

**PLARIDEL SURETY & INSURANCE COMPANY**

**MANUAL ON  
CORPORATE GOVERNANCE**

The Board of Directors, Officers, Manager, and Staff of PLARIDEL SURETY & INSURANCE COMPANY (the “Company”) hereby strive to abide by the principles and best practices of good Corporate Governance, and exert earnest effort that the same may guide the attainment of Company goals.

## **The Board of Directors**

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

### **I. Composition**

- A. The Board shall be composed of at least five (5), but not more than fifteen (15).
- B. There shall be at least two (2) independent or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).

### **II. Qualifications**

In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:

- (i) College education or equivalent academic degree;
- (ii) Practical understanding of the business of the Company;
- (iii) Integrity and good moral character;
- (iv) Membership in good standing in relevant industry, business or professional organizations; and

(v) Previous business experience.

### III. Disqualifications

#### A. Permanent Disqualifications

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

1. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
2. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or

any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

3. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
4. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;
5. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;
6. Any person judicially declared as insolvent;
7. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;

8. Conviction by final judgment 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.

## B. Temporary Disqualifications

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

1. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.
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.
3. Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.
4. Holding of more than five (5) board seats in publicly-listed companies, including unlisted subsidiaries. This limit is to ensure that all directors shall be able to devote sufficient time to his duties as a director of this Company.
5. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital

stock. The disqualification shall be lifted if the limit is later complied with.

6. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

#### IV. Duties and Responsibilities

##### A. Of the Board

1. It is the Board's responsibility to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders;
2. Conduct itself with honesty and integrity;
3. Install and implement a process for the selection of professional, qualified, and competent officers;
4. Provide sound strategic policies and guidelines to the Company, and periodically evaluate and monitor the implementation of such policies and strategies, including business plans, operating budgets, and Management's overall performance;
5. Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices;

6. Adopt a system of check and balance within the Board;
7. Identify key risk areas and performance indicators and monitor these factors with due diligence;
8. Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration;
9. Appoint a Compliance Officer who shall have the rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.
10. The quorum in meetings of the Board shall be the presence of a majority of the number of directors. The required vote to pass a resolution shall be a majority vote of the directors present at such meeting where the quorum is achieved.

#### B. Of a Director

A director's office is one of trust and confidence, and should act in the best interest of the Company.

1. Conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interests of the corporation;
2. Devote the time and attention necessary to properly and effectively perform his duties and responsibilities;
3. Act judiciously;
4. Exercise independent judgment;
5. Have a working knowledge of the statutory and regulatory requirements that affect the Company,

including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies;

6. Observe confidentiality.

## V. Board Committees

In accordance and compliance with the principles of good corporate governance, the Board shall constitute an Audit Committee, Compensation and Remuneration Committee, and Nomination Committee.

### A. Audit Committee

1. Shall be composed of at least three (3) members and one of whom should be an independent director and another with audit experience;
2. Shall assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, system of financial reporting control, audit activity and process, and monitoring of compliance with applicable laws, rules and regulations;
3. Shall provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company;
4. Shall perform oversight functions over the Company's internal and external auditors.

### B. Compensation and Remuneration

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

2. Shall establish procedures and policies on the remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates.

#### C. Nomination Committee

1. Shall be composed of at least three (3) members and one of whom should be an independent director;
2. Shall review and evaluate the qualifications and skills of all persons nominated or recommended to the Board and other appointments that require Board approval;

### **The Management and Officers**

1. The Management and/or Officers may be asked to provide members of the Board of Directors or its committees with complete, adequate and timely information about the matters to be taken in their meeting;
2. The Management and/or Officers shall formulate rules and procedures to assist the Board or any of its committee to discharge its function and responsibilities and ensure compliance with laws, rules and regulations;
3. The Management and/or Officers may meet at such times or frequency as may be needed in the course of operations and in the performance of their functions, duties, and responsibilities, without necessarily approval from the Board.

## **The Chairman**

1. Should be a Filipino citizen and a resident of the Philippines;
2. Should adhere to the mission, vision and objectives of the Company;
3. Acts as Chair at meetings of the Board and shareholders;
4. Provides independent advice and counsel to the CEO;
5. Keeps abreast generally of the activities of the Company and the environment in which it operates;
6. Calls special meetings of the Board when appropriate and/or necessary;
7. May assess or make recommendations to the Board regarding the effectiveness of the Board as a whole, the Committees of the Board, individual directors, and the conduct of the Company's business.

## **The Corporate Secretary**

1. Should be a Filipino citizen and a resident of the Philippines;
2. Should attend Board meetings, inform the members of the same, and be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board;
3. Should adhere to the mission, vision and objectives of the Company;

4. Should work fairly and objectively with the Board and Management, with a working knowledge of the operations of the Company and possessing appropriate administrative and interpersonal skills;
5. If he is not at the same time the Company's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities.
6. The Corporate Secretary shall keep and have custody of the records of the Board and its Committees. Except for information that are required to be disclosed pursuant to law or regulations issued by competent government authorities, the records shall be kept confidential.

### **Meetings and Actions**

1. The Board may hold such meetings as often as the Committee members deem necessary in order to fulfill their role or carry out its responsibilities;
2. A quorum for a Board meeting is at least three (3) members, and the presence in person or by telephone of a majority of the Board's members shall constitute a quorum for any meeting of the Board;
3. Meetings of the Board may be held at any time in person or telephonically or by such electronic means as to permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously;
4. All actions of the Board will require the vote of a majority of its members at a meeting of the Board at which a quorum is present;

5. In lieu of a meeting, actions of the Board may also be taken by majority consent (in physical, electronic or digital format) when deemed necessary or desirable by the Board or its Chairman;
6. Meetings may be called by the Chairman of the Committee or by request of a majority of the Committee members with at least one day's notice of the time and place of the meeting, given personally or by letter, telegram, telephone, electronic mail, short messaging system or facsimile. Meetings may be held at any time and place without notice if all the members are present or of those not present waive notice in writing before or after the meeting;
7. Directors who are not Committee members, as well as the Chief Executive Officer or other Company officers, may attend meetings at the invitation of the Committee for advice or consultation;
8. The Corporate Secretary shall keep and have custody of the records of the Committee. Except for information that are required to be disclosed pursuant to law or regulations issued by competent government authorities, the records shall be kept confidential.