing laws, rules and regulations.
- Approval of the Charter, By-laws, Directors Rules and Regulations, Corporate Governance Guidelines, Code of Business Conduct and Ethics, and other corporate governance documents, as may be appropriate, and any amendments thereto, and the fulfilment of all duties and responsibilities set forth therein.
- Such other duties and responsibilities as may be required by applicable law or regulation or Company policy or in connection with a matter over which the Board has authority.

## **BOARD COMPOSITION**

Company's Board of Directors shall be composed of at least five (5) members elected by shareholders including two (2) independent directors.

Company's non-executive directors are with sufficient qualifications, stature, and number to carry significant weight in the Board's decision.

Non-Filipino citizens may become member of Company's Board of Directors to the extent of the foreign participation in the equity of the Company. Provided, that pursuant to Section 23 of the Corporate Code of the Philippines (BP Blg. 68) a majority of the directors are residents of the Philippines.

## **BOARD BALANCE AND INDEPENDENCE**

### **Board Balance**

- SGI Philippines's Board of Directors shall endeavour a balance composition of executives and non-executive directors, having a clear division of responsibilities such that no individual or small group of individuals can dominate the Board's decision making.
- Only the Committee Chairman and members are entitled to be present at the Audit committee meetings but others may attend at the invitation of a particular committee.

- Company shall ensure that each director does not have, directly or indirectly, a financial, legal or other relationship with the Company that would reasonably interfere with the exercise of independent judgment in carrying out the responsibilities of the director.

## **APPOINTMENT OF BOARD OF DIRECTORS**

- There shall be formal, rigorous, and transparent procedures for the selection and appointment of new directors of the Board.
- Appointments to Company's Board of Directors shall be made on merit and subject to objective criteria.
- Careful deliberation and consideration shall be done to ensure that appointees have enough time for the job. This is particularly important in the case of Chairmanship.
- Plans shall be in place for orderly succession to the Board and that of the senior management level in order to maintain a balance of appropriate skills and experiences within the Company.

## **Audit Committee**

Audit Committee shall carry out its responsibilities relating to the Company's financial, accounting, and reporting processes, Company's system of internal accounting and financial controls, SGI Philippines's compliance with related legal and regulatory requirements, and the fairness of transactions between the SGI Philippines and related parties. In furtherance of this purpose, SGI Philippines Audit Committee shall consist of three (3) directors one of whom shall be an independent director and another with Audit experience. Audit Committee shall have the following responsibilities and authority:

- Shall be comprised of independent board members, preferably with accounting and finance experiences.
- Provides oversight of the Company's internal and external auditors
- Review the annual internal Audit Plan
- It shall be responsible for the setting-up of Internal Audit Department, and the appointment of the internal auditors as well as of independent external auditors
- It shall monitor and evaluate the adequacy and effectiveness of the internal control system of the Company.
- It shall review the reports submitted by internal and external auditors

- Review the quarterly, half yearly and annual financial statements before their submission to the Board
- The Audit Committee shall ensure that, in the performance of the work of the internal auditor, he shall be free from interference by outside parties.

## **BOARD OF DIRECTORS**

### **A. QUALIFICATIONS**

#### **a. Directors**

Directors sitting on SGI Philippines Board of Directors shall be possessed of 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 a person of integrity and credibility.

### **Independent Directors**

- i. An independent director shall be one who has not been an officer or employee of SGI Philippines, its subsidiaries or affiliates
- ii. He or she is not related within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or majority shareholder of the company or any of its related companies.
- iii. He or she is not a majority shareholder of SGI Philippines, any of its related companies, or of its majority shareholder;
- iv. He or she is not acting as nominee or representative of any director or substantial shareholder of SGI Philippines, any of its related companies, or any of its substantial shareholders; and
- v. He or she is free from any business or other relationships with SGI Philippines or any of its major stockholders which could materially interfere with the exercise of his judgment, i.e., has not engaged and does not engage in any transaction with the institution, or any of its related companies or any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner director or a shareholder.

## **DISQUALIFICATION**

### **Permanently Disqualified**

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

- i. any person finally convicted judicially or administratively of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, malversation, swindling, forgery, bribery, false oath, perjury or other fraudulent act or transgressions.
- ii. Persons who have been convicted by final judgment of the court for violation of insurance laws;
- iii. Persons who have been judicially declared insolvent, spendthrift or unable to enter into a contract; or
- iv. Directors, officers or employees of closed insurance companies or any insurance intermediaries who were responsible for such institutions closure as determined by the Insurance Commission.

### **Temporary Disqualified**

SGI Philippines Board of Directors may also provide for the temporary disqualification of a director or from holding a director position for a specific/indefinite period of time for the following reasons:

- i. Persons who refuse to fully disclose the extent of their business interest when required pursuant to a provision of law or of a circular, memorandum or rules or regulation of the Insurance Commission. This disqualification shall be in effect as long as refusal persists;
- ii. 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 meetings of SGI Philippines Board of Directors during their incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding elections;
- iii. Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- iv. Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
- v. 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;

vi Persons dismissed/terminated from their employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;

vii. Those under preventive suspension;

## **DUTIES AND RESPONSIBILITIES OF DIRECTORS**

a. SGI Philippines Directors and Independent Directors shall:

i. Conduct fair business transaction with SGI Philippines to ensure that personal interest does not bias Board decisions.

ii. 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 related interests. He shall avoid situations that would compromise impartiality.

iii. 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 SGI Philippines 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.

iv. Devote time and attention necessary to properly discharge their duties and responsibilities. SGI Philippines Directors shall devote sufficient time to familiarize themselves with SGI Philippines business. They must constantly be aware of SGI Philippines 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 Company, he should neither accept his nomination nor run for election as member of the Board.

v. Act judiciously. Before deciding on any matter brought before SGI Philippines Board of Directors, every director shall thoroughly evaluate the issues, ask questions, and seek clarification when necessary.

vi. Exercise independent judgment. An SGI Philippines 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. Corollary, he shall support plans and ideas that he thinks will be beneficial to the Company.

vii. Have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of the Articles of Incorporation and By-laws, the requirements of the Insurance Commission, and where applicable, the requirements of other government agencies. A director shall also keep himself informed of the industry developments and business trends in order to safeguard SGI Philippines competitiveness.

viii. Observe confidentiality. SGI Philippines 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 person without the authority of SGI Philippines Board of Directors.

ix. SGI Philippines Board of Directors should appoint a Corporate Secretary who shall be a Filipino citizen capable of carrying out the duties to which the post entails. The Corporate Secretary shall submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during SGI Philippines Board of Directors meetings.

## **BOARD REMUNERATION**

- a. Levels of remuneration shall be sufficient to attract and retain the quality of directors to run the company successfully.
- b. Significant proportion of executive director's remuneration is structured so as to link rewards to corporate and individual performance.
- c. Levels of remuneration of non-executive directors shall reflect their experiences, responsibilities, and performance.
- d. The performance-related elements of remuneration shall form a significant proportion of the total remuneration package of executive directors and shall be designed to align their interests with those of shareholders and to give these directors keen incentives to perform at the highest levels.
- e. Designate amount of remuneration which shall be at sufficient level to attract and retain directors and officers needed to run the company successfully.
- f. Levels of remuneration for non-executive director shall reflect the time commitment and responsibilities of the office or position.
- g. There shall be formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual directors.

- h. No director shall be involved in deciding his or her own remunerations.
- i. Provide in the Company's Annual Report information and proxy statements, a clear, concise and understandable disclosure of compensation of its executive officer for the previous fiscal year and the ensuing year.

### ***PERFORMANCE EVALUATION***

- a. A formal and rigorous annual evaluation of SGI Philippines Board of Directors own performance and that of its committees and individual directors shall be undertaken.
- b. SGI Philippines 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.
- c. Performance evaluation of SGI Philippines Chairman shall be made by non-executive directors, led by the senior independent director, taking into account the views of executive directors.

### **Corporate Secretary**

The Corporate Secretary should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation. He shall:

- a. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;
- b. Be loyal to the mission, vision and objectives of the corporation;
- c. Work fairly and objectively with the Board, Management and stockholders;
- d. Have appropriate administrative and interpersonal skills;
- e. Be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- f. Have a working knowledge of the operations of the corporation;
- g. Inform the members of the Board, in accordance with the by- laws, of the agenda of their meetings and ensure that the members have before them

accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

- h. Attend all Board meetings, except when justifiable causes prevent him from doing so
- i. Ensure that all Board procedures, rules and regulations are strictly followed by the members;

## **INFORMATION AND PROFESSIONAL DEVELOPMENT**

- a. SGI Philippines Chairman shall be responsible for ensuring that the directors receive accurate, timely, and complete information.
- b. SGI Philippines Chairman shall ensure that the directors continually update their skills, knowledge, and familiarity with the Company's goals and objectives in order to fulfil their roles in the Board and/or Board Committees.
- c. SGI Philippines shall provide the necessary resources in developing and updating its director's knowledge and capabilities.
- d. SGI Philippines Corporate Secretary through the Chairman shall be responsible for advising the Board about governance matters.
- e. SGI Philippines Chairman shall ensure that as an integral element of the process of appointing new directors, the company provides an orientation and education program for new recruits to the Board.
- f. SGI Philippines Board of Directors shall ensure that directors, especially non-executive directors, have access to independent professional advice at companies' expense to discharge their responsibilities as directors. Committee shall be provided with sufficient resources to undertake their duties.
- g. All SGI Philippines directors shall have access to the advices and services of the Corporate Secretary, who is responsible to SGI Philippines Board of Directors in ensuring that Board procedures are complied with.

## **ACCOUNTABILITY AND AUDIT**

### **A. FINANCIAL REPORTING**

The Board responsibility to present a balanced and understandable assessment of the Company's financial position and projects.

- a. SGI Philippines Board of Directors shall ensure that it has a timely and accurate disclosure of all material matters, including the financial condition, performance, ownership, and governance of the Company.
- b. A fair and timely cost-efficient access to relevant information shall be provided to all parties having legitimate interest in SGI Philippines. Key financial information should be readily available to shareholders, policyholders, creditors, and claimants.
- c. SGI Philippines Board of Directors and the senior management level shall receive regular reports on key aspects of the operations of SGI Philippines. This shall include an analysis of premium growth, underwriting performance, investment results, claims management, and credit control, which could provide a sound basis for assessing and identifying real and potential problems by formulating appropriate policies and strategies thereof.
- d. SGI Philippines Board of Directors shall ensure faithful compliance with the financial and other reportorial requirements under the Insurance Code using a standard format provided by the Insurance Commission.

## **B. INTERNAL CONTROL AND RISK MANAGEMENT**

- a. SGI Philippines Board of Directors shall ensure that an effective system of control is in place for safeguarding SGI Philippines's assets.
- b. Major risks facing the Company which are likely to affect the performance and financial condition of the Company (including underwriting risk, reinsurance risk, investment risk, geographical risk, operational risk, and legal risk) and the approach taken by management in dealings with these risks, shall be reported to the Board to enable the latter to effectively address the risk.
- c. SGI Philippines Board of Directors shall ensure that reports accurately reflect the financial condition and the results of corporate operations.
- d. SGI Philippines Board of Directors 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 Company's internal control system shall be carried out by independent and competent staff. Audit findings and recommendations shall be reported to the Board and the senior management level of SGI Philippines.
- e. SGI Philippines Board of Directors shall protect shareholder's value through adequate financial controls. The Board shall foster and encourage a corporate

environment of strong internal control, fiscal accountability, high ethical standards, and compliance with the law and code of conduct.

### ***RELATED PARTY TRANSACTION***

- a. Overlapping interest in the insurance entity shall be disclosed to the Board and any material transaction involving such interests shall be similarly disclosed.
- b. Related-party transactions shall be conducted in terms that are at least comparable to normal commercial practices to safeguard the best interest of the Company, its policyholders, creditors, and claimants. In all cases, provisions of Title 20, Chapter III of the Insurance Code shall be complied with.
- c. Related party transactions shall be disclosed fully to SGI Philippines Board of Directors. Prior Board approval shall be obtained for related party transactions that are material in nature.

### **RELATIONS WITH SHAREHOLDERS**

#### **A. DIALOGUE WITH SHAREHOLDERS**

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

### ***CONSTRUCTIVE USE OF THE AGM (ANNUAL GENERAL MEETING)***

- a. SGI Philippines Board of Directors shall use the AGM or Annual Stockholder's Meeting to communicate with investors and encourage their participation.

- b. SGI Philippines shall count all proxy votes and, except where a poll is called, shall indicate the level of proxies lodged on each resolution, and the balance for and against the resolution and the number of abstentions, after it has been dealt with on a show of hands.
- c. SGI Philippines ensures that votes cast are properly received and recorded
- d. SGI Philippines Board of Directors proposes a separate resolution at the AGM on each material issue (i.e., reports, accounts)
- e. SGI Philippines Chairman, directors, and members of the Audit shall be present at the AGM to answer questions.
- f. Notices, annual reports including the latest Annual Financial Statements of SGI Philippines shall be given to stockholders at least two (2) weeks prior to the AGM.

## **PUBLIC ACCOUNTABILITY**

As custodian of public funds, the Company and its intermediaries shall ensure that their dealings with the public are always conducted in a fair, honest, and equitable manner.

A. Officers of SGI Philippines shall avoid conflicts of interest.

B. They shall not engage in any unfair or deceptive acts or conduct that constitute unfair trade practices detrimental to policyholders and claimants