Insurance | Risk Management | Consulting

# GALLAGHER INSURANCE BROKERS (PHILIPPINES), INC.

# REVISED MANUAL ON CORPORATE GOVERNANCE

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# Contents

## 1. STATEMENT OF COMMITMENTS ON GOOD CORPORATE GOVERNANCE

This Manual on Corporate Governance ("Manual") serves to institutionalize the principles of good corporate governance in Gallagher Insurance Brokers (Philippines), Inc. ("Company").

The Board of Directors ("Board"),Management (as defined below), employees and shareholder(s) believe that corporate governance is a necessary component of what constitutes sound, and strategic business practice and will therefore undertake every effort necessary to create awareness and instill discipline within the Company.

For the purposes of the Manual, "Management" refers to the group of executives given the authority by the Board to implement policies it has laid down in the conduct of the business of the Company.

The shareholder(s) of the Company are committed to the following:

a) To the customers – delivering high value, innovative and cost-effective products services that are relevant and aligned to customers' needs.
b) To the Company – creating an environment, structures and corporate culture that nurture dynamism, creativity, innovativeness, and strong governance, risk and compliance oversight.
c) To the employees – molding, empowering and equipping the workforce with values of integrity, honesty, honor, accountability, professionalism and with competencies to perform their jobs and live life to their fullest potential.
d) To the shareholder(s) – to providing each shareholder superior returns over the long term.

## 2. **THE BOARD'**S GOVERNANCE STRUCTURE

### 2.1 FRAMEWORK

The Board shall be composed of a diverse set and mix of qualifications necessary to achieve broader perspectives of the business.

It shall be composed of at least eight members and can have additional members that would have an odd number total, subject to the governing rules of selection, nomination and election to the Board.

Each member of the Board will have continuing education and orientation on good governance principles and practices. Ideally, whenever available, education shall include courses from external institutes that advocate and certify governance standards and practices.

For purposes of maintaining the Board's primary role in strategy and direction setting, it should also elect independent directors ("Independent **Directors")** to add fresh ideas and ways of thinking and be able to challenge prevailing ones.

### 2.2 THE BOARD OF DIRECTORS

It shall be the Board's responsibility to foster the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Company, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

### 2.2.1. General Responsibility

A director's office is one of trust and confidence. The director shall act in a manner characterized by transparency, accountability and fairness.

### 2.2.2 Specific Duties and Functions

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

- Install a process of selection to ensure a mix of competent directors and officers;
- Determine the Company's purpose, vision, mission and strategies to carry out its objectives;
- Ensure that the Company complies with all relevant laws, regulations and codes of best business practices;
- Identify the Company's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- Adopt a system of internal checks and balances;
- Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted; and
- Keep Board authority within the powers of the Company as prescribed in the Articles of Incorporation and By-Laws as well as in existing laws, rules and regulations.

## 2.3 THE DIRECTORS' RESPONSIBILITIES

### 2.3.1 Duties and Responsibilities of a Director

A director of the Company shall have the following duties and responsibilities:

- ❑ To conduct fair business transactions with the Company and to ensure that personal interest does not cause bias in Board decisions;
- ❑ To devote time and attention necessary to properly discharge his/her duties and responsibilities;
- ❑ To act judiciously;
- ❑ To exercise independent judgement.
- ❑ To have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Insurance Commission, and where applicable, the requirements of other regulatory agencies.
- ❑ To observe confidentiality;
- ❑ To ensure the continuing soundness, effectiveness and adequacy of the Company's control environment.

### 2.3.2 Qualification of the Director

Subjection to the criteria and approval protocols of the Corporate Governance and Related Party Transactions Committee, a Director shall have the following minimum qualifications:

- Holder of at least (1) share of stock of the Company;
- He shall be at least twenty-five (25) years old;
- He shall have proven to possess integrity and probity; and
- He shall be assiduous.

### 2.3.3 Disqualification

- Any person finally found by the Insurance Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of insurance laws;
- Any person judicially declared to be insolvent;
- Any person who has 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; and
- Persons with derogatory records with the National Bureau of Investigation ("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.

  Any of the following shall be ground for the temporary disqualification of a director:

- Refusal to fully disclose the extent of his/her business interest as required under the applicable laws or of a circular, memorandum or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as his/her refusal persists;
- Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board/her during his incumbency. This disqualification applies for purposes of the succeeding election;
- Dismissal / Termination from directorship in another company for cause. This disqualification shall be in effect until he/she has cleared himself/herself of any involvement in the alleged irregularity;
- Being under preventive suspension by the Company;
- If an Independent Director becomes an officer or employee of the same Company, he/she shall be automatically disqualified from being an independent director;
- Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

### 2.3.4 The Role of the Independent Director

The Independent Director, though subject to the same qualification and disqualification guidelines of a regular director, has unique role in the Board. He/she shall therefore be a person who:

- Is not or was not a director, officer or employee of the Company, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his/her election/appointment;
- Is not or was not a director or employee of the Company's substantial shareholder(s) and their related companies during the past three (3) years counted from the date of his/her election/appointment;
- Is not an owner of more than two percent (2%) of the outstanding shares or a shareholder with shares of stocks sufficient to elect one (1) seat in the Board of the Company or in any of its related companies or of its majority corporate shareholders.;
- is not a relative by affinity or consaguinity within the fourth (4th) degree of a director, officer, or shareholder holding shares of stock sufficient to elect one (1) seat in the board of the Company or any of its related companies or of any of its substantial shareholder(s);
- is not acting as a nominee or representative of any director or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders;
- is not or was not retained as professional adviser, auditor, consultant, agent or counsel of the Company, any of its related companies or any of its substantial shareholders, either in his/her personal capacity or through his/her firm during the past three (3) years counted from the date of his/her election/appointment;
- is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the Company or with any of its related companies or with any of its substantial shareholders, whether by himself/herself or with other persons or through a firm of which he/she is a partner or a company of which he/she 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/her judgment;
- was not appointed in the Company, its subsidiaries, affiliates or related companies as Chairman "Emeritus", "Ex-Officio", Regular Directors, Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities during the past three (3) years counted from the date of his/her election/appointment;
- is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and
- is not employed as an executive officer of another company where any of the Company's executives serves as director.

## 2.4 COMMITTEES

The Board can delegate certain oversight functions to committees, as they deem fit and necessary. These governing bodies are preferably chaired by an independent director, with at least two (2) of the regular directors comprising their members.

### 2.4.1. Audit and Board Risk Oversight Committee

The purpose of the Audit and Board Risk Oversight Committee ("AROC") is to enhance the Board's oversight over the Company's financial reporting, internal control system, internal and external audit processes and to provide an objective review and assurance to the Board of the effectiveness of the Company's risk management framework and control processes.

The AROC is directly responsible and accountable to the Board for the exercise of its responsibilities. In carrying out its responsibilities, the AROC must at all times recognize that primary responsibility for the management of the Company rests with the Board.

The key responsibilities of the AROC include overseeing the following:

- Risk Management Framework;
- Ethics & Compliance Program;
- Assurance Program; and
- Internal and External Audit Functions.

### 2.4.2. Corporate Governance and Related Party Transactions Committee

The purpose of the Corporate Governance and Related Party Transactions Committee ("CGRPTC") is to assist the Board in formulating the policies and overseeing the implementation of the corporate governance practices of the Company and in its oversight of the conduct of all Related Party Transactions ("RPTs") to protect the interests of the Company and its stakeholders.

The CGRPTC is directly responsible and accountable to the Board for the exercise of its responsibilities. In carrying out its responsibilities, the CGRPTC must at all times recognise that primary responsibility for the management of the Company rests with the Board.

The key responsibilities of the Committee include overseeing the Company's:

- Corporate Governance Framework;
- Nomination and Election Process;
- Remuneration Policy for Directors and Officers;
- Related Party Transactions Policy; and
- Related Party Transactions Monitoring and Reporting.

### 2.4.3. Chairperson and Chief Executive Officer

The Chairperson presides the board meetings. While allowed in certain cases that the Chairperson also holds the Chief Executive Officer (CEO) position, it is a matter of good governance practice to separate the two (2) functions. The CEO reports to the Chairperson and the Board on the corporate and operational business results and takes care of the management of the entire Company's conduct of business.

### 2.4.4. Corporate Secretary

The following are the functions and responsibilities of the Company's corporate secretary **("**Corporate **Secretary")**. It is best practice that the person is from legal professional practice.

- Assists the Board and the Board Committees in the conduct of their meetings, including the preparation, notifications and scheduling of the schedules of meetings including the annual shareholders meeting.
- Safe keeps and preserves the integrity of the minutes of the meetings including all official records of the Company.

- Handles and works fairly and objectively with the Board, Management and shareholders in the effective and efficient flow of information.
- Keeps custody of the Stocks Certificates, Transfer Books, and the Corporate Seal.
- Signs and submits to regulatory authorities all Board resolutions and legal documents as required by such agencies.
- Overseas any amendments in the By-Laws of the Company to conform with regulatory requirements.

### 2.4.5. Compliance Officer (Local) and Governance Coordination; Risk Oversight (Group)

The Company maintains a separate compliance officer ("Compliance Officer**")** responsible for leading the Company's local compliance program and supporting the implementation of corporate governance requirements. Enterprise Risk Management is subject to the Gallagher Group oversight, and Management supports the adoption and execution of the Gallagher Group risk framework within the Company's operations.

Key responsibilities of the Compliance Officer are as follows:

- Ensure the Company's compliance with applicable regulatory and statutory requirements and internal policies, within the scope of local operations.
- Monitor relevant regulatory developments and facilitate timely communication, implementation actions, and compliance tracking across impacted functions.
- Maintain and oversee the Company's compliance program, including compliance monitoring activities and periodic compliance reporting to Management and the appropriate Board Committee(s), as applicable.
- Coordinate with the Corporate Secretary and relevant stakeholders to support governance processes, including documentation and governance-related submissions where required.
- Promote awareness and adherence to compliance standards and ethical conduct across the organization.
- Facilitate the escalation, remediation tracking, and reporting of compliance issues, including regulatory findings or breaches, as applicable.

Risk Management (Gallagher Group Oversight; Local Support)

- Support the implementation of the Gallagher Group risk management framework locally, including identification of key risks, execution of controls, and maintenance of local risk documentation where required.
- Provide inputs for risk reporting and escalation of material risk matters through Management and/or the AROC), as applicable.
- Support monitoring of adherence to governance and risk-related policies and procedures and facilitate escalation of material issues to the appropriate level(s).

### 2.4.7. Internal Audit (Gallagher Group Oversight)

The Internal Audit function is provided under Gallagher Group/global oversight. Group Internal Audit performs independent, risk-based assurance activities over the Company's operations, consistent with the Gallagher Group internal audit methodology and planning process.

Gallagher Group Internal Audit responsibilities, as applicable to the Company, include:

- Maintaining and periodically reviewing the Internal Audit Charter for endorsement/approval through the appropriate governance channels and oversight committee(s).
- Developing and executing a risk-based internal audit plan covering relevant processes and control areas, aligned with organizational objectives and risk considerations.

- Communicating audit observations, conclusions, and recommendations to appropriate stakeholders, including Management and the AROC, as applicable.
- Assessing the adequacy and effectiveness of governance, risk management, internal controls, and IT controls within the Company's scope.
- Monitoring and following up agreed management action plans to address audit findings, including validation of closure where required.
- Management remains responsible for timely cooperation with audit activities and for implementing corrective actions arising from internal audit recommendations.

### 2.5 MANAGEMENT SUCCESSION PLANNING

The Board shall put in place an approved Management succession plan crafted with the end view of business continuity and avoid the risk of brain drain whenever key people and executives leave the Company.

In the case of retirement, the Board believes that the years of experience of a retiree who has accumulated much wisdom during his/her long years of working will serve well the Board and the Companyin terms of the wealth of knowledge that he/she has acquired due to his diligence and hard work. Retirees in good standing are allowed an extended tenure in whatever capacity the Board may deem fit for him.

Part of the succession plan is identifying critical positions that need continuity of functions and the extent of internal available resources to replace and fill up the vacancy with a groomed successor.

A training plan to prepare future leaders of the Company should be in place in coordination with the Company's Human Resource Department.

## 3 FOSTERING AND REINFORCING THE BOARD'S COMMITMENT, PERFORMANCE AND INDEPENDENCE

A Board that adheres to good corporate governance practices fosters great commitments, performance and unquestionable independence. To achieve this, the Board shall follow norms of conduct which include but are not limited to:

- Board meetings are planned in advance and Board members should attend meetings and actively participate in them; and
- Board members are evaluated according to their promptness and consistency.
- Confidentiality is strictly adhered to in every meeting.
- Where directors occupy multiple board seats in any other entities, they are required to have full disclosure to determine any potential conflicts of interest.
- Non-executive directors may only concurrently serve as directors to a maximum of only five (5) Insurance Commission regulated entities and publicly listed companies to ensure sufficient time for meetings.
- Non-executive directors should notify the Company's Board where he/she is an incumbent director before accepting directorship in another company.
- Terms of office of Directors are pre-set at a minimum of one (1) year or otherwise determined by the Board and duly reported to the appropriate regulatory agency.
- A self-Assessment Score Card is accomplished to determine the score level of performance of the Board in terms of best governance practices.
- A Peer Evaluation is also undertaken to foster constructive review of individual performances.

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4 STRENGTHENING ETHICAL STANDARDS ACROSS ALL LEVELS OF THE ORGANIZATION

The Company has established policies and procedures on Ethics, RPT and Whistle Blowing.

As a matter of internal definition, any transactions between related parties that include the Company and its subsidiaries and affiliates including any personal transactions involving employees of the Company that are above 10% of the total assets of the Company are subject to an independent board committee's review. This ensures arms-length terms for the transactions and timely identification and prevention or management of potential or actual conflict of interests.

Any other irregularities, anomalies and breach of ethical standards and good governance protocols that undermine the good reputation of the Company are subject to an independent investigation and review by an independent board committee. Whistle-blowing mechanism built in the organizations serves to allow anybody to report such incidents in anonymity directly to the President and CEO of the company who then act to validate, investigate and penalize the violator, if warranted. The Company reserves the right to suit and seek recourse from the courts of justice wherever appropriate.

5 INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY BOTTOM LINES

The Company believes in a 3-tiered bottom line – People, Planet and Profit, in that order.

Hence, programs are institutionalized as a continuing undertaking to develop its people's full potential, help the people in building the communities where the Company and its subsidiariesoperate through livelihood programs and disaster relief and recover, emergency and crisis preparedness and risk management, scholarship and educational programs and environmental protection and cleanliness, health, safety and sanitation.

The Company aims to increase its revenues yearly as it upscales its social responsibility programs, too.

Each undertaking is properly reported in its annual corporate sustainability report.

6 **ENCOURAGING EMPLOYEES' PARTICIPATION**

The Board and the Management shall conduct regular town hall meetings to get direct feedback from its employees. Quarterly, the CEO presides over the meetings in every business unit of the Company. Any important development may warrant a special meeting with employees.

Management teams in all business units maintain an open-door policy where employees are welcome to present new ideas and introduce new product designs and service schemes to serve its growing customer base.

7 SHAREHOLDERS BENEFITS

The Company recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the following provisions are issued with the guidance of all internal and external parties concerned, as governance covenant between the Company and all its investors:

## 7.1 **Investors' rights and protection**

### 7.1.1 Right of Investors/Minority Interests

The Board shall be committed to respecting the following rights of the shareholders of the Company:

### 7.1.2 Voting Right

7.1.2.1 Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Revised Corporation Code ("RCC").

7.1.2.2 At each meeting of shareholder(s) for the election of directors, at which a quorum is present, the persons receiving the highest number of votes of the shareholders present in person or by proxy, shall be the directors. In case of any increase in the number of directors, the additional directors may be elected by the shareholders at the first annual meeting held, or at a special meeting called for that purpose, or at the same meeting approving the increase of directors if so stated in the notice of meeting, subject to the approval of the increase by the Securities and Exchange Commission ("SEC").

### 7.1.3 Pre-emptive Right

All shareholders shall have pre-emptive rights, unless the same is denied in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Company. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the shares they hold, all which shall be protected by law so long as they shall not conflict with the RCC.

### 7.1.4 Power of Inspection

All shareholders shall be allowed to inspect corporate books and records, including minutes of Board meetings and stock registries in accordance with the RCC and shall be furnished with annual reports, including financial statements, without cost or restrictions.

### 7.1.5 Right to Information

7.1.5.1 The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.

7.1.5.2 The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

7.1.5.3 The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholders meeting, being within the definition of "legitimate purposes".

7.1.6 Right to Dividends

7.1.6.1 Shareholders shall have the right to receive dividends which shall be declared only from the unrestricted retainer earnings and shall be payable at such time, in such manner and in such amounts as the Board shall determine on the basis of, and in proportion to, outstanding stock held by the stockholders and in accordance with law and applicable rules and regulations..

7.1.6.2 The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances , such as when there is a need for special reserve for probable contingencies.

7.1.7 Appraisal Right

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 80 of the RCC, under any of the following circumstances:

- In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any shareholders 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.

- 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 RCC; and

- In case of merger or consolidation.

7.1.8 It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They 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.

## 8 MONITORING AND ASSESSMENT

8.1 Each Board Committee shall report regularly to the Board.

8.2 Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive, as applicable).

8.3 The Compliance Officer shall establish an evaluation system to determine and measure compliance with the provisions contained in this Manual. Any violation thereof shall subject the applicable director(s), officer(s), staff to the penalty provided under Part 10 of this Manual and where the violation is in relation to ethics, shall be subject to the penalties and sanctions contained in the Code of Business Conduct and Ethics.

8.4 The establishment of such evaluation system, including the features thereof, shall be disclosed in such form of report that is applicable to the Company. The adoption of such performance evaluation system must be covered by a Board approval.

8.5 This Manual shall be subject to annual review unless the same frequency is amended by the Board.

8.6 All business processes and practices being performed within any department or business unit of the Company including its subsidiaries that are not consistent with any portion of this Manual will be revoked unless upgraded to the compliant extent.

## 9 DISCLOSURES AND CONFIDENTIALITY

9.1 The reports or disclosures required under this Manual shall be prepared and submitted to the Insurance Commission by the responsible Committee or officer through the Company's Compliance Officer.

9.2 All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, Board changes, RPTs, shareholdings of directors and changes to shareholding of the Company.

9.3 Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management, corporate strategy, and off-balance sheet transactions.

9.4 The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

## 10 PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

10.1 To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Company's directors, officers, staff, subsidiaries and their respective directors, officers and staff in case of violation of any of the provisions of this Manual:

- In case of first violation, the subject person shall be reprimanded.
- Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
- For third violation, the maximum penalty of removal from office shall be imposed.

10.2 The commission of a third violation of this Manual by any member of the Board of the Company or its subsidiaries shall be sufficient cause for removal from directorship.

10.3 The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the President of the Company and/or Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.