

**EMPIRE INSURANCE COMPANY  
CORPORATE GOVERNANCE  
SUPPLEMENTAL REPORT-2020**

**RESPONSIBILITY FOR GOOD GOVERNANCE**

- . Good Corporate Governance is the responsibility and concern, not only of the Board of Directors and Management but also of each and every employee of the Corporation. The Board of Directors sees to it that a system of rules and regulations is in place defining the duties and responsibilities of each and every office and employee to accomplish the objective.

**IMPLEMENTATION AND ENFORCEMENT**

- . EMPIRE INSURANCE COMPANY strives for best practices in order to raise its Corporate Governance to international standards.

**RIGHTS OF STOCKHOLDERS**

- . The Increase in Capitalization was approved by the Securities and Exchange Commission on June 14, 2018.
- . Subscription of Stockholders on Redeemable Convertible Preferred Shares were paid. Shares of Stock distributed.
- . There was declaration of cash dividend for the year 2018 distributed to stockholders of Redeemable Convertible Preferred Shares.
- . The Annual Stockholders' Meeting is scheduled every 3rd Thursday of April yearly. Special Meetings are scheduled as the needs arise.
- . The Nomination Committee welcomes all nominations for evaluation.
- . The Company sends Notices and Agenda of Annual Stockholders Meeting is more than 21 days prior to date of Meeting.
- . The Notice and Agenda sent to Stockholders 27 days prior to the set Meeting, more than required.
- . No merger transpired. In case of a merger, acquisitions and/or takeover requiring shareholders approval, the Board of Directors will appoint an independent party to evaluate.
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- . Safeguards are stipulated in contracts such as performance bonds. Contracts are reviewed by Legal Counsels and elevated in the Board Meetings.
- . By its nature, our business has limited impact on the environment.
- . The Company practices recycling of paper and conscious minimization of electricity usage during noon breaks.
- . Management sees to it that dealing with stockholders are above board.
- . Sensitive matters are presented to the Board or taken up with the Legal Counsel.
- . Internal Audit lays out procedures and enforces implementation to avoid corruption.

**SHARES AND VOTING RIGHTS**

- . The Company has two classes of shares - Common shares and Redeemable Convertible Preferred Shares. Each Stockholder of record is entitled to one vote for each share of stock in his/her name.

**NOTICE OF ANNUAL STOCKHOLDERS MEETING**

- . Each Resolution deals with only one item.
- . Notices including the Agenda are delivered to all stockholders. Notices are written in English.
- . Agenda of the Meeting sent to Stockholders include explanation.
- . Proxy documents, are delivered timely over 21 days prior to the date of meeting and include proposed matters for shareholder votation.
- . Duly accomplished Proxy forms are collected from stockholders without need to be notarized
- . Stockholders are furnished with sufficient information concerning the date, location and agenda of the General Meeting as well as information regarding issues to be decided on in the meeting.
- . Shareholders are informed of the rules including voting procedures that govern shareholders meetings.
- . The Board of Directors selects and recommends the Auditor seeking appointment in the Stockholders Meeting.

## RELATED PARTY TRANSACTIONS

It is the Company's policy that Related Party Transactions are conducted at arm's-length with any consideration paid and/or received by the Company or any of its related parties in connection with any such transaction being on terms no less favorable to the Company than the terms available to any unconnected third party under the same or similar circumstances. The Company shall maintain and preserve proper documentation in its adherence to the transfer pricing regulation for audit purposes.

Related-party transactions are conducted on terms that are at least comparable to normal commercial terms in order to safeguard the best interests of the insurance Corporation and its policyholders, creditors and claimants. In all cases, the provisions of Title 20 Chapter III of the Insurance Code are complied with. Related-party transactions are disclosed fully to the Board. Prior Board approval are obtained for related-party transactions that are material in nature.

## WELFARE POLICIES FOR ITS EMPLOYEES

- . The Company enrolls employees in the Insurance Development Programs of the Insurance Institute for Asia the Pacific.
- . The Company also gives in-house Insurance training and seminar for employees by training providers accredited by the Insurance Commission.
- . The Company provides Healthcare Maintenance and Life Insurance for its Employees.
- . The Company conducts annual Fire and Earthquake drills for its employees.
- . The Company has Fire and Earthquake Contingency plans for the safety and welfare of its employees.
- . The Company has a reward/compensation policy Company benefits: Professional Incentive Bonus, Years-of-Service Awards, Christmas Bonus; and Profit Sharing Bonus.
- . Given the Company's lean organizational chart, the open door Policy serves as the effective mode of relaying concerns to the Board Management is discreet on addressing such reports and keeps informants names confidential.

## FINANCIAL REPORTING

- . The Board ensures timely and accurate disclosure of all material matters including the financial condition, performance, ownership and governance of the Corporation.
- . Fair, timely and cost-efficient access to relevant information is made available to all parties with a legitimate interest in the Corporation. Key financial information are readily and easily accessible to shareholders, policyholders, creditors and claimants in the Audited Financial Statements.
- . The Board and Senior Management receive regular reports on all key aspects of the operations of the insurance Corporation, which include an analysis of premium growth, underwriting performance, investment results, claims management and credit control to provide a sound basis for assessing financial performance and condition, identifying real and potential problems and formulating appropriate policies and strategies.
- . The Board ensures faithful compliance with the financial and other reportorial requirements under the Insurance Code using a standard format provided by the Insurance Commission.

## TRANSPARENCY

- . Disclosure includes material information on the financial and operation results of the Corporation in the Audited Financial Statement of the Company and Annual Statement submitted to the Insurance Commission.

## INTERNAL CONTROL

- . The Board assures that an effective system of control is in place for safeguarding the Corporation's assets.
- . Major risks facing the corporation which are likely to affect the performance and financial condition, including underwriting risk, reinsurance risk, investment risk, geographical risk, operational risk and legal risk and the approach taken by Management in dealing with these risks, are reported to the Board to enable the latter to effectively address said risks.
- . The Board ensures that reports accurately reflect the financial condition of the Corporation and the results of its operations.
- . The Board regularly reviews the system for ensuring adherence to key internal policies as well as significant laws and regulations that apply to it.
- . Effective and comprehensive internal audit of the Corporation's internal control system are carried out by an operationally independent and competent outsourced staff. Audit findings and recommendations are reported to the Board and Senior Management.
- . One of the most important missions of the Board is protect shareholders value through adequate financial controls. The Board shall foster and encourage a corporate environment of strong internal control, fiscal accountability, high ethical standards and compliance with the law and the Company's Code of Conduct.

## TIMELY FILING/FINANCIAL REPORTS

- . Audited Annual Financial reports are submitted to Bureau of Internal Revenue, Securities & Exchange Commission and the Insurance Commission.
- . The Statement of Management Responsibility for Financial Statements in the Audited Financial Statement is signed by the Chairman, the President & CEO, and the Treasurer.

## ACCESS TO INFORMATION

- . Board members obtain accurate relevant and timely information; Production and other financial reports are presented on the meeting itself.
- . The Secretary ensures that all appointments are properly made, all necessary information are obtained from Directors for Company records for the purposes of meeting statutory obligations arising from requirements of the Insurance Commission and other Regulatory Agencies.

## MEDIUM OF COMMUNICATION

- . Company Website
- . Monthly Reports to the Board of Directors
- . Newspaper for Synopsis
- . Company Profile

## BOARD APPOINTMENTS

- . The Directors were re-nominated and elected based on their qualifications and performance.
- . Directors are conscious of their accountabilities to shareholders. All of them attended Corporate Governance Seminar.
- . Board members have appropriate knowledge, competencies and expertise to complement the existing skills of the Board, thereby improving its potential for the Company.

## BOARD OF DIRECTORS

- . The Board of Directors is composed of Eleven (11) members elected by the Shareholders. The Corporation ensures that there are at least three (3) Independent Directors in the Board.
- . The Board endeavors to include a balance between executive and non-executive directors, such that no individual or small group of individuals can dominate the Board's decision making.
- . The non-executive Directors are of sufficient qualification and stature.
- . Non-executive independent Directors are identified in the Annual Report/Annual Statement to the Insurance Commission.

## QUALIFICATIONS & AGE LIMIT

- . Every Director has at least one (1) share of the capital stock of the Corporation standing in his/her name in the books of the Corporation.
- . Directors sitting on its Board are possessed of the necessary skill, competence and experience, in terms of management capabilities and insurance or insurance-related disciplines. In view of the the fiduciary nature of insurance obligations, directors are persons of integrity and credibility.
- . There is no age restriction for Directors provided that he/she is physically and mentally able to discharge his/her duties, functions and responsibilities. He/she may voluntarily retire from service by giving notice to the Board of Directors at least thirty (30) days before the effectivity date of his/her retirement.

## BOARD DUTIES AND RESPONSIBILITIES

- . The Regular Meeting of the Board of Directors is set every last Monday of each month.
- . There are Twelve (12) regular meetings a year, Special Board Meetings are called as the needs arise.
- . All types of decisions requiring Board's approval are in the Monthly Board Meeting Minutes, and Special Meetings.
- . Monthly financial reports and other relevant issues and concerns are taken up.
- . Independent Directors have a term limit of five consecutive years as provided by IC Circular N. 2014-49 effective January 2, 2015.
- . Directors inhibit themselves from voting on issues where there is conflict of interest.
- . No Loans are extended to Directors.

## BOARD CHAIRMAN & CEO

- . Considering that the insurance business is imbued with public interest, the roles of Chairman and Chief Executive Officer are not combined to ensure a balance of power and authority such that no one person has unfettered decision-making powers. The Chairman of the Board is a non-executive Director.
- . The Chairman has a role distinct from that of the President & CEO.
- . The Chairman is available to shareholders for dialogue on key matters of the Company's Governance.
- . The Chairman does not participate in the day-to-day management of the Company.

## COMPANY INDEPENDENT DIRECTORS

- . The Company's Independent Directors were never been officers nor employees of the Corporation .
- . They are not related by consanguinity or affinity to an officer in a senior management position of the Corporation.
- . They do not provide services nor receive significant income for other professional services to the Corporation.

## BOARD PROCEDURES

- . Regular Board Meetings are held on the last Monday of the month.
- . The Board meet twelve (12) times a year and have special Board Meetings as the need arises.
- . Annual Certification of Director's Attendance were submitted to the Insurance Commission before January 30 of the year.
- . The Company's quorum for the Board Meetings is 2/3 of 11 seats or the equivalent of 7.

## MISSION & RESPONSIBILITY OF THE BOARD OF DIRECTORS - COMPANYS CORPORATE GOVERNANCE

- . Approving corporate Philosophy and Mission Vision.
- . Reviewing and approving Management's strategic and business plans.
- . Reviewing and approving the Corporation's financial objectives, plans and actions
- . Overseeing the conduct of the business to ensure proper management; fair and equitable dealings with the policyholders, claimants and creditors.
- . Identifying key business risks, establishing operational risk-taking limits commensurate with financial capacity and technical capabilities for the Corporation's core activities, specifically underwriting, reinsurance and investment, taking into consideration the pertinent provisions of the Insurance Code, and ensuring the implementation of appropriate systems to manage risks within said limits.
- . Performing other functions prescribed by law or assigned to the Board in the Corporation's Articles of Incorporation and By-Laws.
- . Approving corporate policies on major areas of operations, including underwritting, investments, reinsurance and claims management.
- . Ensuring the adequacy and effectiveness of internal control and management information systems, and compliance with applicable laws, rules and regulations and the Corporation's own Articles of Incorporation and By-Laws.
- . Assessing its own effectiveness in fulfilling its responsibilities.
- . Monitoring corporate performance against the strategic and business plans.
- . In sum, fostering the long-term success of the Corporation in a manner consistent with its fiduciary responsibility, which it exercises in the best interest of the Corporation and its shareholders.

## SKILLS AND COMPENTENCE -

- . The Directors of the Company possess integrity and credibility.
- . Directors are conscious of their accountabilities to shareholders.
- . The Directors possess necessary skills with compliance and experience in terms of management in the field of insurance and related disciplines. Reference Bio data.

## BOARD AUTHORITY

- . The Board formally adopts a schedule of matters and authorities especially reserved for its decision as a safeguard against the risk of misjudgement or deliberate illegal or irregular practices.  
The schedule includes the following matters:  
Acquisitions and disposal of assets of the insurance corporation that are material in nature;  
Related-party transactions of material nature;  
Authority levels for core functions of the insurance corporation;  
Organizational structure, job description and authority limits for the Chief Executive Officer including any changes thereto;  
Corporate policies on investment, underwriting, reinsurance, claims management.

## BOARD COMMITTEES - COMPANY'S CORPORATE GOVERNANCE

### . EXECUTIVE COMMITTEE

Can act on behalf of the full Board on matters defined by the Board, and submitted by Management for action, when the Board cannot meet.

### . INVESTMENT COMMITTEE

The Committee is made up of at least three (3) directors. It is charged with the responsibility of advising the Board on the placement of the Company's funds in any marketable securities and/or financial institution for investment purposes.

### . AUDIT COMMITTEE

Comprises of at least 3 members wherein the chairman is an Independent Director.

The Company has four members out of which 3 are Independent Directors and 1 Director with accounting and finance experience.

The Committee is free to hire an Independent Adviser when necessary.

Its main responsibilities include:

Recommend the appointment of external auditors whose report they review;

Monitor the system of internal controls and corporate compliance with laws, regulations and code of ethics;

Serve as direct channel of communication to the Board for the internal auditors and compliance officers(s).

### . NOMINATION COMMITTEE

Composed of at least three (3) members of the Board of Directors wherein the chairman is an Independent Director.

Reviews and evaluates the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors.

The Committee considers the following guidelines in the determination of the number of directorship for the Board:

- . Nature of the business of the corporation where he is a director.
- . Age of the director
- . Number of directorships/active memberships and officerships in other corporations or organizations; and
- . Possible conflicts of interest.

### . REMUNERATION/COMPENSATION COMMITTEE

Composed of at least three (3) members, one of whom is an independent director.

Chairman is an independent director

It delegates responsibilities for setting up remunerations for all executive directors and the Chairman

Ensures that there is in place a system of compensation providing performance incentive to Management.

Evaluate the Board and Senior Management.

## BOARD APPRAISAL

- . The Company provides an adequate orientation process for new directors, the Code of Corporate Governance Principles and Leading Practices; stating among others, the specific Duties and Responsibilities of Directors to all and new Directors. All Directors have attended the Corporate Governance Seminar.
- . An Annual Performance Assessment is conducted by the Board of Directors of its own performance and as individual Directors.

## BOARD REMUNERATION

The Board sets remuneration levels adequate to attract and retain qualified directors. Remuneration for directors are competitive and take into account the duties and other commitments imposed upon them.

## CEO/EXECUTIVE MANAGEMENT

- . Appointments are done annually after a performance review which is considered confidential.

## PUBLIC ACCOUNTABILITY - COMPANY'S CORPORATE GOVERNANCE

- . As custodian of public funds, EMPIRE INSURANCE COMPANY ensures that its dealings with the public are always conducted in a fair, honest and equitable manner. Accordingly, its Officers avoid conflicts of interest and do not engage in any unfair or deceptive acts or conduct that constitute unfair trade practices to the detriment of policyholders and claimants, including but not limited to:
  - . Misrepresentations through false, deceptive or misleading statements, which include misrepresentations as to terms and benefits of insurance policies, the financial condition of the Corporation and information about competitors for the purpose of inducing a policyholders to lapse, forfeit or surrender his policy;
  - . Entering into any agreement to commit any act of boycott, coercion or intimidation resulting in a market monopoly of insurance business;
  - . Knowingly committing or performing as a general business practice unfair claims settlement practices as defined in Section 241 of the Insurance Code;
  - . Deliberately or unreasonably delaying the remittance of funds representing payments of insurance and reinsurance premiums due to the insurers/reinsurers;
  - . Deliberately or unreasonably delaying the remittance of funds representing claims or reinsured loss recoveries/settlements due the assureds or insurers.