- It was not explicitly disclosed if related-party transactions were conducted in such a way to ensure that they are fair and at arms' length.

3. **Recommended actions**
   - The company should make sure that each resolution in the most recent AGM should deal with only one item.
   - The notice of the most recent AGM should be fully translated in English.
   - The profile of directors (age, academic qualification, date of first appointment, experience, and directorships in other listed companies) in seeking election or re-election should be included.
   - Auditors seeking appointment or re-appointment should clearly be identified.
   - Proxy documents should be made easily available.
   - The company should have a policy requiring a committee of independent directors to review material related-party transactions to determine whether they are in the best interests of the company and members.
   - It must also be disclosed that related party transactions were conducted in a manner that is fair and at arms' length.

Part C. Stakeholders' Role in Corporate Governance

1. **Areas for improvement**
   - The company did not disclose the policies and the activities they have undertaken for other stakeholders.
   - The company did not have a separate report or section on its website or other documents that discuss its practices involving corporate responsibility (CR) or sustainability.
   - Contact details via the company's website or Annual Report which stakeholders (e.g. customers, suppliers, general public etc.) can use to voice their concerns for possible violation of their rights.
   - The health, safety, and welfare policy for its employees must be disclosed. Relevant information relating to this must also be published.
   - The company did not have training and development programs for its employees nor did it publish relevant information relating to this.
   - A reward/compensation policy which accounts for the performance of the company beyond short term financial measures must be disclosed.
   - The company did not disclose its procedures for filing complaints by employees concerning illegal and unethical behavior. The company also did not disclose the policy or procedures to protect an employee who reveals illegal and unethical behavior from retaliation.

2. Recommended actions

- The company should disclose a policy which:
  - Stipulates the existence and scope of the company's efforts to address customers' welfare
  - Explains supplier/contractor selection practice
  - Describes the company's efforts to ensure that its value chain is environmentally friendly or is consistent with promoting sustainable development
  - Elaborates the company's efforts to interact with the communities in which they operate
  - Describe the company's anti-corruption programmes and procedures
  - Describes how creditors' rights are safeguarded
- The company should disclose the activities undertaken to implement policies on:
  - Customer health and safety
  - Supplier/Contractor selection and criteria
  - Environmentally-friendly value chain
  - Interaction with the communities
  - Anti-corruption programmes and procedures
  - Creditors' rights
- The company should have a separate report or section on its website or other documents that discuss its practices involving corporate responsibility (CR) or sustainability.
- Contact details via the company's website or Annual Report which stakeholders (e.g. customers, suppliers, general public etc.) can use to voice their concerns for possible violation of their rights.
- The company should explicitly disclose the health, safety, and welfare policy for its employees and publish relevant information relating to this.
- The company must have training and development programmes for its employees and publish relevant information relating to this. This must be explicitly disclosed in the company website or annual report.
- A reward/compensation policy which accounts for the performance of the company beyond short-term financial measures must be disclosed.
- The company should also disclose the procedures for complaints by employees concerning illegal and unethical behavior. Policy or procedures to protect an employee who reveals illegal and unethical behavior from retaliation must also be in place and explicitly disclosed.

Part D. Disclosures and Transparency

1. **Strengths**
    - The company used a website as a mode of communication.
    - The company disclosed the latest information with respect to its business operations on its website.

2. **Improvements made from last year**
    - The company disclosed up-to-date information concerning its shareholding structure on its website.

3. **Areas for improvement**
    - The company did not disclose all the necessary information in its annual report.
    - The company must disclose its policy covering the review and approval of material related-party transactions.
    - The name of the related party and relationship for each material related-party transaction as well as the nature and value for each material related-party transaction must be disclosed.
    - The company did not disclose its audit and non-audit fees.
    - The company did not use quarterly reporting, media briefings or press conferences as a mode of communication.
    - The audited annual financial statement and annual report was not released within 120 days from the financial year end.
    - The true and fair representation of the annual financial statement was not affirmed by the board of directors or the relevant officers of the company.
    - The company did not disclose all the necessary information in its website.

4. **Recommended actions**
    - The company should disclose in its annual report:
        - Key Risks
        - corporate objectives
        - non-financial performance indicators
        - dividend policy details of a whistle-blowing policy
        - the complete biographical details (age, qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of directors
        - training or continuing education programmes attended by each director
        - the number of board meetings held during the year
        - the attendance details of each director
        - remuneration details of each director

  - a statement confirming the company's full compliance with the code of corporate governance
- The company should disclose its policy covering the review and approval of material related-party transactions.
- The name of the related party and relationship as well as the nature and value for each material related-party transaction must be disclosed.
- The company should disclose its audit fees and non-audit fees.
- The company can use quarterly reporting and media briefings or conferences as a mode of communication.
- The audited annual financial statement and annual report should be released within 120 days from the financial year end.
- The true and fair representation of the annual financial statement must be affirmed by the board of directors or the relevant officers of the company. .
- The company should disclose in its website:
  - its previous and current financial statements
  - materials provided in briefings to analysts and media.
  - group corporate structure
  - annual reports
  - notice of its most recent AGM
  - minutes of its most recent AGM
  - constitution, by-laws, and articles of association

Part E. Responsibilities of the Board

1. **Strengths**
   - The company has a vision and mission statement.
   - Independent non-executive directors do not receive options, performance shares or bonuses.

2. **Improvements made from last year**
   - The company has a Nominating Committee (NC).

3. **Areas for improvement**
   - The company did not disclose its corporate governance policy or board charter, the types of decisions requiring the approval of its board of directors, as well as the roles and responsibilities of the board of directors.
   - The company did not explicitly state if the board has reviewed its vision and mission strategy in the last financial year and if the board of directors monitor and oversee the implementation of the corporate strategy.

- The company did not disclose the details of the code of ethics or conduct, and whether all directors, senior management and employees are required to comply with the code and how it implements and monitors compliance with the code of ethics or conduct.
- Independent directors do not make up at least 50% of the board of directors. There is also no clear statement that the independent directors are independent of management and major or substantial shareholders.
- The company did not set a term limit of nine years or less for its independent directors nor a limit of five board seats that an individual independent or non-executive director may hold simultaneously.
- The company has independent directors who serve on a total of more than five boards of publicly-listed companies.
- The company has executive directors who serve on more than two boards of listed companies outside of the group.
- Nominating Committee:
    - The committee was not comprised of a majority of independent directors.
    - The chairman of the Nominating Committee was not an independent director.
    - The company did not disclose the terms of reference of the Nominating Committee.
    - The Nominating Committee did not meet at least twice during the year.
- The company does not have a Remuneration Committee.
- The attendance of members at Nomination, Remuneration, and Audit Committee meetings were not disclosed.
- The Audit Committee was not comprised entirely of non-executive directors with a majority of independent directors. The company also did not disclose the terms of reference and profile or qualifications of the Audit Committee.
- The board of directors meeting were not scheduled before the start of financial year nor did the board meet at least six times during the year.
- Some of the directors attended less than 75% of all the board meetings held during the year.
- The company did not require a minimum quorum of at least 2/3 for board decisions.
- The non-executive directors of the company did not meet separately at least once during the year without any executives present.
- Board papers for board of directors meetings are not provided to the board at least five business days in advance of the board meeting.
- The company did not explicitly state the roles and responsibilities of the company secretary in supporting the board in discharging its responsibilities. The company secretary is not trained in legal, accountancy or company secretarial practices
- The company did not disclose the criteria used and the process followed in selecting and appointing new directors.

- The company did not disclose its remuneration (fees, allowances, benefit-in-kind and other emoluments) policy or practices (i.e. the use of short term and long term incentives and performance measures) for its executive directors and CEO.
- The fee structure of non-executive directors was also not disclosed.
- The head of internal audit was not identified nor, if outsourced, the name of the external firm was not disclosed
- The company did not disclose the internal control procedures or risk management systems it has in place. The annual report also lacks a disclosure confirming if the board of directors has conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.
- The company did not disclose how key risks are managed. A statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls or risk management systems was also not provided.
- The company's chairman and CEO is the same person.
- The chairman was not an independent director and had been the company CEO in the last three years. The roles and responsibilities of the chairman was also not disclosed.
- None of the non-executive directors have prior working experience in the major sector that the company is operating in
- The company did not disclose a board of directors diversity policy.
- The company did not have an orientation programs for new directors
- It was not explicitly stated in the company disclosures if they have a policy of encouraging directors to attend on-going or continuous professional education program.
- The company did not disclose how the board of directors plans for the succession of the CEO/Managing Director/President and key management.
- An annual performance assessment of the CEO/Managing Director/President was not conducted and disclosed.
- An annual performance assessment was not conducted of the board of directors, individual directors, and board of directors committees. The process and criteria used was also not disclosed.

4. Recommended actions

- The company should disclose the following:
    - corporate governance policy or board charter
    - the types of decisions requiring the approval of its board of directors
    - the roles and responsibilities of the board of directors
    - If the board has reviewed the vision and mission strategy in the last financial year and if they monitor and oversee the implementation of the corporate strategy

    - the details of the code of ethics or conduct and if directors, senior management and employees are required to comply with the code
    - how it implements and monitors compliance with the code of ethics or conduct
- Independent directors can make up at least 50% of the board of directors.
- Independent directors should be independent of management and major or substantial shareholders.
- The company can set a term limit of nine years or less for its independent directors as well as a limit of five board seats that an individual independent or non-executive director may hold simultaneously.
- The Nominating Committee:
    - should be comprised of a majority of independent directors
    - The chairman should be an independent director
    - terms of reference must be disclosed
- The attendance of members at Committee meetings should be disclosed.
- The company should have a Remuneration Committee.
- The Audit Committee should be comprised entirely of non-executive directors with a majority of independent directors. The company should disclose the terms of reference of the Audit Committee as well as the profile of the Audit Committee members.
- The company should explicitly state that the Audit Committee has the primary responsibility of recommending on the appointment, and removal of the external auditor.
- The board meetings should be scheduled before the start of the financial year, with the directors meeting at least six times during the year. Each of the directors should attend at least 75% of all the board meetings held during the year.
- The company should require a minimum quorum of at least 2/3 for board decisions.
- The non-executive directors of the company should meet separately at least once during the year without any executives present.
- The board papers for board meetings should be provided to the board at least five business days prior.
- The company secretary should be trained in legal, accountancy or company secretarial practices.
- The company should disclose the criteria used and the process followed in selecting and appointing new directors.
- The company should disclose its remuneration (fees, allowances, benefit-in-kind and other emoluments) policy or practices (i.e. the use of short term and long term incentives and performance measures) for its executive directors and CEO.
- The company should disclose the fee structure of non-executive directors.
- The head of internal audit o name of the external firm should be disclosed.

- The company should disclose the internal control procedures or risk management systems it has in place. It is recommended that the board of directors disclose if they have conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management system in their annual report.
- The company should disclose how key risks are managed. In its annual report a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls or risk management systems must also bee seen.
- Different persons should assume the roles of chairman and CEO.
- The chairman should be an independent director.
- The company should disclose the roles and responsibilities of the chairman.
- At least one non-executive director should have prior working experience in the major sector that the company is operating in.
- It was not explicitly disclosed if company has a board diversity policy.
- The company should have an orientation programs for new directors.
- The company should also explicitly state its policy of encouraging directors to attend on-going or continuous professional education program.
- The company should disclose how the board of directors plans for the succession of the CEO/Managing Director/President and key management. An annual performance assessment of the CEO/Managing Director/President must also be conducted and disclosed.
- An annual performance assessment must be conducted of the board of directors, individual directors, as well as the board of directors committees. The company should disclose the process and criteria followed in conducting the assessment.

Level 2

Bonus and Penalty

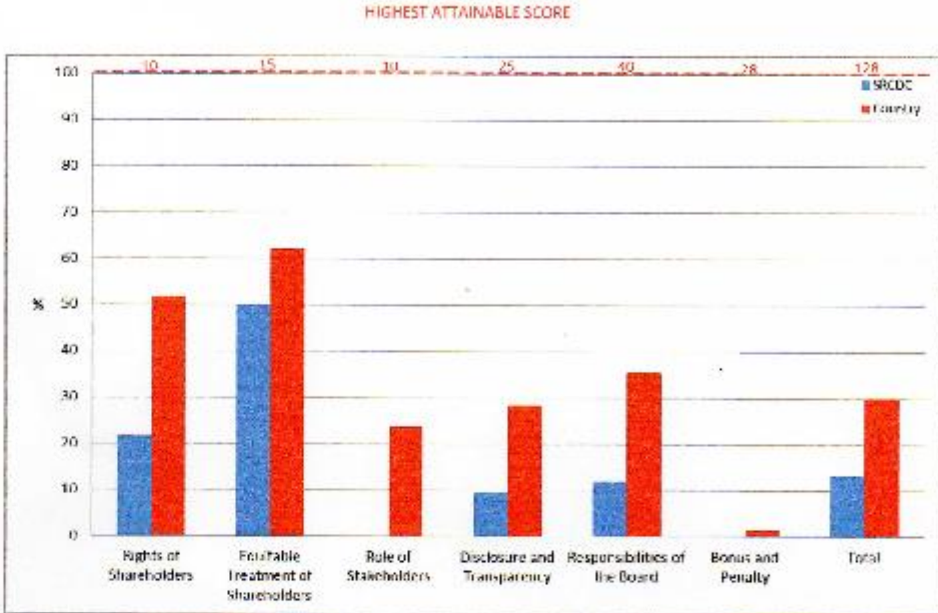
Recommendations:

- The company may consider adopting the following best practices to merit additional bonus points:

    - The Nominating Committee undertaking the process of identifying the quality of directors aligned with the company's strategic directions
    - The Nominating Committee comprised of entirely independent directors
    - Use professional search firms or other external sources when searching for candidates for the Board
    - A separate board- level Risk Committee
    - Female independent directors
    - Release of the notice of ASM (with detailed agendas and explanatory circulars), at least 28 days before the date of the meeting
    - Release of annual financial report /statement released within 60 days from the financial year end

The Company should make all the information available and easily accessible on the company website. If SRCDC MBAI implements the recommendations, it will have a strong chance of performing better in the next ACGS assessment.

VII. SRCDC vs Country Analysis



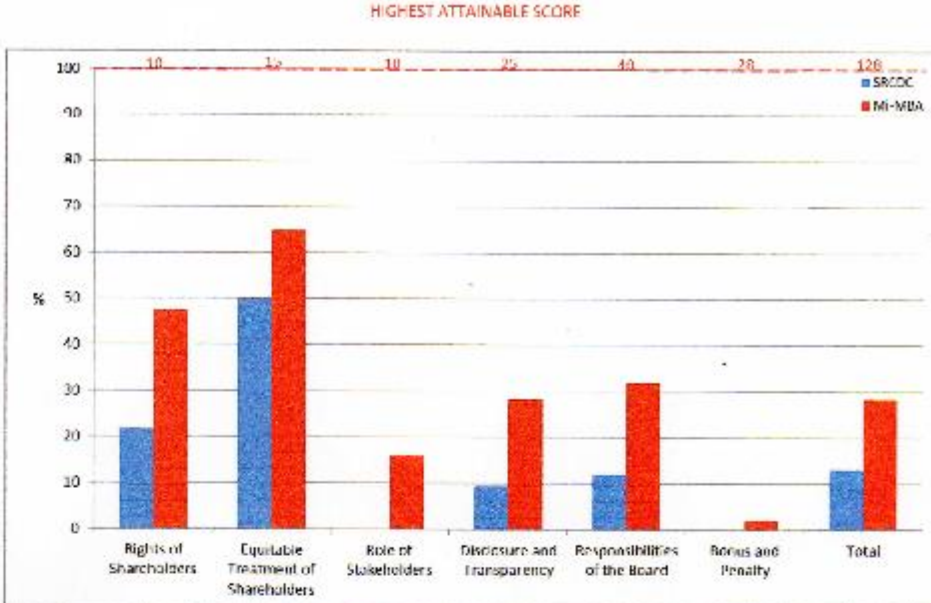
SRCDC	2.17	7.50	0.00	2.34	4.80	0.00	16.82
Country	5.18	9.31	2.38	7.12	14.19	0.40	38.53

Figure 6: Comparison of SRCDC and country averages

The whole insurance industry of the Philippines earned an average score of 38.53 out of 128 points. This is a 78.45% difference from SRCDC's score of 16.82 points, with the company performing below the industry average.

SRCDC performed below the industry average across all areas. The company had the most difference in Part C where it did not earn anything compared to the country average of 2.38 out of 10 points.

VIII. SRCDC vs Microinsurance Sector Analysis



SRCDC	2.17	7.50	0.00	2.34	4.80	0.00	16.82
Mi-MBA	4.74	9.74	1.59	7.05	12.74	0.57	36.43

Figure 7: Comparison of SRCDC and microinsurance sector averages

The microinsurance sector of the Philippines earned an average score of 36.43 out of 128 points. This is a 73.65% difference from SRCDC's score of 16.82 points, with the company performing below the sector average.

SRCDC performed below the sector average across all areas. The company had the most difference in Part C where it did not earn anything compared to the sector average of 1.59 out of 10 points.

2017 Program Schedule

PROGRAM	RECOMMENDED FOR:	DATE	TIME	FEE (NET)
Corporate Governance Orientation Program (1 day)	• New Directors • Key Managers	MAR 1, MAR 7 JUN 7, JUN 13 AUG 23, SEP 5 NOV 15, NOV 21	9:00 AM - 5:00 PM	Php 13,600
Accounting and Finance for Directors	• New Directors • Key Managers	MAR 2 JUN 8 AUG 24 NOV 16	9:00 AM - 12:00 NN	Php 5,400.00
Distinguished Corporate Governance Speaker Series	• Experienced Directors • CG advocates • Thought leaders	MAR 14 MAY AUG OCT	8:30 AM – 12:30 NN	Php 6,000.00
Professional Directors Program (5 days)	• Experienced directors, managers, board members, and professionals	(Q1) MAR 1 / 7, 8, 9, 15, 16 (Q2) JUN 7 / 13, 14, 15, 21, 22 (Q3) AUG 23/SEP 5; SEP 6, 7, 13, 14 (Q4) NOV 15/21; NOV 22, 23; DEC 6, 7	9:00 AM – 5:00 PM	Php 80,000.00
Corporate Secretary as Corporate Governance Professional Program	• Corporate Secretaries	AUG 9 – 10	9:00 AM - 5:00 PM	Php 24,000.00
Enhancing Audit Committee Effective-ness (Essentials)	• Audit Committee members	NOV	9:00 AM – 5:00 PM	Php 13,600.00
Enhancing Audit Committee Effective-ness (Advanced)	• Audit Committee members	MAY	9:00 AM - 12:00 NN	Php 9,000.00
Business Integrity	• Phil-Am companies • US companies in PH • UK companies in PH	APR 18	9:00 AM – 5:30 PM	Php 13,600.00
Strategy Execution Pathway Essentials	• Executive Management • Corporate Planning • Compliance Officers	JUL 20 – 21	9:00 AM – 5:00 PM	Php 24,000.00
Strategy Execution Pathway Masters	• Previous SEEP Essentials attendees	OCT 5 – 6	9:00 AM – 5:00 PM	Php 24,000.00
Family Business Governance	• Founders and Family members of Family – owned and –controlled corporations	MAR 16 – 17 OCT 11 – 12	9:00 AM – 5:00 PM	Php 56,000.00 per 3 members

Public Training Programs

1. **Corporate Governance Orientation Program** – The CGOP is a one day course for newly-appointed directors and senior managers, which covers the basic principles, importance, and benefits of modern corporate governance. Attendance qualifies for compliance with SEC, BSP and IC requirements. An optional course on Accounting and Finance is offered on the second day.

2. **Distinguished Corporate Governance Speaker Series** – This series brings the world's foremost thinkers and practitioners in corporate governance to share ideas, views, and

knowledge. It promotes the professional practice of corporate directorship in line with global best practices. Attendance qualifies for compliance with SEC requirements.

3. **Professional Directors Program** - The PDP is a 5-day course that deepens participants' appreciation of the role of a corporate director. This flagship course is designed to professionalize the practice of corporate directorship and promote best practices in the boardroom. The 5-day program will also provide you with various tools (charter, scorecard, roadmap and checklists) that will allow you to develop guidelines on strategy, policy, monitoring and accountability.

4. **Corporate Secretary as Corporate Governance Professional Program** – This one-day course features basic principles, importance, and benefits of modern corporate governance as they apply to corporate secretaries. The powers, duties and importance of corporate secretaries to an organization are discussed in depth.

5. **Enhancing Audit Committee Effectiveness** – This covers the core oversight functions of Audit with special emphasis on the requirements of publicly-listed companies. This program offers Essentials and Advanced courses which caters to the needs of Audit committee members.

6. **Business Integrity** – This one-day seminar enables companies to comply with relevant local and international laws on corrupt practices. It presents a strategic as well as practical approach to addressing business integrity risks in light of local and global corruption issues

7. **Strategy Execution Pathway (StEP)** – StEP is based on the Kaplan-Norton Balanced Scorecard -- the gold standard in performance management. Both the Essentials and Masters workshops enable companies to develop strategy and execution systems in the context of good corporate governance.

8. **Family Business Governance** – This interactive 2-day course addresses governance issues and improves competitiveness for long-term, sustainable growth in family owned businesses. This is specifically designed for family members, directors, and other stakeholders of family enterprises.

Program details for the aforementioned public programs are enclosed.

To register, visit our website: www.icdcenter.org. Modules and teaching fellows are also available in the website.

In-house / Exclusive training programs:

1. **Advanced Corporate Governance Training**

ICD offers continuing director education for members of the board and key executives. Through customized in-depth lectures, case studies and structured learning experiences facilitated by faculty recognized for their expertise, ICD's seminars aim to professionalize the practice of corporate directorship – transcending from compliance to performance. Training is scheduled at your convenience, and complies with SEC Memorandum Circular No. 19, series of 2016.

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2. Corporate Governance Health Check

ICD's CG Health Check is a quantitative tool to measure the level of observance of a code and/or a standard of corporate governance. It is used to assess a company's governance practices, show progress over time, and compare different companies within the sector or across the country. The CG Health Check for GOCCs generates important information on the quality of governance practices of the company vis-à-vis standards recommended in the CG Scorecard for GOCCs developed by the GCG with ICD. The findings will help the company develop a corporate governance improvement plan that will result to better operational performance, lower risk and promote competence, competitiveness, and innovation – qualities that improve company's chances for success in today's rapidly evolving corporate world.

3. Board Services

ICD's board services provide organizations with the necessary tools to implement the principles of good governance. These services also act as a bridge between the development and sharing of knowledge from regular governance courses and governance assessment using the OECD principles forming the basis of the Corporate Governance Scorecard. We offer third party evaluation, performance assessment for individual directors, talent selection for board vacancies, Strategy Execution Pathway, and intervention.

Should you have further queries about ICD's programs, please contact Ms. Pink Aparicio at (+02) 807.1393 / 884.1494 loc 105 / 0917.551.5073 or email to paparicio@icdceg.org.

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ICD

Institute of Corporate Directors

The Institute of Corporate Directors (ICD) is a non-stock, not-for-profit organization dedicated to the professionalization of Philippine corporate directorship and raising the level of Philippine corporate governance policy and practice to world-class standards.

MEMBER BENEFITS

Join ICD as a **Fellow**, **Graduate Member** or **Associate** and enjoy these benefits:

- The opportunity to be invited to join ICD's committees to help shape its agenda and positions on various issues, and contribute to the development of best practices and policy proposals concerning good governance;
- The chance to participate in ICD's various corporate governance training programs and workshops as a facilitator and/or lecturer;
- Discounts on registration fees for working sessions, ICD training courses and partner tie-ups ;
- Complimentary use of the exclusive Fellows' Room at ICD's headquarters;
- Free attendance to ICD monthly breakfast roundtables, the Distinguished Corporate Governance Speaker Series, fellowship gatherings and the ICD annual dinner *;
- Fellows and Graduate Members may attend one whole-day ICD training/course per year for free*; and
- Inclusion in the list of members recommended by ICD to corporate boards upon request (subject to the fit between professional qualifications and requirements of the corporation)*.

*Associates have paid entrance to events, and are not included in ICD director recommendations.

Be recognized.

Members may affix post nominals after their name, to indicate that they are part of a learned society of trained professional directors. Fellows affix FICD; Graduate Members, GICD; Associates, AICD.

QUALIFICATIONS & PROCESS

To qualify as an ICD **Fellow or Graduate Member**, the following criteria must be met:

EDUCATION	Full participation in the Institute's Professional Directors Program
EXAMINATION	Shows sufficient familiarity with the various director issues that the Professional Directors Program covers
EXPERIENCE	Must be a member of the board of a recognized and reputable professional / business / non-government organization for at least 2 years (for Fellows) *If an applicant lacks sufficient experience he/she may be named a Graduate Member until sufficient board experience has been gained.
ETHICS	Commitment to ethics, social responsibility and corporate governance as manifested by a pledge to participate in the Institute's advocacy; names of candidates are posted for evaluation for Fellows to comment on integrity and reputation

The accreditation process takes approximately 3 months, from examination submission to member induction.

One may also join ICD as an **Associate Member**, and enjoy part of the Fellows' benefits. Requirements are:

EDUCATION	Attended one day ICD training program: Corporate Governance (CG) Orientation, Strategy Execution Pathway, ASEAN CG Scorecard or Board Services; Must be endorsed by an ICD Fellow, member of staff; or passed due diligence
ETHICS	Same as above

The accreditation process takes approximately 1 month, from submission of application form and CV to confirmation of acceptance.

Annual Membership Fees

Fellow: Php 20,000 | Graduate: Php 15,000 | Associate: Php 10,000

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Michelle Dee, Director for Fellows Relations
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2016 CORPORATE GOVERNANCE SCORECARD REPORT

SRCDC MBAI

ICD

Institute of Corporate Directors

2016 CORPORATE GOVERNANCE SCORECARD REPORT

February 20, 2017

DR. ROGELIO F. RAMOS
Chairman
SRCDC MBAI

Dear Dr. Ramos:

The Institute of Corporate Directors (ICD) is pleased to present to you its report on the performance of SRCDC MBAI in the 2016 run of the Corporate Governance Scorecard for insurance companies and mutual benefit associations.

The objective of the report is to identify the strengths of your company in the CGS as well as those areas that need improvement. I hope that you will find this report helpful as you raise the corporate governance practices of your company.

You may contact Anna Sabado through e-mail at asabado@icdceg.org for any clarifications or need further information. Feel free to reach us through landline at 884-1494 loc. 109.

Thank you for giving ICD an opportunity to be of assistance to your company in improving its corporate governance framework and procedures.

Respectfully,

ROBERTO T. BASCON, JR.
Director, Corporate Governance Scorecards
Institute of Corporate Directors

2016 CORPORATE GOVERNANCE SCORECARD REPORT

I. Executive Summary

It has been the policy of the Insurance Commission (IC) to raise the bar of corporate governance in the insurance industry by adopting corporate governance best practices in the ASEAN region. With the aim of (1) increasing the industry's penetration rate[3], (2) improving the public's perception of the industry[4], as well as (3) enhancing the competitiveness of Philippine insurance industry in the region, IC prescribed the adoption of ACGS in its Circular Letter No. 14-2013[5] - enjoining covered companies to develop their respective company websites and post their responses to the ASEAN Corporate Governance Scorecard (ACGS) questionnaire with supporting documents.

The ACGS is an initiative of the ASEAN Capital Markets Forum hinged on the globally accepted G20/Organization for Economic Cooperation and Development (OECD) Principles of Corporate Governance[1]. Formally launched in the Philippines in 2012, the ACGS hopes to raise the corporate governance standards of publicly-listed companies in the region and promote ASEAN as an investment destination[2].

To facilitate the adoption of the ACGS, IC organized a technical working group in 2015 comprised of representatives from the Insurance Commission, Institute of Corporate Directors (ICD), and of Insurance trade associations. The technical working group reviewed the ACGS and enhanced the assessment guide to make ACGS applicable to the insurance companies and mutual benefit associations (covered companies).

The first assessment took place in 2015, with the total average score of 117 insurance companies and mutual benefit associations (MBAs) assessed being 32.22 points. Ten (10) companies were not able to comply with the required company website. The industry scored low in all categories, thus, a great amount of work is needed to improve corporate governance practices and disclosures of covered companies. Among the scorecard sections, the industry scored lowest in Part C (Role of Stakeholders in Corporate Governance) with an average score of only 1.53 points.

To re-orient companies and help them improve their performance in the ACGS, ICD conducted four (4) days of ACGS Workshops in 2016 where out 134 companies, 76 (23-Life, 35-Non-life, 18-MBAs) were in attendance. The 2016 ACGS assessment for Insurance Companies and Mutual Benefit Associations, which covered a total of 124 companies, scored a total average of 38.53 points. The industry slightly improved in Part A (Rights of Shareholders) and Part B (Equitable Treatment of Shareholders) but it remained the lowest in Part C (Role of Stakeholders in Corporate Governance). Despite an observable increase in the scores for each category in this year's assessment, there is still a need to improve in all categories of the Scorecard. It is thereby recommended that all corporate governance-related information be made available and easily accessible in the company websites.

1 Reference: Organization for Economic Cooperation and Development (2015). G20/OECD Principles of Corporate Governance. Retrieved from [illegible]
2 Reference: Asian Development Bank. (2013). *ASEAN Corporate Governance Scorecard: Country Reports and Assessments 2013-2014.* Retrieved from [illegible]
3 Insurance Commission 2014 Annual Report. Retrieved from: [illegible]
4 EY's Global Consumer Insurance Survey 2014 collected from 24,000 customers (from 30 countries) focused on life and nonlife products (i.e. auto and homeowner's insurance). Reference: Ernst & Young. (2014). *Reimagining Customer relationships: key findings from EY Global Insurance Survey 2014.* [illegible]
5 Reference: IC Circular Letter 2015-23. Retrieved via [illegible]

II. Methodology

The assessment was based on publicly-available and accessible information online. This includes uploaded documents found in the regulator and the company's websites such as Company By-Laws, Corporate Governance Manual, Code of Ethics, Notice of Annual Stockholders/General Meeting, Audited Financial Statement, and Annual Report.

The use of two-level scoring is designed to better capture the implementation of best case practices of good corporate governance (Box). Level 1 is comprised of descriptors or items which are indicative of (i) the laws, rules, regulations, and requirements of the IC; and the (ii) basic expectations of the OECD principles. Level 2 consists of (i) bonus items reflecting other emerging good practices, and (ii) penalty items reflecting actions and events that are indicative of poor governance.

The weight allocated to each of the five areas is as follows:

Level 1: Five major sections that correspond to OECD principles	**Number of items**	**Weight**
Part A. Rights of Shareholders	25	10
Part B. Equitable Treatment of Shareholders	17	15
Part C. Role of Stakeholders	21	10
Part D. Disclosure and Transparency	41	25
Part E. Responsibilities of the Board	75	40
Total	179 items	100
Level 2: Two Additional Sections		
Bonus (practices beyond minimum standards)	9	28 points
Penalty (for poor practices)	21	57 points
Total	209 items	128 points

III. Parts of the Scorecard

Part A. Rights of Shareholders

The Rights of Shareholders determines the PLC's attitude toward the shareholders especially to those other than with a controlling interest, i.e., the minority and/or the institutional shareholders. It ensures that the corporate governance framework protects and facilitates the exercise of all shareholders' rights. It uses indicators like the attitude of the company to the Annual Stockholders/General Meeting and voting rights given to shareholders on matters of fundamental concerns to the corporation.

Part B. Equitable Treatment of Shareholders

This category ensures fair treatment of all shareholders and has virtually the same coverage as the first principle, the Rights of Shareholders. It, however, has a more specific focus on the protection of minority shareholders, i.e. those shareholders who do not enjoy a controlling interest in the company, from possible manipulation from controlling shareholders.

Part C. Role of Stakeholders in Corporate Governance

After due emphasis has been given to the rights of shareholders, including the protection of the rights of minority shareholders, attention is properly shifted to other stakeholders, i.e., other parties that have non- equity stakes in the company. Several of these stakeholders are specifically cited (customers, suppliers, environment, community, creditors, and employees). Not only policies but also activities to respect, defend, and promote the rights of these other stakeholders need to be laid out, articulated, and undertaken.

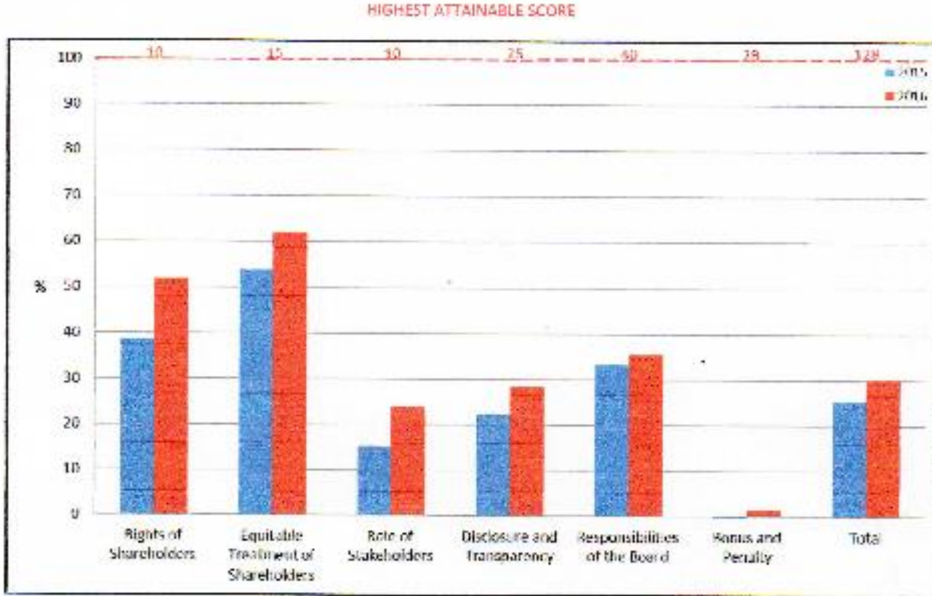
Part D. Disclosure and Transparency

Disclosure is one of two major demands of modern corporate governance. There is a presumption in corporate governance that fuller and more transparent disclosure is a major effective deterrent against corporate governance malpractices. The chapter on disclosure identifies the items companies must disclose to the general public to better secure observance of good corporate governance practices.

Part E. Responsibilities of the Board

The second major demand of modern corporate governance is for the Board of Directors to step up to the plate and actively take on the role—the duties and responsibilities— that the laws, rules, and regulations vest upon them. The board has the original task, which carries with it the fiduciary duty, of managing the affairs of the PLC. The first concern that has to be fully addressed is the formulation of a corporate governance policy and within it the definition of board responsibilities.

IV. Overall Country Analysis

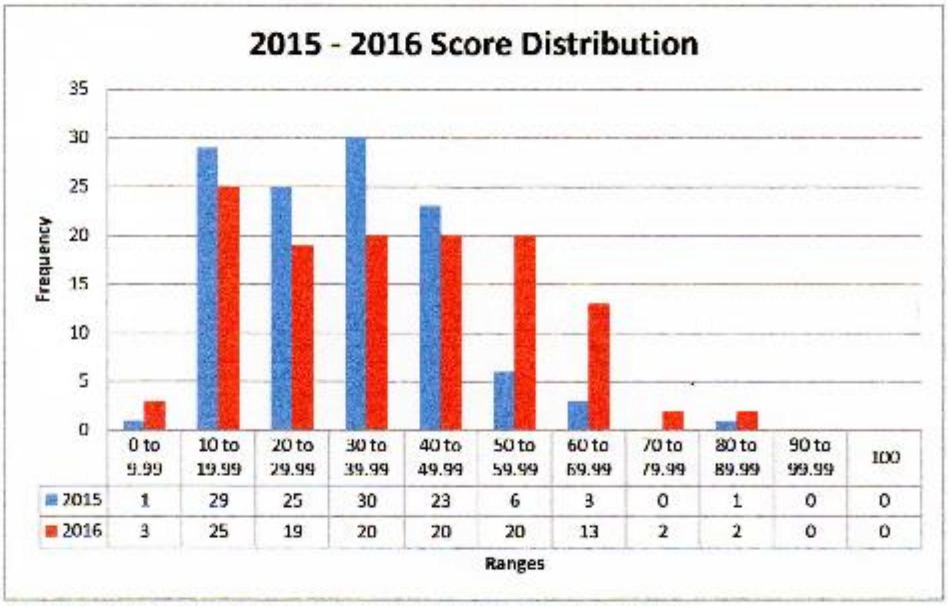


2015	3.87	8.07	1.53	5.62	13.32	-0.07	32.33
2016	5.18	9.31	2.38	7.12	14.19	0.40	38.53

Figure 1: Comparison of 2015 – 2016 scores of the Philippine insurance industry

The average corporate governance score of insurance companies and mutual benefit associations based on the 2016 assessment is **38.53 points** which is 19% higher than last year's score of 32.33 points.

The insurance industry scored the highest in Part B with an average score of 9.31 out of 15 points. Despite getting the lowest score, Part C is still the section where the industry improved the most by getting a 55.56% increase from its 2015 score of 1.53 out of 10 points to its 2016 score of 2.38 points. In addition, the industry gained in Part A by getting 5.18 out of 10 points. Meanwhile, the industry improved the least in Part E by getting only a 6.53% increase from its previous score of 13.32 out of 40 points to its current score of 14.19 points. Moreover, the industry scored 7.12 out of 25 points in Part D. Finally, in Level 2, the industry scored 0.40 out of 28 possible points.



	0 to 9.99	10 to 19.99	20 to 29.99	30 to 39.99	40 to 49.99	50 to 59.99	60 to 69.99	70 to 79.99	80 to 89.99	90 to 99.99	100
2015	1	29	25	30	23	6	3	0	1	0	0
2016	3	25	19	20	20	20	13	2	2	0	0

Figure 2: Comparison of 2015 – 2016 score distribution in the Philippine insurance industry

This year's assessment saw 59 companies (47%) move up in their score range while 44 companies remained in the same score range.

Observations

Level 1

Part A. Rights of Shareholders

1. **Strengths and improvements made from last year**
   a. Companies have generally improved their disclosure. In 2015, only 35 and 37 companies disclosed the attendance of their Chairman and CEO in the annual general meeting. This year, the number of companies increased to 65 and 67, respectively.

2. **Areas for Improvement**
   a. Only 27 companies explicitly stated that they provide non-controlling shareholders the right to *nominate* candidates to the board of directors. Meanwhile, 81 companies either have no statement at all or merely state that all shareholders, whether controlling or not, have the right to *vote* its board of directors.

b. Only 35 companies stated that directors are elected individually.
c. Only 23 companies voted by poll. On the other hand, 70 companies allowed for voting by show of hands or by *viva voce*.
d. Only 6 companies published the results of the votes of the AGM by the next working day. As for the 86 companies, there is no way of determining when their votes were published online.
e. Only 30 companies provided the rationale of each agenda item in the notice. The other 95 companies simply list down the agenda of the meeting.

Part B. Equitable Treatment of Shareholders

1. **Strengths and improvements made from last year**
   a. 73 companies have their Notice of AGM fully translated into English.

2. **Areas for Improvement**
   a. Rarely do companies disclose in their Notice of AGM the complete profile of the candidates running for directorship. Only 15 companies were able to do so successfully. The other companies merely stated in the agenda that there will be an election.
   b. Only 32 companies identified auditors seeking appointment or re-appointment in their Notice of AGM.
   c. Most companies did not provide an explanation of their dividend policy while only four (4) of these companies disclosed the amount payable for its dividends.
   d. Only 49 companies made their proxy documents easily accessible.
   e. Only 23 companies explicitly state that they have a policy requiring a committee of independent directors to review material related party transactions (RPTs). The remaining 102 companies either do not have a committee or fail to discuss RPTs in the first place.
   f. Only 40 companies explicitly stated that they conducted RPTs fairly and at arms' length.

Part C. Role of Stakeholders in Corporate Governance

1. **Strengths and improvements made from last year**
   a. At least 54 companies have training programs for its employees.

2. **Areas for Improvement**
   a. Less than half of the covered companies have policies and activities addressing customers' welfare, supplier relationship, the environment, community management, anti-corruption, and creditor relationship.
   b. Only 3 companies have a reward or compensation policy that accounts for the performance of the company beyond short-term financial measures.

Part D. Disclosures and Transparency

1. **Strengths and improvements made from last year**
    a. 122 companies have their own websites while the remaining three (3) are housed under a parent or a partner's website.
    b. With 111 companies, almost the whole coverage successfully published up-to-date information of their business operations on their respective websites.
    c. More than half of the coverage, with 67 companies, successfully published their shareholding structure on their respective websites.
    d. At least 90 companies disclosed their by-laws and constitution on their respective websites.

2. **Areas for Improvement**
    a. Only 5 and 20 companies were able to release their annual report and audited financial statements, respectively, 120 days after the financial year end. As for the remaining companies, there is no way to tell because their websites lacked date stamps.
    b. Only one (1) company was able to publish their contact details specified according to different concerns such as customer relations, supplier relations, and the general public. The rest of the coverage merely published their general contact information.

Part E. Responsibilities of the Board

1. **Strengths and improvements made from last year**
    a. More than half of the coverage, with at least 72 companies, disclosed the types of decisions requiring board approval.
    b. 94 companies have a vision and mission statement.
    c. With at least 65 companies, more than half of the coverage disclosed the details of the code of ethics or code of conduct.
    d. Most of the companies have Nomination and Remuneration committees.
    e. 78 companies have different persons assuming CEO and chairman.
    f. Almost half of the companies disclosed the roles and responsibilities of the chairman.

2. **Areas for Improvement**
    a. Only 6 companies disclosed its remuneration practices and fee structure for its non-executive directors.
    b. Only 8 companies explicitly disclosed in their annual report that the board has conducted a review of the company's material controls.
    c. Only 9 companies conducted an annual performance assessment of its board of directors.

Level 2

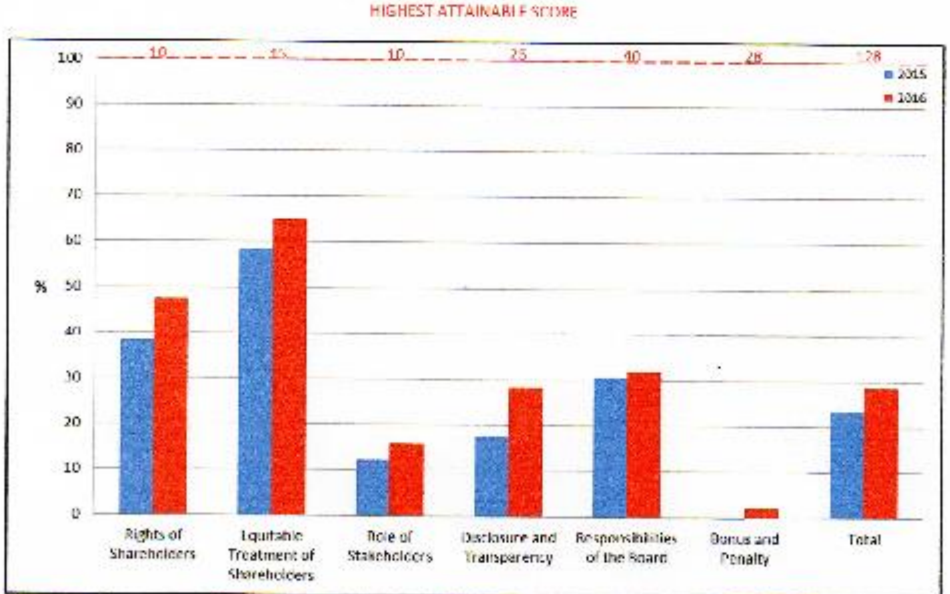
Bonuses

1. Ten (10) companies released its Notice of AGM at least 28 days before the meeting.
2. Four (4) companies have a Nomination Committee comprised entirely of independent directors.
3. Thirteen (13) companies have a separate board-level Risk Committee.

Penalties

1. Around 30 companies failed to disclose their independent directors.
2. 11 companies have a director that is the former CEO of the company in the past two years.

V. Microinsurance Mutual Benefit Associations

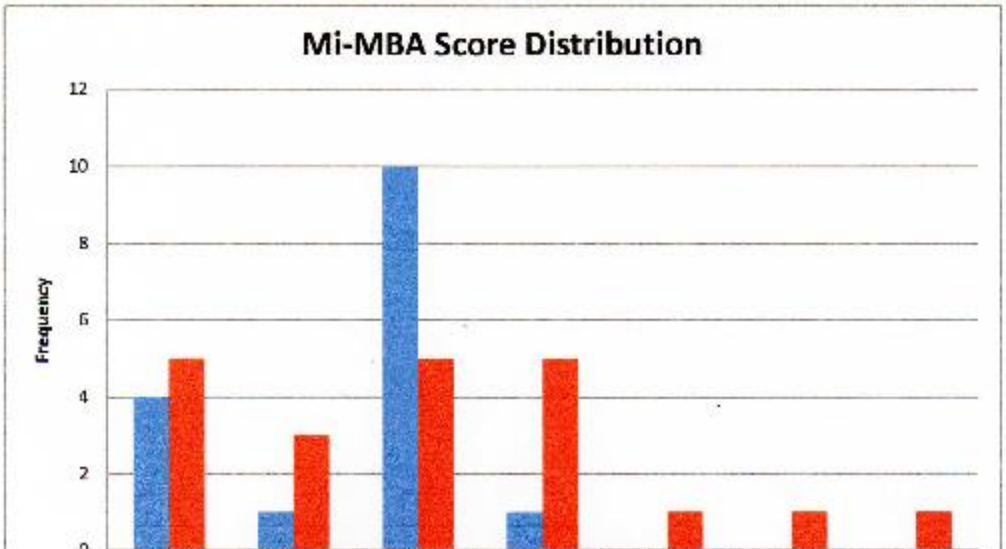


2015	3.83	8.77	1.22	4.38	12.20	-0.31	30.09
2016	4.74	9.74	1.59	7.05	12.74	0.57	36.43

Figure 3: Comparison of 2015 – 2016 scores of the Philippine MI-MBAs

The Microinsurance Mutual Benefit Associations (Mi-MBA) sector of the Philippines earned an average score of **36.43** points. This is a 21% increase from its previous score of 30.09 points. There were 21 Mi-MBAs assessed this year.

The sector scored the highest in Part B with an average score of 9.74 points. The sector also did well on Part A with an average score of 4.74, it is a 23% increase from last year's 3.83 points. It remains to score lowest in Part C with an average score of 1.59 points. In Level 2, the sector averaged 0.57 points out of 28 possible points.



	10-20	20-30	30-40	40-50	50-60	60-70	70-80
2015	4	1	10	1	0	0	0
2016	5	3	5	5	1	1	1

Figure 4: Comparison of 2015 – 2016 score distribution in the Mi-MBA sector

In the 2015 initial assessment of microinsurance companies, most of the companies scored within the lower half of the score distribution scale, majority of which fell within the 30-40 range. This year, the scores are more spread out with at least one company scoring each within the 50-60, 60-70, and 70-80 ranges.

Observations

Level 1

Part A. Rights of Shareholders

1. **Strengths and improvements from last year**
   More than 60% of the Mi-MBAs
   a. disclosed the list of directors present in the ASM/AGM
   b. disclosed the ASM/AGM's outcomes (resolutions)

The sector improved the most in their measures disclosing the outcomes of their ASM/AGM (from 17% of the Mi-MBAs in 2015 to 66% in 2016). This is followed by the number of Mi-MBAs which recorded questions and answers in their ASM/AGM (11% of MBAs in 2015 to 55% in 2016) and whose chairman attended their meetings (23% in 2015 to 66% in 2016) – each best practice garnering a 40-49% increase among the Mi-MBAs.

2. Areas for Improvement

Less than 16% of the MBAs

a. Provided the rationale/explanation for each of their ASM/AGM's agenda item
b. Made publicly available the next working day the number of votes taken during their ASM/AGM
c. Disclosed their ASM/AGM's voting results (approving, dissenting, abstaining votes)

The sector lags in appointing an independent party to count and/or validate the votes during the ASM/AGM and made little improvement in their measures to provide non-controlling shareholders a right to nominate candidates to the board.

Part B. Equitable Treatment of Shareholders

1. Areas for Improvement

Less than 11% of the Mi-MBAs, for their Notice of ASM/AGM

a. Disclosed the complete profile of the directors seeking election/re-election
b. Disclosed the amount payable for final dividends
c. Made their proxy documents easily available

Only 22% of the Mi-MBAs

a. Clearly identified the auditors for appointment
b. Disclosed that their RPTs were conducted in a fair and arm's length basis

Part C. Stakeholders' Role in Corporate Governance

1. Strengths and improvements from last year

44% of the Mi-MBAs disclosed their supplier/contractor selection practice.

2. Areas for Improvement

All the Mi-MBAs failed to disclose the

a. Activities the company has undertaken to implement their policy on:
   - anti-corruption
   - creditor's rights
b. Company's reward/compensation policy that accounts for the performance of the company beyond short term financial measures

80-94% of the Mi-MBAs failed to disclose

a. The company's policy and activities on
   - customer welfare

- community interaction
- ensuring that its value chain is environmentally-friendly
- anti-corruption programs

b. A separate section or report on corporate social responsibility

The results of the assessment also showed that the sector experienced a 27% decrease in the number of Mi-MBAs with policy or procedures which protects an employee who will report an illegal/unethical behavior in the company. There was a 9-10% decrease in the number of MBAs which disclosed the activities their company undertook to implement their policies on customer health and safety, and supplier/contractor selection and criteria. Same number of companies also did not publish relevant information on training and development programs for its employees.

Part D. Disclosures and Transparency

1. Strengths and improvements from last year

99% of the Mi-MBAs

a. disclosed the identity of their beneficial owners
b. disclosed the direct and indirect shareholdings of their major shareholders, directors, and senior management team

80-98% of the Mi-MBAs

a. disclosed their company's by-laws, business operations, shareholding structure, and minutes of ASM/AGM in the company website
b. identified the company's key risks in their annual report

2. Areas for Improvement

All the Mi-MBAs failed to:

a. disclose the complete biographical details of their directors
b. disclose the details of their whistle-blowing policy in their annual report
c. accomplish quarterly reports
d. conduct media briefings
e. release the Annual Report within 120 days from the financial year end

70-90% failed to disclose in their Annual Report:

a. Details of remuneration of each director
b. Dividend policy
c. Corporate objectives
d. Audit and Non-audit fees
e. Non-financial performance indicators
f. Attendance details of each board directors for the meetings held in the year
g. The training or continuing education programs attended by each director
h. The name and relationship of the company's RPTs

i. A statement confirming the company's full compliance with the code of corporate governance

Part E. Responsibilities of the Board

1. **Strengths and improvements from last year**

The assessment found that most the Mi-MBAs had disclosed their mission and vision statement. Most of them also have a Nomination Committee with 83% of the sector complying with the requirement.

50% of the Mi-MBAs scheduled their board meetings before the start of the financial year.

2. **Areas for Improvement**

The sector failed to improve in the following items:

a. 50% independent directors (IDs)
b. Board committees comprised of majority of IDs
c. Minimum quorum of at least 2/3 for board decisions
d. Non-executive directors meeting separately without the presence of the executive director/s at least once during the year
e. Disclosing the company's internal control and risk management systems and provided a statement from the board or the Audit Committee commenting on their adequacy
f. The chairman is an independent director
g. Board diversity policy
h. Succession planning for the CEO/President/Managing Director.
i. Annual performance assessment for the board of directors and board committees

In addition, less than 6% of the MBAs:

a. have reviewed the company's vision and mission in the last financial year
b. have their Nomination Committee meet twice in the last financial year
c. have a Remuneration Committee that is comprised of majority of IDs
d. disclosed the attendance of their Audit Committee meetings
e. have a company secretary that is trained in legal, accountancy, or company secretarial practices

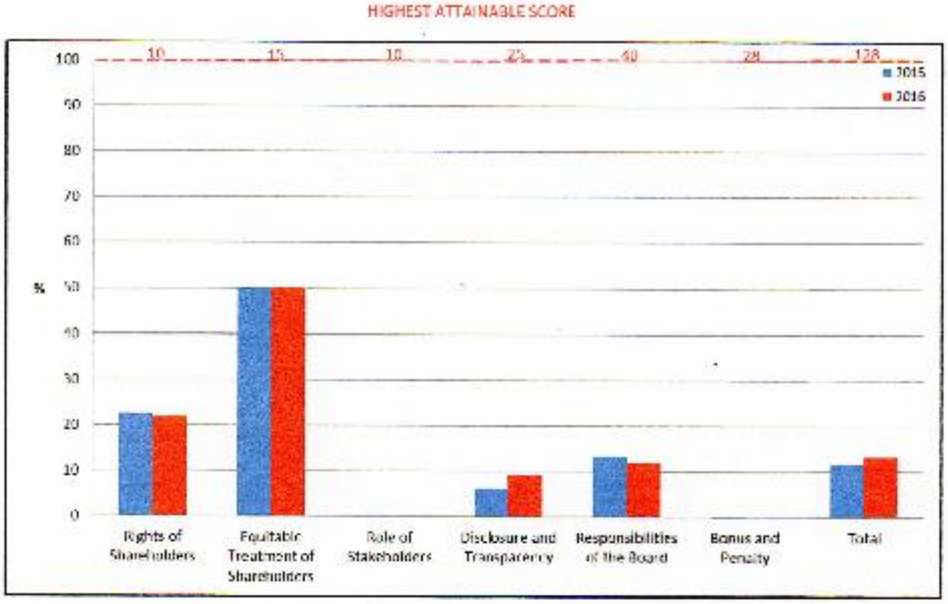
Level 2

Bonus and Penalty

1. **Areas for Improvement**

a. 2 Mi-MBAs included unannounced/additional items in their ASM/AGM
b. 3 Mi-MBAs failed to identify the company's independent directors
c. 1 Mi-MBA has a director which is the former CEO of the company in the past two years

VI. 2015 vs 2016 Company Analysis



2015	2.27	7.50	0.00	1.56	5.33	-2.00	14.67
2016	2.17	7.50	0.00	2.34	4.80	0.00	16.82

Figure 5: Comparison of 2015 – 2016 scores of SRCDC

In 2016, SRCDC MBAI earned a corporate governance score of **16.82** points. This is a 14.66% increase from its 2015 score of 14.67 points.

SRCDC scored the highest in Part B, retaining its score of 7.5 out of 15 points. Conversely, the company scored the lowest but improved the most in Part D, earning 2.34 out of 25 points. This is a 50% increase from its previous score of 1.56 points.

Observations

Level 1

Part A. Rights of Shareholders

1. **Areas for improvement**
    - The company did not disclose a policy providing non-controlling shareholders a right to nominate candidates for board of directors.
    - Members were not allowed to elect directors individually.
    - The company did not disclose the voting and vote tabulation procedures used, declaring both before the meeting proceeds.
    - The was no record in the minutes of the most recent AGM (1) if there was an opportunity allowing for shareholders to ask questions or raise issues nor did it (2) record the questions and answers raised and discussed.
    - The disclosure of the outcome of the most recent AGM did not include resolution(s).
    - The company did not disclose the voting results including approving, dissenting, and abstaining votes for each agenda item for the most recent AGM.
    - The list of board members who attended the most recent AGM was not disclosed.
    - The company did not disclose in the minutes of the meeting whether or not the chairman of the board of directors, the CEO/Managing Director, and the chairman of the audit committee attended the most recent AGM.
    - The company's most recent AGM was not organized in an easy-to-reach location.
    - The company did not vote by poll (as opposed to by show of hands) for all resolutions at the most recent AGM.
    - It was not explicitly disclosed if it has appointed an independent party (scrutineers/inspectors) to count and validate the votes at the AGM.
    - The company did not make publicly available by the next working day the result of the votes taken during the most recent AGM for all resolutions.
    - The company did not provide a 21-day notice for all resolutions
    - The rationale and explanation for each agenda item which required members' approval in the notice of the most recent AGM was not provided.

2. **Recommended actions**
    - The company should provide non-controlling shareholders a right to nominate candidates to the board of directors.
    - The company should explicitly state that if it allows shareholders to elect directors individually.

- The voting and vote tabulation procedures to be used were not declared before the meeting.
- The minutes of the most recent AGM should record that there was an opportunity allowing for shareholders to ask questions or raise issues.
- The minutes of the most recent AGM should record questions and answers.
- The disclosure of the outcome of the most recent AGM should include resolutions.
- The voting results including approving, dissenting, and abstaining votes for each agenda item of the most recent AGM should be disclosed.
- The company should disclose the list of board members who attended the most recent AGM. In addition, it must be explicitly stated whether or not the chairman of the board of directors, the CEO/Managing Director/President as well as the chairman of the Audit Committee attended the most recent AGM.
- The company should organize their most recent AGM in an easy-to-reach location.
- The company can vote by poll (as opposed to by show of hands) for all resolutions in the most recent AGM.
- It should be explicitly disclosed if the company has appointed an independent party (scrutineers/inspectors) to count and validate the votes at the AGM.
- The result of the votes for all the resolutions taken during the most recent AGM must be publicly available by the next working day.
- The company should provide at least 21 days' notice for all resolutions.
- The rationale and explanation for each agenda item which require shareholders' approval in the notice of AGM should also be provided.

Part B. Equitable Treatment of Shareholders

1. **Strengths**
    - There are no related-party transactions that can be classified as financial assistance to entities other than wholly-owned subsidiary companies.

2. **Areas for improvement**
    - The company bundled some items in one resolution.
    - The company's notice of the most recent AGM was not available in English.
    - The profiles of directors (age, academic qualification, date of first appointment, experience, and directorships in other listed companies) in seeking election or re-election were not completely disclosed.
    - The auditors seeking appointment or re-appointment were not clearly identified
    - Proxy documents were not easily available.
    - The company does not have a policy requiring a committee of independent directors to review material related-party transactions to determine whether they are in the best interests of the company and members.