



**NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**

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May 30, 2013

**Philippine Stock Exchange Inc.**  
Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention: **Ms. Janet Encarnacion**  
Head, Disclosure Department

Re: **National Reinsurance Corporation of the Philippines**  
**SEC Form- ACGR for 2012**

Dear Ms. Encarnacion:

We are submitting herewith a copy of the Annual Corporate Governance Report (SEC Form- ACGR) for the year 2012, which we also submitted to the Securities and Exchange Commission.

Kindly for your reference and information.

Very truly yours,

A handwritten signature in black ink, appearing to read "Regina S. Ramos".

REGINA S. RAMOS  
Compliance Officer

**NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**

**Annual Corporate Governance Report  
for the year 2012**

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**SEC Form- ACGR**

**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM – ACGR**  
**ANNUAL CORPORATE GOVERNANCE REPORT**

**GENERAL INSTRUCTIONS**

**(A) Use of Form ACGR**

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

**(B) Preparation of Report**

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

**(C) Signature and Filing of the Report**

- A. Three (3) complete set of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be **manually** signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.


**(D) Filing an Amendment**

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is filed for the Year ..... **2012** .....
2. Exact Name of Registrant as Specified in its Charter . **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES, doing business under the names and styles of Philippine National Reinsurance Company; PhilNaRe**
3. **18<sup>th</sup> Floor, Philippine AXA Life Centre,  
Sen. Gil Puyat Ave. cor. Tindalo St., Makati City** ..... **1200** .....
- Address of Principal Office ..... Postal Code
4. SEC Identification Number ..... **80118** ..... 5.  (SEC Use Only)
- Industry Classification Code
6. BIR Tax Identification Number..... **000-480-869-000** .....
7. **(632) 988-7400** .....
- Issuer's Telephone number, including area code
8. **None** .....
- Former name or former address, if changed from the last report

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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	13
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Actual number of Directors for the year	13
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
1. Helen Y. Dee	NED	MICO Equities, Inc.	Helen Y. Dee	Jan. 2010	June-2012	ASM*	3.0
2. Robert G. Vergara	NED	GSIS	Robert G. Vergara	Oct. 2010	June- 2012	ASM*	2.25
3. Roberto B. Crisol	ED		Reynaldo A. De Dios	Jan. 2009	June-2012	ASM*	4.0
4. Rafael G. Ayuste, Jr.	NED		Rafael G. Ayuste, Jr.	June 2012	June-2012	ASM*	0.5
5. Romeo L. Bernardo	ID		Edgar B. Villaseñor ( <i>not related to ID</i> )	June 2006	June-2012	ASM*	1.0
6. Rafael C. Gallaga	NED		Roberto B. Crisol	June 2012	June-2012	ASM*	0.5
7. Danilo A. Gozo	NED	GSIS	Robert G. Vergara	June 2011	June-2012	ASM*	1.5
8. Jose Teodoro K. Limcaoco	NED	BPI	Aurelio R. Montinola, III	June 2009	June-2012	ASM*	3.5
9. Ermilando D. Napa	ID		Vicente B. Villarama ( <i>not related to ID</i> )	June 2011	June-2012	ASM*	1.0
10. Medel T. Nera	ID		Amerfil V. Basco ( <i>not related to ID</i> )	July 2011	June-2012	ASM*	1.0
11. Alfonso L. Salcedo, Jr.	NED	BPI	Aurelio R. Montinola, III	June 2002	June-2012	ASM*	10.5
12. Gregorio T. Yu	NED	GSIS	Robert G. Vergara	Dec . 2010	June-2012	ASM*	2.0
13. Yvonne S. Yuchengco	NED	MICO Equities, Inc.	Yvonne S. Yuchengco	June-2006	June-2012	ASM*	6.5

\*Annual Stockholders' Meeting held on June 27, 2012.

**(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.**

#### **Treatment of all shareholders**

Each share entitles the holder to one vote that may be exercised in person or by proxy at shareholder meetings,

<sup>1</sup> Reckoned from the election immediately following January 2, 2012.

including the Annual Stockholders' Meeting. The shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. Voting procedures on matters presented for approval to the stockholders in the Annual Stockholders' Meeting are set out in the Definitive Information Statement, which is sent out to all stockholders of record at least 15 days before the date of meeting.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

#### **Respect for the rights of minority shareholders and of other stakeholders**

The Board of Directors shall ensure that all rights of stockholders as mandated and set forth in the Corporation Code of the Philippines, Articles of Incorporation and By Laws of the Company shall be respected. Among these rights of stockholders as provided for in the Corporation Code are: right to vote on all matters that require their consent or approval; right to inspect corporate books and records; right to information; right to dividends; and appraisal right.

The company has mechanism that allows minority shareholders to influence board composition by cumulative voting and nomination of independent directors.

#### **Disclosure Duties**

The essence of corporate governance is transparency. The Board believes that the more transparent the internal workings of the corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the corporation or misappropriate its assets. It is therefore essential that all material information about the corporation which could adversely affect its viability or the interest of the stockholders should be publicly and timely disclosed. Such information include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, minimum public ownership, direct/ indirect remuneration of members of the Board and Management and other corporate disclosures required for reporting by the regulators.

All required information are fully disclosed through the submissions and filings made to the SEC and the PSE.

#### **Board Responsibilities**

The Board recognizes that a good corporate governance system is integral to the mandate bestowed upon them by the Company's stockholders. They are fully conscious of their fiduciary duties, accountabilities and responsibilities to all stakeholders, and they subscribe to the belief that the pursuit of corporate goals must be bound by high ethical standards. Its duties and responsibilities as defined in the Company's amended By-laws include: (1) acting on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and its stockholders; (2) staying up-to date on developments in finance and corporate governance; (3) acting with confidentiality and discretion in the use of information proprietary to the Company; (4) avoiding any conflict of interest; (5) conducting fair business transactions with the Corporation (6) disclosing any relationship that can compromise a Director's independence; (7) fostering a non-discriminatory work and business environment; (8) exercising due prudence in the use of Company's resources; (9) keeping Board authority within powers of the institution; (10) respecting the rights of all stakeholders; (11) submitting to a vote of shareholders all matters requiring their approval under the Corporation Code; (12) adhering to all laws and regulations defining the Board's obligations

#### **(c) How often does the Board review and approve the vision and mission?**

The Company's vision and mission statement is reviewed and approved as often as required.

#### **(d) Directorship in Other Companies**

##### **(i) Directorship in the Company's Group<sup>2</sup> -**

The Company has no parent, subsidiaries, associates and joint venture arrangement with any company.

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<sup>2</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.



Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
<i>The Company has no parent, subsidiaries, associates and joint venture arrangement with any company.</i>		

**(ii) Directorship in Other Listed Companies**

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
<b>Helen Y. Dee</b>	Rizal Commercial Banking Corporation, House of Investments, Inc., Petro Energy Resources Corp., Seafront Resources Corporation	Non-Executive Director and Chairperson
	Phil. Long Distance Telephone Company, EEI Corp.	Non-Executive Director
<b>Gregorio T. Yu</b>	Philippine Bank of Communication, iRipple, Inc.	Non-Executive Director
	iRemit, Inc., Yehey! Corporation	Independent Director
<b>Yvonne S. Yuchengco</b>	iPeople Inc. Seafront Resources Corporation, House of Investments, Inc.	Non-Executive Director
	Petro Energy Resources Corp.	Executive Director- Treasurer
<b>Romeo L. Bernardo</b>	Globe Telecom Inc	Non-Executive Director
	Aboitiz Power Corp. RFM Corp. BPI	Independent Director
	Philippine Stock Exchange, Inc.	Non-Executive Director
<b>Robert G. Vergara</b>	Philippine Stock Exchange, Inc.	Non-Executive Director
<b>Medel T. Nera</b>	House of Investments, Inc	Executive Director- President & CEO
	Rizal Commercial Banking Corp Seafront Resources Corp iPeople Inc. EEI Corp.	Non-Executive Director

**(iii) Relationship within the Company and its Group**

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Ms. Helen Yuchengco-Dee	MICO Equities, Inc.	They are sisters and therefore related to each other within the 2 <sup>nd</sup> degree of consanguinity.
Ms. Yvonne S. Yuchengco	MICO Equities, Inc.	

- (iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? **YES.**  
**In particular, is the limit of five board seats in other publicly listed companies imposed and observed? **NO.**  
**If yes, briefly describe other guidelines:****

Director	Guidelines	Maximum Number of Directorships in other companies
<b>Executive Director</b> (We have only one (1) Executive Director, who is also our President & CEO.)	The President/CEO and other executive directors shall submit themselves to a low indicative limit (four or lower) on membership in other corporate boards.	Maximum of four or lower.
<b>Non-Executive Director</b>	There can be a higher indicative limit for all other directors, which in any case, the capacity of directors to serve with diligence shall not be compromised.	No specific limit is explicitly set because we believe that all our directors have the capacity and ability to serve without compromising their diligence and efficiency and this is supported by their high attendance turnout during the regular monthly board meetings.
<b>CEO</b>	The President/CEO and other executive directors shall submit themselves to a low indicative limit (four or lower) on membership in other corporate boards.	Maximum of four or lower.

**(c) Shareholding in the Company**

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
1. Helen Y. Dee	100	-	0.000005%
2. Robert G. Vergara	1,000	-	0.000047%
3. Roberto B. Crisol	1,000	-	0.000047%
4. Rafael G. Ayuste, Jr.	100,000	-	0.004709%
5. Romeo L. Bernardo	4,100	-	0.000193%
6. Rafael C. Gallaga	13,600	-	0.000640%
7. Danilo A. Gozo	1,000	-	0.000047%
8. Jose Teodoro K. Limcaoco	100	-	0.000005%
9. Ermilando D. Napa	1,000	-	0.000047%
10. Medel T. Nera	1,000	-	0.000047%
11. Alfonso L. Salcedo, Jr.	1,316,000	-	0.061970%
12. Gregorio T. Yu	1,000	-	0.000047%
13. Yvonne S. Yuchengco	26,000	-	0.001224%

**2) Chairman and CEO**

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes  No

**Identify the Chair and CEO:**

Chairman of the Board	Ms. Helen Y. Dee
CEO/President	Mr. Roberto B. Crisol

**(b) Roles, Accountabilities and Deliverables**

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO. *(Amended By-Laws, page 12, Section 11. Chairman, and page 13, Section 2. President)*

Definition	Chairman	Chief Executive Officer
<b>Role</b>	<p><i>He effectively manages the affairs of the Board.</i></p> <p><i>He exercises such powers which are given him by the company's By-Laws and such other duties customarily incident to the said office and those which may be prescribed by the Board of directors from time to time.</i></p> <p><i>Generally he ensures that the Board is effective in its tasks of setting and implementing the company's direction and strategy.</i></p>	<p><i>Generally the President shall be the Chief Executive Officer of the Corporation and shall be responsible for the effective management of the Company.</i></p> <p><i>He shall supervise and manage the internal organization and business affairs of the Corporation and ensure that the administrative and operational policies of the Corporation are carried out under his supervision and control.</i></p>
<b>Accountabilities</b>	<p><i>Presiding at all meetings of the Stockholders and of the Board of Directors.</i></p> <p><i>Maintaining qualitative and timely lines of communication and information between the Board and Management.</i></p> <p><i>Holding board meetings in accordance with the by-laws or as he may deem necessary.</i></p>	<p><i>Upon authority granted by the Board of Directors the President;</i></p> <ul style="list-style-type: none"> <li><i>• signs deeds, bonds, contracts, or other instruments;</i></li> <li><i>• authorizes the purchase or acquisition of personal properties, furniture, fixtures, or other office equipments</i></li> <li><i>• approves all expenses or disbursements authorized in the budget of the Corporation</i></li> <li><i>• represents the Corporation in any negotiation which may be necessary to make in the usual course of business</i></li> <li><i>• represents the Corporation in any judicial or administrative proceedings</i></li> <li><i>• appoints and discharge employees occupying the positions authorized by the Board of Director</i></li> <li><i>• performs all other duties customarily incident to his office and as may be prescribed by the Board from time to time.</i></li> </ul>
<b>Deliverables</b>	<p><i>Meeting agenda prepared by the Corporate Secretary considers suggestions of the President, Management and the directors.</i></p> <p><i>Recommendations regarding the business of the Corporation is submitted for consideration of the Board of Directors.</i></p> <p><i>He casts the deciding vote in case of a tie in the Stockholders or in the Board of Directors' meetings.</i></p>	<p><i>Submits and recommends for Board approval:</i></p> <ul style="list-style-type: none"> <li><i>• short and long range plans for the Corporation;</i></li> <li><i>• Balance Sheet, Profit and Loss Statement, Budget of administration expenses and</i></li> <li><i>• Annual Report on the operation and condition of the Corporation</i></li> </ul> <p><i>Executes all resolutions of the stockholders and the Board of directors.</i></p>

**3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?**

*The Board of Directors through its Nomination and Compensation Committee, reviews and evaluates the qualifications of all persons nominated to the Board as well as those nominated to other positions which includes*

the CEO/President and the top key management positions to ensure that only qualified, competent, honest and highly motivated officials are appointed. The Company also engages services of professional recruitment or reputable job placement agencies or organizations to source candidates for management and executive level jobs. ( e.g. Head Hunters). (Revised Manual of Corporate Governance-page 15, Item 2, Nomination Committee)

#### 4) Other Executive, Non-Executive and Independent Directors

**Does the company have a policy of ensuring diversity of experience and background of directors in the board? YES. Please explain.**

As stated in the amended By-Laws, Art. III, Section 2, (page 8) Qualification of Directors. “ ... Directors sitting in the Board shall be possessed of the necessary skills, competence and experience, in terms of management capabilities and preferably in the field of insurance or insurance-related disciplines...” Furthermore it is also stated therein that “ Considering that the insurance business is imbued with public interest, the roles of the Chairman of the Board and Chief Executive Officer shall as a general rule not be combined to ensure a balance of power and authority, such that no person has unfettered decision making powers.” (Amended By-Laws, page 8, 3<sup>rd</sup> paragraph)

**Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? YES. Please explain.**

As already mentioned in the above policy, we have several non-executive directors who possess the competence and experience in the field of insurance or insurance-related disciplines. This can be gauged from the respective business experiences of the company’s directors during the past five (5) years, as these are described in the appropriate section of the 2012 SEC Form 20-IS, Information Statement (pages 9-11).

**Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:** (Amended By-Laws, pages 10-13 and Revised Manual on Corporate Governance, pages 9-12)

Definition	Executive (CEO/President)	Non-Executive	Independent Director
<b>Role</b>	<p>Generally the President shall be the Chief Executive Officer of the Corporation and shall be responsible for the effective management of the Company.</p> <p>He shall supervise and manage the internal organization and business affairs of the Corporation and ensure that the administrative and operational policies of the Corporation are carried out under his supervision and control.</p>	<p>A director’s office is one of trust and confidence.</p> <p>Directors should act in the best interest of the corporation in a manner characterized by transparency, accountability and fairness.</p> <p>He should also exercise leadership, prudence and integrity in directing the corporation towards sustained progress.</p> <p><b>In addition, an independent director identifies the most critical issues for the board to deal with and assist the board in achieving consensus on important issues.</b></p>	
<b>Accountabilities</b>	<p>Upon authority granted by the Board of Directors the President;</p> <ul style="list-style-type: none"> <li>• signs deeds, bonds, contracts, or other instruments;</li> <li>• authorizes the purchase or acquisition of personal properties, furniture, fixtures, or other office equipments</li> <li>• approves all expenses or disbursements authorized in the budget of the Corporation</li> <li>• represents the Corporation in any negotiation which may be necessary to make in the usual</li> </ul>	<p>He shall observe the following norms of conduct:</p> <ul style="list-style-type: none"> <li>• Conduct fair business transactions with the corporation and ensure that personal interest does not prejudice Board decisions;</li> <li>• Devotes time and attention necessary to properly discharge his duties and responsibilities;</li> <li>• Acts judiciously;</li> <li>• Exercises independent judgment;</li> <li>• Have working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation, By-laws, the requirements of the</li> </ul>	

Definition	Executive (CEO/President)	Non-Executive	Independent Director
	<p>course of business</p> <ul style="list-style-type: none"> <li>represents the Corporation in any judicial or administrative proceedings</li> <li>appoints and discharge employees occupying the positions authorized by the Board of Director</li> <li>performs all other duties customarily incident to his office and as may be prescribed by the Board from time to time.</li> </ul>	<p>SEC, and where applicable the requirements of other regulatory agencies such as the IC;</p> <ul style="list-style-type: none"> <li>Observes confidentiality;</li> <li>Ensures the continuing soundness, effectiveness and adequacy of the Company's internal control system.</li> </ul> <p>Directors shall have the duty of preparing and actively participating in board meetings.</p> <p>Independent directors should always attend board meetings.</p>	
<b>Deliverables</b>	<p>Submits and recommends for Board approval:</p> <ul style="list-style-type: none"> <li>short and long range plans for the Corporation;</li> <li>Balance Sheet, Profit and Loss Statement, Budget of administration expenses and</li> <li>Annual Report on the operation and condition of the Corporation</li> </ul> <p>Executes all resolutions of the stockholders and the Board of directors.</p>	<p>The Board establishes the general policies and guidelines which will enable Management to render an effective management of the Company and as part of which undertakes to:</p> <ul style="list-style-type: none"> <li>Formulate company's <u>vision and mission</u>;</li> <li>Approve and confirm management's <u>corporate strategies, major plans of actions, risk policy, annual budget and business plan</u>;</li> <li>Adopts a <u>succession plan</u></li> <li>Review annually the Company's <u>compliance with its Code of Corporate Governance</u>;</li> <li>Approve corporate policies on major areas of operations, including Underwriting, Investments, Reinsurance Claims management and risk management</li> <li>Ensures the adequacy and effectiveness of the Company's <u>internal control and management information systems</u></li> <li>Approves <u>annual budget and general expenses</u> upon recommendation of the President</li> <li>Submits annually at regular General Meeting of Stockholders the <u>Balance Sheet, Profit and Loss Statement and Annual Report on the condition of the Corporation</u>;</li> </ul> <p>(emphasis supplied)</p>	

**Provide the company's definition of "independence" and describe the company's compliance to the definition.**

**Independent Director** refers to a person other than an officer or employee of the Corporation, its parent or subsidiaries, or any other individual having any relationship with the Corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. This means that apart from directors' fees and shareholdings, he should be independent of Management and free from any business or other relationships which could materially interfere with the exercise of his independent judgment. He must also possess all the qualifications and none of the disqualifications of an independent director provided under IC Circular Letter No. 31-2005, SRC Rule 38, the SEC Revised Code of Corporate Governance, and other relevant IC and SEC issuances and regulations. (Amended By- Laws- Article VI, Section 1, page 18)

Pursuant to the applicable rules and regulations of the IC and the SEC, independent directors are nominated and elected in the Annual Stockholders' Meeting and each director issues a certification confirming his independence within 30 days from his election. Messrs. Ermilando D. Napa, Romeo L. Bernardo and Medel T. Nera are currently the Company's Independent Directors.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company follows the SEC's guidelines on setting the term limit for an Independent Director.

The Company will formalize its policy which will be consistent with the related SEC Memorandum Circular 9, Series of 2011 on the Term Limits for Independent Directors, which took effect on January 2, 2012.

## 5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

### (a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
No change occurred within the period.			

### (b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure: *(Amended By-Laws, Article III, Board of Directors, pages 7-8 and Nomination and Election Rules- Nomination Committee, Nomination of Candidates, pages 1-3)*

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
<b>(i) Executive Directors</b> <i>(we have only one Executive Director who is also the President / CEO)</i>	<ol style="list-style-type: none"> <li>The Board thru its Nomination Committee pre-screens the qualifications of all nominees to the Board of Directors, taking into consideration the relevant issuances of the Insurance Commission and the Securities and Exchange Commission. <i>[Nomination and Election Rules]</i></li> <li>Nominations for directors shall be made in writing and shall be delivered or mailed to the Chairman of the Board or Vice Chairman of the Board at the principal office of the Corporation, with the written consent of the nominees, at least sixty (60) days before the scheduled date of the annual stockholders' meeting. The Chairman or Vice Chairman of the Board shall forward or refer such nominations to the Nomination Committee. <i>[Amended By-laws, Page 9, Section 4. Nomination of Directors]</i></li> <li>Evaluation of Qualifications of</li> </ol>	<b>Qualifications of Regular Directors:</b> <ul style="list-style-type: none"> <li>Directors sitting on the Board must own at least one (1) share of the outstanding capital stock of the Corporation which share shall stand in his name in the books of the Corporation</li> <li>Majority of directors must be residents of the Philippines.</li> <li>Directors sitting in the Board shall be possessed of the necessary skills, competence and experience, in terms of management capabilities and preferably in the field of insurance or insurance-related disciplines.</li> <li>He must possess all the qualifications and none of the disqualifications of regular directors under the IC Code of Corporate Governance as provided in the Guidelines for Nomination of Directors <i>[Nomination and Election Rules, Annex A- Guidelines for the Nomination of Directors]</i></li> <li>The Board of directors may</li> </ul>

Procedure	Process Adopted	Criteria
	<p><i>Candidates- Before the annual stockholders' meeting, the Committee shall convene for the purpose of evaluating the qualifications of the nominees for directors of the Corporation. The Committee shall thereafter prepare the final list of qualified candidates. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as directors. No other nominations shall be entertained after the final list of candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting. [Nomination and Election Rules]</i></p> <p>4. <i>The election of directors shall be by secret ballot. Cumulative voting shall be allowed and each shareholder shall have the right to vote in person or by proxy the number of shares standing in his name at record date. He may also vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the total number of directors to be elected. Provided further, that no delinquent stock shall be voted. Candidates receiving the highest number of votes shall be declared elected. [Amended By-Laws, Page 6, Section 7. Election of Directors]</i></p> <p>5. <i>"At the organizational meeting of the Board of Directors, the Board shall elect the President from among the members of the</i></p>	<p><i>provide for additional qualifications of a director, such as but not limited to the following: (a) educational attainment, (b) adequate competency and understanding of the business, (c) integrity, credibility and probity, and (d) assiduousness or diligence. [Amended By-Laws, Page 8, Section 2. Qualifications of Directors.]</i></p>

Procedure	Process Adopted	Criteria
	<i>Board.” [Amended By-Laws, Article IV, Officers, Section 1, Page 13]</i>	
<b>(ii) Non-Executive Directors</b>	<i>(Process adopted is similar as stated above)</i>	<i>(Same criteria provided above)</i>
<b>(iii) Independent Directors</b>	<i>(Process adopted is similar as stated above)</i>	<p><i>Additional Qualifications of Independent Directors- apart from the qualifications set forth above,</i></p> <ul style="list-style-type: none"> <li><i>a candidate for independent director must be independent of the Corporation’s management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Corporation.</i></li> <li><i>He should satisfy the definition, possess the qualifications and none of the disqualifications as provided by the Insurance Code and the SRC Rule 38 on the requirements on nomination and election of Independent Directors. [Nomination and Election Rules, Annex A- Guidelines for the Nomination of Directors]</i></li> </ul>
<b>b. Re-appointment</b>		
<b>(i) Executive Directors</b>	<i>The President/CEO is covered by an employment contract and has a term of two years or until December 31, 2013, renewable for another year at the sole option of the Corporation. [SEC Form 20-IS, page 21, 3<sup>rd</sup> paragraph]</i>	<i>His performance is evaluated by the Nomination and Compensation Committee before renewal.</i>
<b>(ii) Non-Executive Directors</b>	<i>The process for initial selection or appointment is likewise adopted for re-appointments.</i>	<i>The same criteria mentioned above for selection/ appointment is likewise observed for re-election of directors.</i>
<b>(iii) Independent Directors</b>	<i>The process for initial selection or appointment is likewise adopted for re-appointments.</i>	<i>The same criteria mentioned above for selection/ appointment is likewise observed for re-election of directors.</i>
<b>c. Permanent Disqualification</b>		
<b>(i) Executive Directors</b>	<p><i>Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board of Directors.</i></p> <p><i>It shall pre-screen the qualifications of all nominees to the Board of Directors, taking into consideration the relevant issuances of the Insurance Commission and the</i></p>	<p><u><i>Permanent Disqualifications</i></u></p> <ol style="list-style-type: none"> <li><i>Persons who have 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;</i></li> <li><i>Persons who have been convicted by final judgment of</i></li> </ol>



Procedure	Process Adopted	Criteria
	<p><i>Securities and Exchange Commission. [Nomination &amp; Election Rules, page 1]</i></p>	<p>the court for violation of insurance laws;</p> <ol style="list-style-type: none"> <li>3. Persons who have been judicially declared insolvent, spendthrift or unable to enter into a contract; or</li> <li>4. Directors, officers or employees of closed insurance companies or any insurance intermediaries who were responsible for such institution's closure as determined by the Insurance Commission; <i>[Nomination &amp; Election Rule, Annex A, Guidelines in the Evaluation of the Qualifications of Nominees for Regular and Independent Directors, pages 15-20]</i></li> <li>5. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</li> <li>6. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations, or misconduct enumerated in subparagraphs above</li> <li>7. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years; or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment <i>(Revised Manual of Corporate Governance, pages 6-8)</i></li> </ol>
<b>(ii) Non-Executive Directors</b>	<i>(Same process adopted above for Executive Directors.)</i>	<i>(Same criteria for permanent disqualifications, as stated above for Executive Directors)</i>
<b>(iii) Independent Directors</b>	<i>(Same process adopted above for Executive Directors.)</i>	<p><i>(Same criteria for permanent disqualifications, as stated above for Executive Directors)</i></p> <p><b><u>Disqualifications of Independent Directors.</u></b> <i>The disqualifications of an independent director shall be as provided for under SEC Revised Code of Corporate Governance, the Securities Regulation Code and its Amended Implementing Rules and Regulations, and such other relevant issuances of the SEC and IC. [Amended By-Laws, Article VI, Section 3.</i></p>

Procedure	Process Adopted	Criteria
		<p><i>Disqualifications of Independent Directors and Revised Manual of Corporate Governance]</i></p> <p>He shall likewise be disqualified during his tenure under the following instances or causes:</p> <ol style="list-style-type: none"> <li>1. He becomes an officer or employee of the corporation where he is such member of the board of directors/trustees, or becomes any of the persons enumerated under Section II (5) of the Code of Corporate Governance</li> <li>2. His beneficial security ownership exceeds two (2) percent of the outstanding capital stock of the company where he is such director;</li> <li>3. Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency;</li> <li>4. Such other disqualifications which the covered company's Manual of Corporate Governance provides.</li> <li>5. A securities broker-dealer is likewise disqualified from sitting as an independent director of listed companies and registered issuers of securities. <i>[Nomination and Election Rules, pages 19-21]</i></li> </ol>
<b>d. Temporary Disqualification</b>		
<p><b>(i) Executive Directors</b></p>	<p><i>Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board of Directors.</i></p> <p><i>It shall pre-screen the qualifications of all nominees to the Board of Directors, taking into consideration the relevant issuances of the Insurance Commission and the Securities and Exchange Commission. <i>[Nomination &amp; Election Rules, page 1]</i></i></p>	<p><i>Any of the following shall be a ground for the <u>temporary disqualifications</u> of a director:</i></p> <ol style="list-style-type: none"> <li>1. <i>Refusal to comply with the disclosure requirements of the Securities Regulation Code and its implementing Rules and Regulations, and the disqualification shall be in effect as long as the refusal persists.</i></li> <li>2. <i>Absence in more than fifty (50) percent of all regular and special meetings of the board during his incumbency or any twelve months during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident.</i></li> <li>3. <i>Dismissal or termination for</i></li> </ol>

Procedure	Process Adopted	Criteria
		<p>cause as director of any corporation covered by this Code.</p> <p>4. Beneficial equity ownership of an independent director in the corporation or its subsidiary exceeds two (2) percent of its subscribed capital stock.</p> <p>5. If any of the judgment or orders cited in the grounds for permanent disqualifications has not yet become final.</p> <p>6. A temporarily disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. [Page 8, Manual of Corporate Governance]</p>
<b>(ii) Non-Executive Directors</b>	<i>(Same process stated above for Executive Directors is adopted.)</i>	<i>(Same criteria for temporary disqualifications, as stated above for Executive Directors is adopted.)</i>
<b>(iii) Independent Directors</b>	<i>(Same process stated above for Executive Directors is adopted.)</i>	<i>(Same criteria for temporary disqualifications, as stated above for Executive Directors' is adopted.)</i>
<b>e. Removal</b>		
<b>(i) Executive Directors</b>	<p><i>(Same process stated above for Executive Directors is adopted.)</i></p> <p><u>Vacancy in the Board.</u> Any vacancy in the Board of Directors, other than those caused by removal by the stockholders or expiration of term, shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, said vacancies must be filled by the stockholders in a regular or special meeting called for that purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office. [Amended By-Laws, Section 3. Vacancy in the Board, pages 8-9]</p>	He possesses any of the criteria enumerated for permanent disqualifications, as stated above.
<b>(ii) Non-Executive Directors</b>	<i>(same process as stated above is adopted)</i>	He possesses any of the criteria enumerated for permanent disqualifications, as stated above.
<b>(iii) Independent Directors</b>	<p>Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board of Directors [Nomination &amp; Election Rule]</p> <p>The termination and cessation of an Independent director shall be governed by the provisions of SEC</p>	He possesses any of the criteria enumerated for permanent disqualifications, as stated above.

Procedure	Process Adopted	Criteria
	<i>Memorandum Circular 2, otherwise known as the Code of Corporate Governance, the Securities Regulation Code and its Amended Implementing Rules and Regulations, and such other relevant issuances of the Securities and Exchange Commission and the Insurance Commission. [Amended By-Laws, Article VI, Section 4, pages 18-19]</i>	
<b>f. Re-instatement</b>		
<b>(i) Executive Directors</b>	<i>(Same process as stated above in the selection/appointment and re-election of both regular and independent directors is adopted.)</i>	<i>(Same criteria is used as stated above in the selection/appointment and re-election of both regular and independent directors is adopted.)</i>
<b>(ii) Non-Executive Directors</b>		
<b>(iii) Independent Directors</b>		
<b>g. Suspension</b>		
<b>(i) Executive Directors</b>	<i>(Same process as stated above in the removal of both regular and independent directors is adopted.)</i>	<i>(Same criteria is used as stated above in the removal of both regular and independent directors is adopted.)</i>
<b>(ii) Non-Executive Directors</b>		
<b>(iii) Independent Directors</b>		

#### **Voting Result of the last Annual General Meeting (held last June 27,2012)**

*The number of nominees for directors is 13 and this equals the number of board seats available so that each of the 13 nominee for directors received equal number of votes of 1,550,781,900 each. (Helen Y. Dee, Robert G. Vergara, Rafael G. Ayuste, Jr., Romeo L. Bernardo, Roberto B. Crisol, Rafael C. Gallaga, Danilo A. Gozo, Jose Teodoro K. Limcaoco, Ermilando D. Napa, Medel T. Nera, Alfonso L. Salcedo, Jr., Gregorio T. Yu and Yvonne S. Yuchengco.)*

#### **6) Orientation and Education Program**

##### **(a) Disclose details of the company's orientation program for new directors, if any.**

*The Company does not have a formal orientation program however, new directors are provided with reference reading materials to assist them in understanding better the business and operations of the Company. Further, the President also conducts annual in-house training for new directors to provide them an overview of the reinsurance business which includes both the Non-Life and Life insurance operations. Among the reading materials provided are: (1) Audited Financial Statements, (2) SEC Form 20-IS- Information Statement/ Annual Report, (3) Revised Manual of Corporate Governance, (4) Amended Articles of Incorporation, (5) Amended By-laws, (6) Code of Ethics and Code of Conduct, (7) Definitive Information Statement, (8) Board Committee Charters, (9) Minutes of Annual Stockholders' Meeting, (10) Other relevant write-ups, references or insurance industry reports.*

##### **(b) State any in-house training and external courses attended by Directors and Senior Management<sup>3</sup> for the past three (3) years: (2009 to 2011)**

Name of Director/Officer	Date of Training	Program	Name of Training Institution
1) Robert G. Vergara	March 1, 2011	Orientation Course on Corporate Governance	Institute of Corporate Directors
2) Roberto B. Crisol	Oct. 30-Nov.2,2011	1) 11 <sup>th</sup> Singapore Intl Reinsurance Conference	Singapore Reinsurance Association
	Sept. 22-23, 2011 Sept. 11-14, 2011	2) Asian Reinsurance Summit 3) 25 <sup>th</sup> Pacific Insurance Congress-Singapore	Hosted by PhilNaRe
	June8-9,2011	4) 9 <sup>th</sup> conference on Catastrophe Insurance in Asia	Asia Insurance Review

<sup>3</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
	March 7-9, 2011	5) Executive Course in Catastrophe Modeling & Risk Management	
	March 3-4, 2011	6) 2 <sup>nd</sup> International Symposium on Catastrophe Risk Management	Institute of Catastrophe Risk Management, Nanyang Technological University, Singapore
	Oct. 18-22, 2010	7) 25 <sup>th</sup> Conference of the East Asian Insurance Congress	East Asian Insurance Congress
	July 22-23, 2010	8) Swiss Re Asia Forum	Swiss Re
	March 23-25, 2010	9) 10 <sup>th</sup> CEO Insurance Summit in Asia	Asia Insurance Review and Geneva Association
	November 8-11, 2009	10) Singapore Intl Reinsurance Conference	Singapore Reinsurance Association
	October 7-9, 2009	11) 8 <sup>th</sup> ASEAN Reinsurance Exchange Scheme (ARES) Meeting; 2 <sup>nd</sup> ASEAN Natural Disaster Research Works Sharing Committee Meeting (ANDREWS)	Asean Insurance Council
	August 13-15, 2009	12) 9 <sup>th</sup> Asian Reinsurers Summit	Hosted by Vietnam National Reinsurance Company
	July 16-17, 2009	13) ASEAN Forum on Natural Catastrophe Exposures in Asean	Nanyang Technological University College of Engineering, Singapore-Asian Insurance Council
3) Jose Teodoro K. Limcaoco	July 2011	Executive Program in Strategy & Organization	Stanford University, Graduate School of Business
4) Ermilando D. Napa	December 1, 2011	Orientation Course on Corporate Governance	Institute of Corporate Directors
5) Medel T. Nera	June 1-2, 2011	Orientation Course on Corporate Governance	Institute of Corporate Directors
6) Alfonso L. Salcedo, Jr.	October 21, 2011	1) Wallace Business Forum	Wallace
	October 17, 2011	2) BSP & IMF Regional Economic Outlook Asia & Pacific	BSP & IMF
	August 23, 2011	3) 2011 Ayala Group Mid-Year Economic Briefing	Ayala Corporation
	August 11, 2011	4) 3 <sup>rd</sup> Corporate Treasury & CFO Summit	Finance Asia
	May 12-13, 2011	5) Wholesale Banking Conference in Hongkong	Mckinsey & Company
	March 2, 2011	6) PPP (public-Private Partnership) Conference	SGV & Co.
7) Yvonne S. Yuchengco	October 1-5, 2011	1) 22 <sup>nd</sup> FAIR Conference- Cairo, Egypt	FAIR
	September 13, 2011	2) 9 <sup>th</sup> MAP International CEO Conference	MAP
	August 11-12, 2011	3) Investor in People Leadership Training	
	July 22, 2011	4) ADB Policy & Technical Training on Implementing Disaster Risk	Insurance Commission
	September 2-3, 2010	5) ING Annual Conference- Hongkong	ING
	July 9-10, 2010	6) Enneagram Seminar	
	May 20-21, 2010	7) 10 <sup>th</sup> Marketing Driving Strategies	Mr. Josiah Go
	April 28, 2010	8) 7 <sup>th</sup> Philippine Nonlife Insurance Summit	
	April 8-11, 2010	9) BOAO Forum for Asia Annual Conference 2010- China	
	June 24, 2009	10) 2009 Mid Year Business Economics Briefing- "Ploughing Through Peaks Through Recoveries & Relapses	

**(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year. (2012 and current)**

Name of Director/Officer	Date of Training	Program	Name of Training Institution
1. Roberto B. Crisol	October 29- Nov. 2, 2012 July 12-14, 2012 July 10-13, 2012 February 21-22, 2012	1) 26 <sup>th</sup> Conference of the East Asian Insurance Congress 2) 12 <sup>th</sup> Asian Reinsurer's Summit 3) Munich Re's- 2 <sup>nd</sup> Regional CEO Forum 4) 3 <sup>rd</sup> International Symposium on Catastrophe Risk Management	East Asian Insurance Congress Hosted by Central Reinsurance Corporation Munich Reinsurance Co. Institute of Catastrophe Risk Management of Nanyang Technological University of Singapore; University of Cambridge, Risk Management Services and Asia Risk Center
2. Jose Teodoro K. Limcaoco	February 28 - March 1, 2013	Asia Retail Banking CEO Roundtable 2013	McKinsey & Company
3. Alfonso L. Salcedo, Jr.	November 7-8, 2012 October 23, 2012 August 28, 2012 August 23, 2012 July 26, 2012 June 14, 2012 May 2-5, 2012 March 4, 2013 February 28, 2013 February 01, 2013	1) Annual Asia Pacific Summit in Singapore 2) CEO Business Forum 3) Ayala Group Annual Economic Briefing 4) Annual Corporate Treasury & CFO Summit 5) Real Estate Investment Forum 6) Media Training for Key Senior Officers 7) 45 <sup>th</sup> Annual Meeting of the Board of Governors 1) ASEAN Stars Conference- Singapore 2) Philippine Power and Electricity Conference 3) JP Morgan Philippine Conference	Morgan Stanley Punongbayan & Araullo Ayala Corporation Finance Asia BPI BPI ADB Bank of America Merrill Lynch (Asia Pacific) JP Morgan
4. Yvonne S. Yuchengco	July 12, 2012 May 3-4, 2012 April 1-3, 2012	1) Munich Re Regional CEO Forum 2) ADB 45 <sup>th</sup> Annual Conference 3) BOAO Conference- Haikou, China	Munich Re ADB

**B. CODE OF BUSINESS CONDUCT & ETHICS**

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
<b>(a) Conflict of Interest</b>	<i>Directors, Senior Management and Employees shall avoid any activity and interest that could significantly affect the objective or effective performance of duties and responsibilities in the company, including business interests or unauthorized employment outside the company, the receipt from and giving of gifts of unusually high value to persons or entities with whom the Company relates, as well as insider dealing. They shall base all business decisions and actions on the best interests of the company. Whenever opportunities arise, constantly advance the Company's legitimate interest.</i>		
<b>(b) Conduct of Business and Fair Dealings</b>	<i>In competition and fair dealings, the company's Directors, Senior Management and Employees, shall:</i> <ul style="list-style-type: none"> <li><i>not take unfair advantage of anyone through manipulation, collusion, concealment, abuse of privileged information, or misrepresentation of</i></li> </ul>		

<b>Business Conduct &amp; Ethics</b>	<b>Directors</b>	<b>Senior Management</b>	<b>Employees</b>
	<p><i>material fact;</i></p> <ul style="list-style-type: none"> <li>• <i>not make false statements against competitors, their products and/or services; and</i></li> <li>• <i>exercise reasonable and prudent professional judgment when dealing with clients.</i></li> <li>• <i>deal fairly with the Company's customers, service providers, suppliers, competitors and employees.</i></li> </ul>		
<b>(c) Receipt of gifts from third parties</b>	<p><i>Everybody is enjoined to avoid the receipt from and giving of gifts of unusually high value to persons or entities with whom the company relates.</i></p>		
<b>(d) Compliance with Laws &amp; Regulations</b>	<p><i>Directors, officers and employees shall uphold right conduct and shall personally adhere to the norms and restrictions imposed by applicable laws, rules and regulations. They shall not accept demands brought on by prevailing business conditions or perceived pressures as excuses to violate any law, rule or regulation.</i></p>		
<b>(e) Respect for Trade Secrets/Use of Non-public Information</b>	<p><i>Directors, Officers and employees shall maintain and safeguard the confidentiality of information entrusted by the Company, customers, business partners or such other parties with whom the Company relates, except when disclosure is authorized or legally mandated. They should not trade the company's securities using price sensitive information that is not normally available publicly, and obtained by reason of position, contact within, or other relationship with the Company.</i></p>		
<b>(f) Use of Company Funds, Assets and Information</b>	<p><i>Directors, Officers and Employees shall use company property and resources including company time, supplies and software, efficiently, responsibly and only for legitimate business purposes only. They shall safeguard company assets from loss, damage, misuse or theft and shall respect intellectual property rights.</i></p>		
<b>(g) Employment &amp; Labor Laws &amp; Policies</b>	<p><i>Employment in the Company signifies willingness and commitment to perform according to standards set by management and to abide by all the policies and procedures as well as rules and regulations of the Company.</i></p> <p><i>The Company has an Employees' Manual of Policies and Procedures which provides for employee rights, obligations and sets policies on employee-related matters to ensure uniformity and consistency in the interpretation and implementation of Human Resources Policies and Programs, which are consistent with and in accordance with relevant provisions of the Labor Code.</i></p>		
<b>(h) Disciplinary action</b>	<p><i>Any officer or employee who commits a violation of the Code of Ethics shall be subject to disciplinary action (including termination), without prejudice to any civil or criminal proceedings that the Company or regulators may file for violation of existing law. There shall be no exception from or waivers of any provision of this Code of Ethics, except as expressly approved by the Board of Directors.</i></p>		
<b>(i) Whistle Blower</b>	<p><i>Illegal or unethical behavior by a colleague or co-employee, regardless of his or her level of authority, should not be condoned. It is the responsibility of each employee to report legitimate concerns so that problems can be properly resolved and corrective measures instituted. An officer or employee or employee who becomes aware of any violation on Code of Ethics should immediately notify his Department / Division Head. The Division / Department Head shall in turn immediately inform the Human Resources Department (HRD). HRD shall conduct or manage the necessary actions or investigation of any reported violations of this Code. In case Senior Management or any Board Member is involved, the same shall be referred to Audit Committee.</i></p>		
<b>(j) Conflict Resolution</b>	<p><i>The Audit Committee will handle resolution of reported illegal or unethical behavior involving Senior Management or any Board Member. The Audit Committee may ask assistance from Internal Audit and Human Resources Department (HRD) to conduct investigation of subject illegal acts or activities to further support subject reports and findings.</i></p>		

**2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?**

*Yes. For the proper implementation and monitoring of the Code of Ethics and Rules of Conduct, these were distributed*

to the directors, senior management and employees of the company, who signified that they received, read and understood these Codes. These are also uploaded in the Company's website for information and guidance of parties concerned.

**3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.**

A copy of the Code of Ethics and Rules of Conduct was distributed to all Directors, Senior Management and Employees for strict compliance and they have signified that they have received, read and understood subject Code. It is the responsibility of each employee to report legitimate concerns so that problems can be properly resolved and corrective measures instituted. An officer or employee who becomes aware of any violation of this Code should immediately notify his Department/Division Head. The Department/Division Head shall in turn immediately inform the HRD. The Company's HRD shall conduct or manage the necessary actions or investigation of any reported violations of this Code. In case Senior Management or any Board Member is involved, the same should be referred to the Audit Committee.

Generally, the HRD shall be responsible for Company-wide implementation and monitoring of compliance with this Code.

**4) Related Party Transactions**

**(a) Policies and Procedures**

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	<p>The Company does not have any parent company, joint venture arrangement and any subsidiary.</p> <p>Overlapping interests in the company shall be disclosed to the Board and any material transaction involving such interests shall be similarly disclosed. Related party transactions shall be disclosed fully to the Board. Prior board approval shall be obtained for related party transactions.</p> <p>Related party transactions shall be conducted in terms that are at least comparable to normal commercial practices to safeguard the best interest of the Corporation, its stockholders, creditors, policyholders and claimants.  <i>[Revised Manual of Corporate Governance, f.3 Related Party Transactions, pages 22-23]</i></p>
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

**(b) Conflict of Interest**

**(i) Directors/Officers and 5% or more Shareholders**

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

		Details of Conflict of Interest (Actual or Probable)
1.	Bank of Philippine Islands	<p>Though there may seem to be an 'actual or probable' conflict of interest due to the nature of our reinsurance business exchanges, we fully disclosed all our related party transactions with subject significant stockholders, as subject transactions are conducted on terms that are comparable to normal commercial practices.</p>
2.	Government Service Insurance System	



		Details of Conflict of Interest (Actual or Probable)
3.	MICO Equities Inc.	<i>None</i>
4.	Helen Y. Dee	<i>No related party transaction with subject director/officer, other than the Per Diem received for attendance at Board Meeting.</i>
5.	Robert G. Vergara	
6.	Gregorio T. Yu	
7.	Alfonso L. Salcedo, Jr.	
8.	Roberto B. Crisol	
9.	Yvonne S. Yuchengco	
10.	Ermilando D. Napa	
11.	Jose Teodoro K. Limcaoco	
12.	Romeo L. Bernardo	
13.	Danilo A. Gozo	
14.	Medel T. Nera	
15.	Rafael C. Gallaga	
16.	Rafael G. Ayuste, Jr.	

**(ii) Mechanism**

**Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.**

		Directors/Officers/Significant Shareholders
<b>Company</b>		<p><i>PhilNaRe promotes a culture of good corporate governance by formally adopting a Code of Ethics that is founded on the Company's core business principles of fairness, accountability, integrity, transparency and honesty. The Code guides individual behavior and decision making, and clarifies responsibilities and proper conduct for its directors, officers and employees. Violations of the Code shall be subject to disciplinary action, without prejudice to any civil or criminal proceedings that the Company or regulators may file for violation of existing laws. In case Senior Management or any Board member is involved, the same will be referred to the Audit Committee for guidance on actions or investigations to be conducted for the proper resolution of subject findings or violation. [Code of Ethics]</i></p> <p><i>In compliance with disclosure requirements of related accounting standards and the Securities Regulation Code reporting requirements, we promptly and properly disclose to the public all material information, including all related party transactions through detailed disclosures provided in the related Notes to financial statements (Note 19. Related Party Transactions), SEC Form 17-A, Annual Report and SEC's Form 20-IS, Definitive Information Statement under item (j). Certain Relationships and Related Transactions.</i></p>
<b>Group</b> <i>(This pertains to Directors, officers and significant shareholders)</i>		

**5) Family, Commercial and Contractual Relations**

**(a) Indicate, if applicable, any relation of a family,<sup>4</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:**

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
There is nothing to report.		

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Bank of Philippine Islands,	<i>Business</i>	<i>Investment Management and Custodianship Agreement</i>
Government Service Insurance System	<i>Business</i>	<i>Reinsurance business exchanges as ceding company and reinsurer.</i>
MICO Equities Inc.	<i>None</i>	<i>Not applicable</i>

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
<i>The Corporation is not aware of any person holding more than 5% of the shares of the Corporation under a voting trust or similar agreement which may result in a change in control of the Corporation.</i>		

#### 6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	<i>The Board of Directors shall establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders and the corporation and third parties, including the regulatory authorities.</i> <i>[Page 11, Revised Manual of Corporate Governance]</i>
Corporation & Third Parties	
Corporation & Regulatory Authorities	

### C. BOARD MEETINGS & ATTENDANCE

#### 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

*During the annual organizational meeting held right after the annual stockholders' meeting, schedule of monthly board meetings is already set, which currently is held every third Thursday of the month.*

#### 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	1. Helen Y. Dee	June 27, 2012	12	12	100%
Vice-Chairman	2. Robert G. Vergara	June 27, 2012	12	10	83%
Regular Director	3. Roberto B. Crisol	June 27, 2012	12	11	92%
Regular Director	<sup>4.</sup> Rafael G. Ayuste, Jr. <sup>1</sup>	June 27, 2012	6	5	83%

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Independent Director	5. Romeo L. Bernardo	June 27, 2012	12	9	75%
Regular Director	<sup>6</sup> . Rafael C. Gallaga <sup>1</sup>	June 27, 2012	6	6	100%
Regular Director	7. Danilo A. Gozo	June 27, 2012	12	10	83%
Regular Director	8. Jose Teodoro K. Limcaoco	June 27, 2012	12	9	75%
Independent Director	9. Ermilando D. Napa	June 27, 2012	12	12	100%
Independent Director	10. Medel T. Nera	June 27, 2012	12	12	100%
Regular Director	11. Alfonso L. Salcedo, Jr.	June 27, 2012	12	12	100%
Regular Director	12. Gregorio T. Yu	June 27, 2012	12	11	92%
Regular Director	13. Yvonne S. Yuchengco	June 27, 2012	12	11	92%

<sup>1</sup> Elected as director effective June 27, 2012.

**3) Do non-executive directors have a separate meeting during the year without the presence of any executive? YES. If yes, how many times?**

*As there are matters of concern that need to be discussed in an executive session, the non-executive directors request the President and other senior management officials present during the regular board meeting to be excused from the board room so they can conduct their executive session accordingly. On the average, this executive session is done at least twice a year or even more as the need arises.*

**4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? NO. Please explain.**

*The Company's amended By-Laws state under Article III, Section 7. Quorum. 'At all meetings of the Board of Directors, a majority of the directors shall be necessary and sufficient to constitute a quorum for the transaction of the business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors...' (emphasis supplied)*

**5) Access to Information**

**(a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board?**

*Notice of the meeting, agenda and reference materials, presentations and other related reports are required to be sent to the members of the Board of Directors at least three days prior to the date of the meeting.*

**(b) Do board members have independent access to Management and the Corporate Secretary? YES**

**(c) State the policy on the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc? YES**

*The Corporate Secretary who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation and as such is responsible for: safekeeping and preserving the integrity of Board Minutes of Meetings; working fairly and objectively with the Board, Management and stockholders; informing members of the Board, in accordance with the by-laws, meeting agenda; ensuring that all Board procedures, rules and regulations are strictly followed by the members; keeping them updated regarding relevant statutory and regulatory changes which impacts their respective roles and responsibilities as members of the Board.*

**(d) Is the company secretary trained in legal, accountancy or company secretarial practices? YES.**  
Please explain should the answer be in the negative.

**(e) Committee Procedures**

<sup>5</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes  No

Committee	Details of the procedures
Executive	Notice of the meeting and related Agenda and presentation materials (if any), are sent at least three days before the scheduled meeting date.
Audit	
Nomination and Compensation	
Risk Management	
Underwriting	
IT Special Board	

## 6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details: Generally, the members, either individually or as a Board, in furtherance of their duties and responsibilities, have access to independent professional advice at the corporation's expense.

Procedures	Details
<ul style="list-style-type: none"> <li>Seeking legal advice/opinion</li> </ul>	Refer to the Corporate Secretary or legal counsel for advice and guidance on possible legality or implications.
<ul style="list-style-type: none"> <li>Seek independent opinion on financial matters and related regulatory concerns.</li> </ul>	Refer to the external auditors for proper guidance on the correct accounting treatment and other financial statement disclosure requirements.
<ul style="list-style-type: none"> <li>Seeking guidance or clarification on application system- I.T. related matters</li> </ul>	Refer to I.T. solution providers/consultants.

## 7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change: The amendments to the company's Articles of Incorporation and By-laws were approved on July 20, 2012 and following are the changes made:

Existing Policies	Changes	Reason
1. Number of Directors is eleven (11).	To increase the number of directors from 11 to 13. [Amended Articles of Incorporation, Article Sixth]	Increasing the number of directors provide additional representatives to the Company's Board of Directors and this translates to having more experienced and competent directors guiding and providing Management with valuable insights and corporate strategies to help generate sustainable value for shareholders. Furthermore, with this increased number of board seat, the minimum number of independent directors is fixed to three.
2. Title page does not mention the trade name PhilNaRe	Title page of the Amended By-Laws, to add the trade name PhilNaRe	For consistency in both the Articles of Incorporation and the Company's By-Laws

Existing Policies	Changes	Reason
3. <i>Schedule of the annual meeting from the fourth Monday of June of each year.</i>	To change the schedule of the annual meeting to the fourth Wednesday of June of each year. <i>[Amended By-Laws, Article II, Section 1]</i>	This is intended to give Management sufficient time to prepare for the annual stockholders' meeting.
4. <i>Submission of proxies in connection with stockholders' meetings to the corporate secretary not later than five (5) calendar days prior to the stockholders meeting.</i>	Submission of proxies in connection with stockholders meetings to the corporate secretary is <u>not later than ten (10) calendar days prior to the date of stockholders' meeting.</u> <i>[Amended By-Laws, Article II, Section 5]</i>	This is in accordance with SRC Rule 20 (11) (b) (viii) which provides that "If the by-laws provide for a cut-off for the submission of proxies, the same should be strictly followed. In the absence of a provision in the by-laws fixing a deadline, proxies shall be submitted not later than ten (10) days prior to the date of the stockholders' meeting".
5. <i>Nomination of directors should be submitted to the Chairman / Vice Chairman at least ten (10) business days prior to the meeting.</i>	Nomination of directors should be submitted to the Chairman / Vice Chairman at <u>least sixty (60) days prior to the meeting.</u> <i>[Amended By-Laws, Article III, Section 4]</i>	The foregoing amendment is intended to provide the Nomination Committee sufficient time to evaluate the qualifications of nominees for directors and confirm that such nominees do not possess any of the disqualifications under the relevant issuances of the Insurance Commission and the Securities and Exchange Commission.
6. <i>At the organization meeting of the Board of Directors, Treasurer shall be elected from among the members of the Board.</i>	Removal of the requirement that the Treasurer should be elected from among the members of the Board. <i>[Amended by Laws, Article IV, Section 1]</i>	Since the law does not require that the Treasurer should be elected by the Board from among the members of the Board, the foregoing amendment will enable the Corporation to ensure that the Treasurer to be elected will have the necessary qualifications and time demanded by the position of Treasurer.
7. <i>The Board of Directors, by a majority vote thereof, and the owners of at least a majority of the outstanding capital stock, at a regular or special meeting duly called for the purpose, may amend or repeal these By-Laws or adopt new By-Laws. The owners of two-thirds (2/3) of the outstanding capital stock may delegate to the Board of Directors the power to amend or repeal these By-laws, or</i>	Delegation to the Board of the power to amend the by-laws as necessary. <i>[Amended By-Laws, Article III, Section 2, page 20]</i>	In accordance with Section 48 of the Corporation Code, the owners of 2/3 of the outstanding capital stock of the Corporation may delegate to the Board of Directors the power to amend or repeal the by-laws or adopt new by-laws, provided, however, that any power delegated to the board to amend or repeal the by-laws or adopt new by-laws shall be considered as revoked whenever stockholders owning or representing a majority of the outstanding capital stock shall so vote at a regular or

Existing Policies	Changes	Reason
adopt new By-Laws; provided, that any power delegated to the Board of Directors to amend or repeal these By-Laws or adopt new By-Laws shall be considered as revoked whenever the stockholders owning or representing a majority of the outstanding capital stock shall so vote at a regular or special meeting.		special meeting.

## D. REMUNERATION MATTERS

### 1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Company Salary Structure, market rates used as a guide; salary adjustments based on performance and changes in responsibilities and authorities.	
(2) Variable remuneration	None	
(3) Per diem allowance	None	
(4) Bonus	Board approved bonus.	
(5) Stock Options and other financial instruments	None	
(6) Others (specify)	None	

### 2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

Directors	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
<b>Executive Directors</b>	Follows Company's salary structure and benefit package and Board-approved rate/package.	Compensation / salary package is composed of basic monthly pay plus number of bonus months as approved by the Board.	Basic monthly salary is multiplied by the number of bonus months then divided by (Divisor) 261 days for daily rate factor, which is used in computing other benefits (e.g. sick leave, vacation leave, etc.)
<b>Non-Executive Directors</b>	Each director receives the following schedule of per diem for attendance in meetings of the Board of Directors/Committees:  <u>Board Meetings:</u> Chairman (P50,000), Vice- Chairman (P45,000), Independent Directors (P20,000), Regular Director (P17,000) <u>Committee Meetings:</u> Independent Directors (P6,000), Regular Director (P5,000)		

Directors	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
	<p><i>The Corporation's By-Laws (Article III, Section 8) provide that such per diem as the Board of Directors may approve shall be paid to each director for attendance at any meeting of the Board; provided however, that nothing therein contained shall be construed to preclude any director from receiving such bonuses, other than per diems, as provided elsewhere in the Corporation's amended By-Laws, or from serving in any other capacity and receiving compensation there from, subject to approval thereof by the vote of stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting. In this connection, Section 30 of the Corporation Code of the Philippines states that "in no case shall the total yearly compensation of directors, as such directors, exceed ten percent (10%) of the net income after tax of the corporation during the preceding year."</i></p>		

**Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? YES. Provide details for the last three (3) years.**

Remuneration Scheme	Date of Stockholders' Approval
No change from the policy and scheme mentioned above and the same have been approved during the respective annual stockholders' meeting.	June 30, 2011
	June 29, 2010
	June 22, 2009

### 3) Aggregate Remuneration

**Complete the following table on the aggregate remuneration accrued during the most recent year:**

Remuneration Item	Executive Directors & Other Officers*	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	P30,430,200	-	-
(b) Variable Remuneration	P1,476,090	-	-
(c) Per diem Allowance	P251,765	P 3,154,118	P 1,035,294
(d) Bonuses	P 5,071,700	-	-
(e) Stock Options and/or other financial instruments	-	-	-
(f) Others (Specify)	-	-	-
<b>Total</b>	<b>P37,229,755</b>	<b>P3,154,118</b>	<b>P1,035,294</b>

Other Benefits	Executive Directors & Other Officers*	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	-	-	-
2) Credit granted	-	-	-

Other Benefits	Executive Directors & Other Officers*	Non-Executive Director (other than independent directors)	Independent Directors
3) Pension Plan/s Contributions	-	-	-
(d) Pension Plans, Obligations incurred	-	-	-
(e) Life Insurance Premium	P 480,547	-	-
(f) Hospitalization Plan	P 286,600	P 156,354	P 52,118
(g) Car Plan	-	-	-
(h) Others (Specify)	-	-	-
<b>Total</b>	<b>P 767,147</b>	<b>P 156,354</b>	<b>P 52,118</b>

\* includes officers with the rank of Vice President and up

#### 4) Stock Rights, Options and Warrants

##### (a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
<i>None of the Company's Common Shares are subject to outstanding options or warrants to purchase, or securities convertible into Common Shares of the Company.</i>				

##### (b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
No amendment or discontinuance of any incentive program was introduced.		

#### 5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Senior Management as a group (Executive Vice President, Senior Vice President and First Vice Presidents)*	P 16,983,362

\* includes the following officers:

- Armando S. Malabanan, Executive Vice President and COO (retired on February 29, 2012)
- John E. Huang, Senior Vice President, Treasurer and CFO;
- Roberto S. De Leon II, First Vice President, Non Life Division;
- Edgar B. Villasenor, First Vice President, Corporate Services Division;
- Augusto C. Cipriano, First Vice President, Life Division



## E. BOARD COMMITTEES

### 1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
<b>Audit</b>	-	-	3	Audit Committee Charter	To assist the Board in fulfilling its oversight responsibilities on (1) financial reporting process, (2) system of internal control, (3) external and internal auditors' independence, qualification and performance, (4) Company's process for monitoring compliance with laws and regulations and the code of conduct. [Audit Committee Charter, B. Purpose, Page 3]	Its key responsibilities focuses on areas pertaining to: (1) <u>Financial Statements</u> - generally reviews significant accounting and financial reporting issues and understands its impact on the financial statements, (2) <u>Internal Control</u> - considers effectiveness of the company's internal control system, including I.T. security and control; (3) <u>Internal Audit</u> - review the effectiveness of the internal audit function; and (4) <u>External Audit</u> - review and confirm independence of the external auditors.	It has the authority to: (1) Recommend the appointment and compensation of the independent external auditor; (2) Resolve any disagreements between management & the auditor regarding financial reporting; (3) Recommend approval of all auditing and audit-related services; (4) Conduct or authorized investigations into any matters within its scope of responsibility; (5) Retain independent counsel, accountants, or others to advise the Committee; (6) Seek any information it requires from Company Officers and employees; (7) Meet with company officers, external auditors or outside counsel as necessary. [Audit Committee Charter, C. Authority, page 3]
<b>Nomination</b>	-	4	1	Committee Charter still to be formalized.	Reviews and evaluates the qualifications of all persons nominated to the Board as well as those nominated to other position requiring appointment by the Board and provide assessment on the Board's effectiveness in directing the process of renewing and replacing Board members. [Amended By-Laws,	Pre-screens qualifications of all nominees to the Board of Directors; supervise and coordinate the conduct of elections of the Board; hear and decide election controversies, including, but not limited to,	The Committee shall have the exclusive power to enforce and administer the Nomination and Election Rules of the Company.  A majority of all members of the Committee shall constitute a quorum. The affirmative vote of

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
					<i>Article V, Board Committees, Section 4, page 17]</i>	<i>validation of proxies, appreciation of ballots, and election protests.</i>	<i>a majority of the members present, there being a quorum, shall be sufficient to pass any motion, affirm any resolution, render any decision, or effectuate any other business, requiring the exercise of the Committee's discretion. [Nomination &amp; Election Rules]</i>
<b>Compensation</b>	-	4	1	Committee Charter still to be formalized	<i>Provides oversight over remuneration of senior management and other key personnel. [Revised Manual of Corporate Governance, page 15]</i>	<i>Establish a formal and transparent procedure for developing a policy on executive remuneration, and for fixing the remuneration packages of corporate officers and directors.</i>	<i>Make recommendations to the Board on matters pertaining to remuneration and compensation packages of corporate officers and directors, after conducting review and evaluation.</i>
<b>Risk Management</b>	1	3	3	Risk Management Charter	<i>Assist the Board in its development and oversight role relative to the Company's risk management program. [Revised Manual of Corporate Governance, page 15]</i>	<i>Be aware of the risks that threatens the company's existence, strategy, goals and objectives; oversee the development of a risk management plan ; review and evaluate effectiveness of the risk management process / program to ensure that the key risks to which the company is exposed are managed accordingly.</i>	<i>The Committee has an oversight role on the company's risk management program and after reviewing and evaluating, makes recommendation to the Board for approval on matters relating to risk management.</i>

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Starting June 2009, the Executive Committee was no longer set up since specific board committees are already in place with their respective oversight role on key business areas such as: <i>Underwriting, Investment &amp; Budget, Risk, Audit, Nomination &amp; Compensation and I.T. Special Board</i> and each reporting to the Board on significant matters arising from their respective area of responsibility.					
Member (ED)						
Member (NED)						
Member (ID)						
Member						

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Ermilando D. Napa	June 2012	7	7	100%	1
Member (ID)	Romeo L. Bernardo	June 2012	7	5	71%	1 <sup>1</sup>
Member (ID)	Medel T. Nera	June 2012	7	6	85%	1

<sup>1</sup> Reckoned from the election immediately following January 2, 2012

#### Disclose the profile or qualifications of the Audit Committee members.

**Ermilando D. Napa, Independent Director since June 2011.** Mr. Ermilando D. Napa's business experience for the past five years includes directorships in Manila Consulting & Management Company, Inc., Century Woods, Inc. and Catanauan Resources and Development Corporation. Mr. Napa currently serves as Director and Chairman of the Audit Committee of the CIIF Oil Mills Group, Insurance Commission's appointed Conservator for National Life Insurance Company of the Philippines, and Shareholder and Director of the L'Opera Group of Restaurants. He is the Founder and CEO of Manila Consulting & Management Company, Inc., Century Woods, Inc. and Catanauan Resources and Development Corporation. Previously, he was a Partner of SyCip Gorres Velayo & Company (Philippines) and also a Principal of Kassim Chan & Company in Kuala Lumpur, Malaysia, a former member firm of SGV Group and Deloitte Haskins & Sells International. He was also a former Manager of Arthur Andersen in New York. He has attended special training and various courses such as Strategic Management in St. Charles Chicago, Corporate Finance in New York and IMPACT Productivity Improvement in St. Charles, Chicago. Mr. Napa holds a degree of Bachelor of Science in Business Management from the Aquinas University where he graduated in 1970. He obtained his Masters in Management at the Asian Institute of Management in 1980.

**Romeo L. Bernardo, Independent Director since June 2006.** Mr. Romeo L. Bernardo is the Managing Director of Lazaro Bernardo Tiu and Associates (LBT), a boutique financial advisory firm based in Manila, and GlobalSource economist in the Philippines. He is Chairman of ALFM Family of Funds and Philippine Stock Index Fund and a Director of several companies and organizations including Aboitiz Power, BPI, Globe Telecom, RFM Corporation, Philippine Investment Management, Inc. (PHINMA), Philippine Institute for Development Studies (PIDS), BPI-Philam Life Assurance Corporation and Institute for Development and Econometric Analysis. He previously served as Undersecretary of Finance and as Alternate Executive Director of the Asian Development Bank. He was an Advisor of the World Bank and the IMF (Washington D.C.), and served as Deputy Chief of the Philippine Delegation to the GATT (WTO), Geneva. He was formerly President of the Philippine Economics Society; Chairman of the Federation of ASEAN Economic Societies and a Faculty Member (Finance) of the University of the Philippines. Mr. Bernardo holds a degree in Bachelor of Science in Business Economics from the University of the Philippines (magna cum laude) and a Masters degree in Development Economics at Williams College (top of the class) from Williams College in Williamstown, Massachusetts.

**Medel T. Nera, Independent Director since July 2011.** Mr. Medel T. Nera is the President and CEO of House of Investments, Inc. and President of RCBC Realty Corp. He serves as Director of House of Investments and its significant subsidiaries and associates. He also serves as Director of Rizal Commercial Banking Corporation and Seafront Resources Corp. He was a former senior partner of SyCip, Gorres, Velayo and Co., CPAs (SGV) where he served as Financial Services Practice Head. He also serves as Director and Treasurer of CRIBS Foundation Inc. Mr. Nera holds a degree in Bachelor of Science in Commerce from Far Eastern University where he graduated in 1976. He obtained his Master of Business Administration degree from New York University in 1982.

#### Describe the Audit Committee's responsibility relative to the external auditor.

The Audit Committee recognizes its responsibility in confirming personal identification and professional qualifications of the company's independent external auditor. It reviews the proposed scope and approach in the annual audit and special engagements, including coordination of audit effort with internal audit and the terms of engagements. It conducts due diligence checks with guidance from SEC and IC requirements on independent auditors for publicly listed insurance companies, maintains complete documentation of selected independent auditor's accreditation certifications, and performs an annual evaluation of its independent auditor together with key Company officers. On a regular basis, it meets separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

**(c) Nomination and Compensation Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Robert G. Vergara	June 2012	3	3	100%	1
Vice Chairperson	Yvonne S. Yuchengco	June 2012	3	3	100%	5
Member (NED)	Alfonso L. Salcedo, Jr.	June 2012	3	3	100%	4
Member (ID)	Ermilando D. Napa	June 2012	3	3	100%	1
Ex-Officio	Rafael C. Gallaga	June 2012	3	2	67%	3

**(d) Risk Management Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Medel T. Nera	June 2012	1	1	100%	0.5
Vice Chairman (ID)	Romeo L. Bernardo	June 2012	2	1	50%	3
Member (NED)	Gregorio T. Yu	June 2012	2	2	100%	1
Member (ID)	Ermilando D. Napa	June 2012	2	1	50%	1
Member (NED)	Helen Y. Dee	June 2012	2	0	0%	2
Member (NED)	Jose Teodoro K. Limcaoco	June 2012	2	2	100%	3
Member (ED)	Roberto B. Crisol	June 2012	2	2	100%	1
Advisor	Noel A. Laman	June 2012	1	1	100%	3

**(e) Others – Investment and Budget Committee**

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Jose Teodoro K. Limcaoco	June 2012	4	4	100%	3
Vice Chairman	Yvonne S. Yuchengco	June 2012	4	4	100%	5
Member (NED)	Alfonso L. Salcedo, Jr.	June 2012	4	4	100%	5
Member (ID)	Medel T. Nera	June 2012	4	2	50%	0.5
Member (NED)	Rafael G. Ayuste, Jr. <sup>1</sup>	June 2012	3	3	100%	0.5
Member (NED)	Gregorio T. Yu	June 2012	4	2	50%	1

<sup>1</sup> Elected effective June 2012

**(f) Others – Underwriting Committee**

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Helen Y. Dee	June 2012	2	2	100%	2
Vice Chairman	Alfonso L. Salcedo, Jr.	June 2012	2	2	100%	5
Member (NED)	Danilo A. Gozo	June 2012	2	1	50%	1
Ex-Officio Member	Rafael C. Gallaga	June 2012	2	2	100%	3
Ex-Officio Member	Joli Co Wu	June 2012	2	2	100%	3

### (g) Others- I.T. Special Board Committee

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Medel T. Nera	June 2012	2	2	100%	0.5
Vice Chairman (ID)	Romeo L. Bernardo	June 2012	2	0	0%	3
Member (NED)	Helen Y. Dee	June 2012	2	1	50%	2
Member (NED)	Danilo A. Gozo	June 2012	2	2	100%	1
Member (ID)	Ermilando D. Napa	June 2012	2	2	100%	1
Member (NED)	Joli Co Wu	June 2012	2	2	100%	3

### 3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive		<i>No change during the year.</i>
Audit		
Nomination		
Remuneration		
Others (Underwriting, Investment & Budget, Risk, I.T. Special Board)		

### 4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	<i>No Executive Committee was set up since June 2009.</i>	
Audit	Assisted the Board in fulfilling its oversight responsibilities for financial reporting process, system of internal control, audit process and the company's process for monitoring compliance with laws and regulations and the code of conduct.	Reviewed and discussed quarterly unaudited financial statements, audited annual financial statements including Management's Discussion and analysis of financial condition and results of operations, adequacy of the company's enterprise risk management framework, and the effectiveness of the system for monitoring compliance with laws and regulations. Approved the overall scope and audit plans of Internal and external audits, effectiveness of the internal audit function and recommended for approval the re-

Name of Committee	Work Done	Issues Addressed
		<p>appointment of the current external auditors.</p> <p>Performed a self-evaluation of the Committee in terms of expectations set out in the Audit Committee Charter.</p>
<b>Nomination</b>	<p>Reviewed and evaluated the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring the appointment by the Board.</p>	<p>Reviewed the qualifications of all nominees to the Board of directors, taking into consideration the relevant requirements of the Insurance Commission and the Securities and Exchange Commission relative to qualifications and disqualifications of both regular and independent director nominees.</p>
<b>Remuneration</b>	<p>Provided a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration of corporate officers and directors.</p>	<p>Provided oversight over remuneration of senior management and other key personnel.</p> <p>No other resolution relating to director's remuneration has been adopted by the Board of Directors as the schedule of the amount of per diem for attendance in meetings of the Board of Directors/Committees has remained unchanged since 2008.</p>
<b>Risk Oversight</b>	<p>Assisted the Board in its oversight role and oversee that the risk management process becomes an integral part of planning and operations of the Company to meet corporate goals and objectives.</p>	<p>Re-launched the planned activities for Enterprise Risk Management Program. Focused on strengthening current Risk Management structure, clarified roles and responsibilities, defined communication frequency, training plan and facilitation activities</p> <p>Performed risk assessment, quantification and aggregation.</p>
<b>Investment &amp; Budget</b>	<p>Authorized by the Board to implement the Company's investment strategy and make specific investments in accordance with the provisions of the company's investment policy.</p>	<p>Approved the investment strategy for 2012, Operating Budget for 2012, review and approval of authorized signatories for checks and other financial transactions, approval of authorized depository banks, review and approval of GS settlement, foreign exchange, derivative lines, accredited brokers for equity transactions, approved equities list, review of investment policy and approval of RCBC Trust Group, in addition to existing fund manager BPI-AMTG.</p>
<b>Underwriting</b>	<p>Reviews and evaluates the company's underwriting policies, guidelines, performance, as well as accumulations and aggregations of exposures of the reinsurance business.</p>	<p>Reviewed underwriting guidelines for life and non-life, proper monitoring of the company's earthquake aggregates, analysis of accumulation factors, clarification on line of approval authorities, increase in underwriting limits, signing authorities, claims approving authority, claims cooperation clause, strict implementation of the IC Circular on Minimum CAT Pricing and need to review (professionally) the company's portfolio to validate recommendations made by existing broker.</p>
<b>I.T. Special Board</b>	<p>Special Board Committee responsible for overseeing the computerization project of the</p>	<p>Generally monitors the activities and developments relative to the computerization efforts of the company and</p>

Name of Committee	Work Done	Issues Addressed
	Company.	this includes: zero migration for Nonlife facultative business, perform parallel run of the legacy system vs. ARIMA or RMS production, request on-site support from ARIMA to fast track resolution of data migration and other issues, defer the implementation/roll out of the life module and document imaging and tracking system to 2 <sup>nd</sup> half of the year, engagement of TSFI for SAP application management support services and the RMS nonlife system will be the authoritative reference starting Jan. 2013.

## 5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
<b>Executive</b>	<i>No Executive Committee was set up since June 2009.</i>	
<b>Audit</b>	<ul style="list-style-type: none"> <li>Align existing charter with other Board Committee Charter</li> <li>Deliver 2013-2014 Internal Audit Work Plan &amp; 2013 Compliance Work Plan.</li> <li>Compliance spin-off from Internal Audit and the formation of a separate Unit to be called Risk and Compliance.</li> <li>Conduct Board self-evaluation of the company's current and potential state of CG practices using existing CG scorecards and best practice guidelines.</li> <li>Conduct learning sessions for the company- toward improving audit consciousness and compliance awareness throughout the organization.</li> </ul>	<p>Revised Audit Committee and Compliance Committee Charters</p> <p>Review financial reporting process, system of internal control and the company's process for monitoring compliance with laws and regulations and the code of conduct.</p> <p>A more-focused compliance function will ensure that all regulatory requirements are generally complied as well as internal policies and procedures are implemented accordingly.</p> <p>CG practices to evolve from mere compliance to performance improvement and consistent implementation.</p> <p>Better understanding of roles, responsibilities, business policies, processes and procedures as well as laws, rules and good conduct lead to well-informed and more productive work force.</p>
<b>Nomination</b>	<ul style="list-style-type: none"> <li>Formalize a Board Committee Charter</li> <li>Pre-screen qualifications of all nominees to the Board of Directors</li> </ul>	<p>Defines the purpose, roles and responsibilities, membership, authority, frequency of meetings and other matters affecting the committee.</p> <p>Ensures all nominees to the Board both regular and independent directors possess all the qualifications and none of the disqualifications enumerated under the IC</p>
<b>Remuneration</b>		

Name of Committee	Planned Programs	Issues to be Addressed
	<ul style="list-style-type: none"> <li>• Establish and formalize a succession plan for senior management</li> <li>• Provide oversight over remuneration of senior management and other key personnel.</li> </ul>	<p>Code of Corporate Governance and related SRC Rule 38- Requirements on Nomination and Election of Independent Directors.</p> <p>Recommend adoption of a formal succession plan for the company.</p> <p>Review/evaluate existing remuneration policy and procedures on executives' compensation and for fixing the remuneration of directors and corporate officers.</p>
<b>Risk Oversight</b>	<ul style="list-style-type: none"> <li>• Align existing charter with other Board Committee Charter</li> <li>• Secure Board approval of the updated Risk Management Plan for 2013</li> <li>• Develop Risk Reporting and monitoring system</li> <li>• Conduct annual risk re-evaluation</li> <li>• Facilitate training to promote an organization- wide risk awareness.</li> </ul>	<p>Revised Charter.</p> <p>Monitor implementation of the approved Risk Management Plan for 2013</p> <p>Monthly monitoring of identified risk priorities per department, through established performance measurements and reporting requirements.</p> <p>Keep the Risk Universe up to date to ensure that risk priorities remain current.</p> <p>Embed the risk management process to become an integral part of business planning, identifying strategies and actions and in executing the same to realize corporate goals and objectives.</p>
<b>Underwriting</b>	<ul style="list-style-type: none"> <li>• Formalize a Board Committee Charter</li> <li>• Review and Evaluate the excess of loss program protection for the company</li> <li>• Review and evaluate existing underwriting policies and guidelines</li> </ul>	<p>Defines the purpose, roles and responsibilities, membership, authority, frequency of meetings and other matters affecting the committee.</p> <p>Adequate excess of loss program protection is obtained.</p> <p>Revised underwriting policies and guidelines as required.</p>
<b>Investment and Budget</b>	<ul style="list-style-type: none"> <li>• Align existing charter with other Board Committee Charter</li> <li>• Approval of the 2013 Operating Budget</li> <li>• Business Plan for 3-years (2013-2015)</li> </ul>	<p>Revised Charter.</p> <p>Approved 2013 Operating Budget</p> <p>Approved Business Plan for 2013-2015</p>
<b>I.T. Special Board</b>	<ul style="list-style-type: none"> <li>• Implement the Life module system</li> <li>• RMS nonlife operating system</li> </ul>	<p>Life Module system be in place.</p> <p>Nonlife Operating System becomes fully</p>



Name of Committee	Planned Programs	Issues to be Addressed
	<p>should be fully functional and should be generating the authoritative results in lieu of the legacy system</p> <ul style="list-style-type: none"> <li>• Implement recommendations provided by SGV on the RMS Security Review and DTS (document tracking system) to support the nonlife reinsurance process</li> <li>• Review and recommend the possibility of weaning away from SAP TSFI for support services.</li> </ul>	<p>functional.</p> <p>Adopt and implement recommendations on RMS Security improvements and DTS-document tracking system to improve nonlife reinsurance process.</p> <p>Justify and recommend if support services from SAP TSFI is still relevant.</p>

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

#### (a) Overall risk management philosophy of the company;

*The Board and Management believe that 'risk management' should be an integral part of the planning and operations process of the Company in order to meet corporate goals and objectives.*

#### (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

*The Company's 2012 Annual Report includes a signed Report of the Audit Committee and the following statement is included therein:*

*"In compliance with the Audit Committee Charter, we confirm that:*

*...we have reviewed and discussed the adequacy of PhilNaRe's enterprise risk management framework and risk management processes specific to financial statement reporting, business continuity, fraud, revenue assurance and regulatory risks with Management who is primarily responsible for the risk management process."*

#### (c) Period covered by the review- 2012

#### (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness;

*Risk Management system is reviewed annually.*

*A Risk Management Plan is updated to determine whether the risks identified, assessed, quantified and aggregated remain current and are among the key risks priorities. Measures and/ or controls identified to address these key risk priorities are evaluated if still effective in mitigating subject risks. Risk monitoring and reporting activities are reviewed to ensure its effectiveness such that these risks priorities and control activities are optimized and utilized to help Management meet its goals and objectives.*

#### (e) Where no review was conducted during the year, an explanation why not.

*Annual review is conducted.*

## 2) Risk Policy

### (a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
1. <i>Severe catastrophic event having a material adverse effect on the company's financial results and conditions</i>	Maintaining a balanced portfolio leads to diversification of risks thus minimizing significant risk exposure accumulation.	Realize underwriting profits thus becoming a dependable partner to our clients (ceding companies/ cedants).
2. <i>Significant amount of invested assets will be subject to changes in interest rates, exchange rates and market volatility.</i>	Invest only in securities allowable under Section 200 of the Insurance Code and other related issuances of the Insurance Commissioner and implement investment strategy through guidance and approval of the Investment (Board) Committee.	To fully realize investment income target and limit investments to instruments not exposed to significant risks.
3. <i>Company's financial condition may be affected by delays in the payment of premiums by cedant.</i>	Deal only with creditworthy companies.	To improve cash flow to generate more investible funds.
4. <i>Company's financial performance may be affected by the inability of its retrocessionaires to pay their share of losses.</i>	When procuring Excess of Loss protection, deal only with global reinsurers with investment grade financial strength ratings.	To meet our commitment to clients; which is to settle promptly and judiciously all valid claims.

### (b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
This is not applicable since the Company has no identified Group.		

### (c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
<p>While there is a risk that the exercise of the controlling shareholders' voting power may be restrictive or authorizing preferences in their favor, the Board in its commitment to practice good governance, is committed to respect the rights of the shareholders as provided for in the Corporation Code. These include the <i>right to vote on all matters that require their consent or approval, such that a director shall not be removed without cause if it will deny minority shareholders representation in the Board.</i></p> <p>Although all stockholders should be treated equally or without discrimination, the Board should <u>give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.</u></p>

### 3) Control System Set Up

#### (a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<p>1. <i>Severe catastrophic event having a material adverse effect on the company's financial results and conditions.</i></p>	<p>Established an Underwriting (Board) Committee to oversee the underwriting operations.</p> <p>Monitors and control risk exposures and accumulations through careful underwriting and evaluation of risk acceptances and treaty arrangements entered into.</p> <p>Procure excess of loss coverage to limit the company's exposure up to a specified amount.</p>	<p>Conducts an annual review and evaluation of the Underwriting Policy and Guidelines. Regularly generates Earthquake and typhoon/ flood aggregate reports to monitor significant risk accumulation exposures.</p> <p>The company procures an excess of loss protection which limits its risk exposure to P30M per catastrophic event, with an aggregate loss limit of P3 billion per event.</p> <p>Most risks reinsured are situated in the domestic market and only a small portion comes from the overseas market.</p>
<p>2. <i>Significant amount of invested assets will be subject to changes in interest rates, exchange rates and market volatility.</i></p>	<p>Established an Investment (Board) Committee to oversee investment performance relative to Company's adherence to approved investment policy /guidelines.</p> <p>Prepares an annual budget for investment income and related strategies involved is submitted for review and evaluation of the Investment committee prior to seeking final Board approval.</p>	<p>Renders regular investment report to the Investment Committee and the Board on the following:</p> <ul style="list-style-type: none"> <li>• Actual results vs. budgeted figures;</li> <li>• Monitoring of non-Philippine peso cash flows (foreign currency risk);</li> <li>• Maintaining investment limits per asset class ( market price risk);</li> <li>• Establishing limits on the duration and average maturity of the variable investment income portfolio (interest rate risk); and</li> <li>• General adherence to established investment policy and guidelines.</li> </ul>
<p>3. <i>Company's financial condition may be affected by delays in the payment of premiums by cedant.</i></p>	<p>Continuously review and evaluate ceding companies' financial capacity, payment history, other available credit information and compliance with IC's requirements such as capitalization, latest available certificate of authority and any relevant reports.</p>	<p>Strict implementation of 'Premium Payment Warranty Clause' on reinsurance policies- for ceding companies not paying premium within the prescribed premium payment warranty term, subject reinsurance cover is automatically cancelled and any claim arising from said acceptance will be denied settlement.</p> <p>A list of companies with provision for impairment due to long outstanding reinsurance receivable balances are reviewed regularly for possible account write off.</p>
<p>4. <i>Company's financial</i></p>	<p>Carefully review a</p>	<p>Underwriting Committee oversees</p>

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<p><i>performance may be affected by the inability of its retrocessionaires to pay their share of losses.</i></p>	<p>retrocessionaires financial capacity, technical knowledge, expertise, industry reputation and rating by international rating agencies.</p> <p>Consider retrocessionaires record of paying claims and adverse balances if timely and regular.</p>	<p>evaluation of the panel of global reinsurers, for obtaining excess of loss cover, to ensure we are dealing only with reputable foreign reinsurers whose ratings are above par and meet the Company's standards.</p> <p>Claims evaluation follows set guidelines to ensure that only valid claims are settled.</p> <p>Proper management of cash and investment position to meet obligations arising from reinsurance agreements and other financial liabilities on a timely manner.</p> <p>Contractual maturities of financial obligations should be timed with maturities of investments to facilitate cash flow requirements.</p>

**(b) Group**

**Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:**

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<p>This is not applicable since the Company has no identified Group.</p>		

**(c) Committee**

**Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:**

Committee/Unit	Control Mechanism	Details of its Functions
<p>Risk Management Committee</p>	<p>Assists the Board in the development and oversight of the company's risk management program.</p>	<p>Generally oversees the risk management process to be an integral part of planning and operations of the Company to meet corporate goals and objectives.</p>
<p>Audit and Compliance Committee</p>	<p>Assists the Board in fulfilling its oversight responsibilities for financial reporting process, system of internal control, audit process and the company's process for monitoring compliance with laws and regulations and the code of conduct.</p>	<p>Mainly responsible for recommending 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 a direct channel of communications to the Board for the internal auditor, compliance officer and the general counsel.</p>

## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

**(a) Explain how the internal control system is defined for the company;**

*While policies are set by the Board, Management is primarily responsible for the design, implementation and maintenance of the internal control system of the Company. The Board through its Audit Committee oversees the actions of Management and monitors the effectiveness of the internal control system put in place. Recommendations are provided by Operating Management and /or the Board, and in some cases by the Internal Audit, Risk and Compliance functions, to address certain issues and concerns of the Company.*

**(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;**

*On an annual basis, the Chief Audit Executive issues an Internal Control Report indicating procedures performed by Internal Audit in evaluating the internal control system of the Company that includes its policies, procedures, processes as well as an attestation that a sound internal audit, control, compliance system is in place and working effectively.*

*A 'Report of the Audit Committee' is issued, confirming the performance of its role and responsibilities and this is included in the Company's Annual Report being distributed to the stockholders.*

**(c) Period covered by the review-**

The year 2012.

**(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and**

*The Audit Committee is tasked by the Board (through its approved charter) to review the internal control system of the Company. Part of their regular meeting (minimum of 4 times / year) is to review the internal control system through the reports of the auditors (internal and external) and representation made by the Management.*

**(e) Where no review was conducted during the year, an explanation why not.**

*Not applicable, quarterly review is conducted.*

### 2) Internal Audit

**(a) Role, Scope and Internal Audit Function**

**Give a general description of the role, scope of internal audit work and other details of the internal audit function.**

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
1. Evaluating the reliability and integrity of significant information	All financial, managerial, and operating information and the means used to identify, measure, classify, and report such information is accurate, reliable and timely.	In-house	Jeffrey R. Lacson	Quarterly

<b>Role</b>	<b>Scope</b>	<b>Indicate whether In-house or Outsource Internal Audit Function</b>	<b>Name of Chief Internal Auditor/Auditing Firm</b>	<b>Reporting process</b>
2. <i>Evaluating the systems established to ensure compliance</i>	<i>Compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.</i>	<i>In-house</i>	<i>Jeffrey R. Lacson</i>	<i>Annual</i>
3. <i>Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.</i>	<i>All Company assets</i>	<i>In-house</i>	<i>Jeffrey R. Lacson</i>	<i>Annual</i>
4. <i>Evaluating the effectiveness and efficiency with which resources are employed.</i>	<i>All resources</i>	<i>In-house</i>	<i>Jeffrey R. Lacson</i>	<i>As needed</i>
5. <i>Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.</i>	<i>All key operations or programs</i>	<i>In-house</i>	<i>Jeffrey R. Lacson</i>	<i>As needed</i>
6. <i>Monitoring and evaluating governance processes</i>	<i>Includes reviewing the quality and continuous improvement program fostered in the organization's control process and interacting with related groups as needed.</i>	<i>In-house</i>	<i>Jeffrey R. Lacson</i>	<i>Annual</i>
7. <i>Monitoring and evaluating the effectiveness of the organization's risk management processes.</i>	<i>All risk management processes</i>	<i>In-house</i>	<i>Jeffrey R. Lacson</i>	<i>Annual</i>
8. <i>Evaluating the quality of performance of external auditors and the degree of coordination with internal audit.</i>	<i>Based on the leading practices' criteria, as approved by Audit Committee</i>	<i>In-house</i>	<i>Jeffrey R. Lacson</i>	<i>Annual</i>
9. <i>Performing other non-assurance services</i>	<i>Non-assurance services related to governance, risk management and control as appropriate for the organization.</i>	<i>In-house</i>	<i>Jeffrey R. Lacson</i>	<i>As needed</i>
10. <i>Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.</i>	<i>Based on the leading practices' criteria, as approved by Audit Committee</i>	<i>In-house</i>	<i>Jeffrey R. Lacson</i>	<i>Quarterly / Annually</i>
11. <i>Reporting significant risk exposures and control issues</i>	<i>All risk exposures and control issues including fraud risks, governance issues, and other matters needed or requested by the Board.</i>	<i>In-house</i>	<i>Jeffrey R. Lacson</i>	<i>As needed</i>
12. <i>Monitoring all significant legislative and/or regulatory issues are properly recognized and addressed.</i>	<i>All impacting the organization</i>	<i>In-house through the Compliance Function</i>	<i>Jeffrey R. Lacson</i>	<i>Quarterly</i>
13. <i>Evaluating specific operations at the request of the Board, Audit Committee or Management, as</i>	<i>Based on the request of the sponsor</i>	<i>In-house</i>	<i>Jeffrey R. Lacson</i>	<i>As needed</i>

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<i>appropriate.</i>				

**(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?**

*Yes, all matters concerning the auditors are handled by the Audit Committee*

**(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?**

*Internal Audit is directly reporting to the Audit Committee and administratively to the President / Chief Executive Officer.*

**(d) Resignation, Re-assignment and Reasons**

**Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.**

Name of Audit Staff	Reason
<i>Semia C. Basilio</i>	<i>Work opportunity abroad</i>

**(e) Progress against Plans, Issues, Findings and Examination Trends**

**State the internal audit's progress against plans, significant issues, significant findings and examination trends.**

<i>Progress Against Plans</i>	<i>97%</i>
<i>Issues</i>	<i>No critical issues noted</i>
<i>Findings</i>	<i>No critical findings noted</i>
<i>Examination Trends</i>	<i>Lack of updated policy and work procedures documentation</i>

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) *Preparation of an audit plan inclusive of a timeline and milestones;*
- 2) *Conduct of examination based on the plan;*
- 3) *Evaluation of the progress in the implementation of the plan;*
- 4) *Documentation of issues and findings as a result of the examination;*
- 5) *Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;*
- 6) *Conduct of the foregoing procedures on a regular basis.]*

**(f) Audit Control Policies and Procedures**

**Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."**

Policies & Procedures	Implementation
<i>1. Governance frameworks must be established to define the scope of work and</i>	<i>Implemented</i>

Policies & Procedures	Implementation
<i>policies that will regulate and control the unit's activities.</i>	
2. <i>Risk-based plans must be established to determine the priorities of the internal audit activity, consistent with the Company's goals</i>	Implemented
3. <i>The unit must effectively communicate the results of its work, thereby helping to drive changes that contribute to the achievement of organizational objectives</i>	Implemented
4. <i>To help ensure the efficient functioning of the people management system, the CAE shall issue written instructions, guidelines or other communications that deal with policies and procedures regarding leave, attendance reporting and record keeping, and other administrative requirements.</i>	Implemented
5. <i>Audit Committee will make all decisions regarding the performance evaluation, appointment, or removal of the CAE and its Staff, as well as approval of annual compensation and salary adjustment for the CAE and its Staff, as recommended by Human Resource Head and the President / CEO.</i>	Implemented

**(g) Mechanism and Safeguards**

**State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies** (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p><u>INTERNAL AUDITORS</u></p> <p>The Chief Audit Executive ("CAE") and the Internal Audit Staff ("Staff") are not authorized to:</p> <ol style="list-style-type: none"> <li>1. Perform any operational duties for the organizations or its affiliates.</li> <li>2. Initiate or approve accounting transactions external to the Internal Audit Department.</li> <li>3. Direct the activities of any organization employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.</li> </ol>			<p>There are no independence concerns involving financial analyst, investment banks and rating agencies as there are no material public information being disclosed ahead to any group other than what is disclosed publicly to the regulators within the prescribed time period for reporting.</p>
<p><u>EXTERNAL AUDITORS</u></p> <p>Under the PhilNaRe policy of auditor independence, the External Auditor may not provide the following services to the Company:</p> <ol style="list-style-type: none"> <li>1. Management responsibilities;</li> <li>2. Preparing accounting records and financial statements;</li> <li>3. Financial information systems design and implementation; and</li> </ol>			<p>There are no independence concerns involving financial analyst, investment banks and rating agencies as there are no material public information being disclosed ahead to any group other than what is disclosed publicly to the regulators within the prescribed time period for reporting.</p>



Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
4. <i>Litigation support and legal services.</i>			

**(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.**

*For 2012, we issued our annual certification on compliance with the SEC's Code of Corporate Governance in accordance with the requirements of SEC Memorandum Circular 6, Series of 2009 and the same was signed by the Compliance Officer and duly noted by the President/CEO.*

## H. ROLE OF STAKEHOLDERS

1) **Disclose the company's policy and activities relative to the following:**

Areas of Concern	Policy	Activities
Customers' welfare	<i>The company underwrites reinsurance business from life and non-life insurance companies and brokers, with the objective of realizing profits and being a dependable partner to its clients.</i>	<p><i>Each risk accepted or treaty arrangement entered into is carefully evaluated based on the company's underwriting guidelines, such as maximum limits per type of risk, existing exposures, premium adequacy, financial condition of the client and the like.</i></p> <p><i>Significant risk concentrations may result in potential losses in a given area, including losses that could arise from catastrophes such as earthquakes and typhoons and thereby the company gets an 'excess of loss protection' to limit the company's exposure up to a specified amount.</i></p> <p><i>In evaluating a claim, the company follows set guidelines such as setting up reserves upon its receipt of a preliminary loss advice, and requiring the cedant-claimant to submit other necessary documents such as the adjuster's report, affidavits and proof of loss to ensure that only valid claims are settled and that these are settled promptly and judiciously.</i></p>
<i>Supplier/contractor selection practice</i>	<i>For major suppliers or service providers, a request for proposal is required to be submitted based on an approved term of reference. A separate (board) committee may be designated to review and evaluate proposals submitted and make recommendations for Board consideration.</i>	<i>A bidding process is in place where at least three suppliers or service providers are required to submit their bid proposal for review and evaluation of the designated official and a recommendation is submitted for consideration.</i>
Environmentally friendly value-chain	<i>The Company's efforts are currently focused on mitigating the consequences of natural catastrophes.</i>	<i>The Company participates in conferences on mitigating consequences of natural catastrophes and works with the Philippine non-life insurance industry to put in place mitigation measures. It also participates jointly in community</i>
Community interaction		

Areas of Concern	Policy	Activities
		related projects undertaken by other entities from time to time through donations, sponsorship and being resource speaker in certain events which aim to raise the insurance awareness of the general public.
Anti-corruption programmes and procedures?	<p>The Company does not condone any dishonest, unethical or unprofessional behavior and actions displayed by an employee, regardless of his/her level of authority.</p> <p>It is the responsibility of each employee to report legitimate concerns so that issues can be properly investigated or resolved and corrective measures can be instituted.</p> <p>These concerns may involve commission of fraud, theft or corruption, unauthorized use of Company funds and properties, breach of a legal obligation, internal or external regulation or any procedure regarding accounting, auditing matters, as well as alleged irregularities of a general, operational and financial nature in the company. [Code of Ethics and Rules of Conduct]</p>	<p>Concerns may be raised verbally or in writing to the HRD Head while concerns involving the HRD Head should be raised to the CEO and complaints concerning the CEO should be raised to the Chairman of the Nomination and Compensation Committee of the Company's Board of Directors.</p> <p>Management shall maintain the confidentiality of all the concerns or complaints raised and the anonymity of the person making the complaint to the fullest extent reasonably practicable within the legitimate needs of law.</p>
Safeguarding creditors' rights	The company manages its cash and investment position to meet its obligations arising from reinsurance agreements and other financial liabilities.	<p>Currently, the Company's excess cash is invested in available-for-sale financial assets.</p> <p>All valid claims are settled promptly and judiciously, as part of the company's commitment to its clients.</p>

**2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?**

Yes. Corporate Responsibility Section is included in the Annual Report, SEC Form 17A, Part IV. Corporate Governance section.

**3) Performance-enhancing mechanisms for employee participation.**

**(a) What are the company's policy for its employees' safety, health, and welfare?**

The Company's policy on Health, Safety, Security and Proper Use of Company Assets states that, "The Company is committed in providing and maintaining a safe, secure and healthy work environment. In turn, the employee has the responsibility to work safely, to keep work areas and common areas in the company neat and clean, not just to reduce the chances of injury but also to make the office a more attractive and pleasant place to work in.

Employees are urged to report to their immediate superior or to the General Services Department accidents or any condition or practice which is unsafe, whether or not these result in personal injury or no matter how minor they might seem to be.

In order to ensure the promotion of employee health and well-being, the company offers health care benefits covered by the health insurance provider of the Company.

Employees are involved in deciding, planning and implementing employee activities and programs such as sports and summer outing events, company parties and employee uniform. [Code of Conduct, 11.3 – Health, Safety, Security and Proper Use of Company Assets]

**(b) Show data relating to health, safety and welfare of its employees.**

*Generally all our regular employees undergo annual medical check-up with their preferred medical clinic/hospital. There have been no reported work-related accidents or health concerns in the Company.*

**(c) State the company's training and development programmes for its employees. Show the data.**

*New employees are given orientation on the Company's policies and procedures and made to undergo basic insurance and reinsurance training. Depending on their work assignment and employee development plans, employees undergo or are sent to specialized training courses.*

*The top five (5) training programs attended by employees in 2012 were the following: Insurance and Reinsurance Course at 70%, Management Training / Seminar at 7%, Communication Programs, Information Technology, Audit and Risk Management at 5% each. All in all, there were 102 attendees in the various training programs offered or sponsored by the Company during the year.*

**(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures**

*It is the policy of the company to promote advancement among its employees for consistently exceeding expectations over five (5) years, meeting organizational requirements and facilitating the achievement of long-term corporate goals and objectives. Depending on the performance of the Company and also taking into consideration various qualitative performance parameters such as succession planning and corporate governance, the Board also grants performance bonus.*

**4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.**

- i. Concerns may be raised verbally or in writing to the HRD Head, the Company CEO or to the Chairman of the Nomination and Compensation Committee of the Company's Board of Directors for complaints concerning the CEO should be raised.*
- ii. When raising a concern or complaint, the employee should give the background, the nature of the alleged wrongdoing or a description of the event, relevant dates, reasons for the concern, witnesses and the names of the individual involved.*
- iii. If the concern is raised verbally, then the person receiving the information should prepare the outline of the matters raised.*
- iv. Employees are assured that Management shall maintain the confidentiality of all the concerns and complaints raised and the anonymity of the person making the complaint to the fullest extent reasonably practicable within the legitimate needs of law.*
- v. The HRD Head/monitoring officer shall be responsible for deciding whether there are grounds for proceeding further with the case. Potential action may include a clarification of facts, a more formal investigation conducted by the Senior ManCom or Internal Audit Department, or referral to external auditors or legal consultants. Concerns that fall within the scope of specific procedures shall be referred for consideration under those procedures.*
- vi. The monitoring officer (or the HRD Head/CEO/Chairman of NCC as the case maybe) shall inform the reporting employee in writing within seven (7) working days of the following:
  - a. What has been done or how monitoring officer plans to deal with the matter;*
  - b. An estimate of how long it might take to give a final response;*
  - c. If an initial inquiry has been made;*
  - d. If further investigation will take place;*
  - e. Any further information that may be sought from the employee.**
- vii. The monitoring officer, subject to legal constraints, will provide the employee with information on the outcome of any investigation.*

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure (as of December 31, 2012)

#### (a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Bank of Philippine Islands, Ayala Avenue corner Paseo de Roxas, Makati City	290,795,500	13.69%	Bank of Philippine Islands, Ayala Avenue corner Paseo de Roxas, Makati City
PCD Nominee Corporation (Filipino) <sup>1</sup> , G/F MSE Building, 6754 Ayala Avenue, Makati City	546,466,200	25.73%	Government Service Insurance System <sup>2</sup> , New GSIS Headquarters, Financial Center, Pasay City
PCD Nominee Corporation (Filipino) <sup>1</sup> , G/F MSE Building, 6754 Ayala Avenue, Makati City	273,717,100	12.89%	MICO Equities Inc. <sup>2</sup> Yuchengco Bldg., 484 Quintin Paredes Street Manila

<sup>1,2</sup>The PCD is not related to the Company. The 546,466,200 shares and 273,717,100 shares beneficially owned by GSIS and MICO Equities, respectively, form part of the 1,531,695,733 shares registered in the name of PCD Nominee Corporation (Filipino) as of December 31, 2012.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Edgar B. Villasenor	50,000	0	0.002354%
Amerfil V. Basco	31,800	0	0.001497%
Vicente B. Villarama, Jr.	12,800	0	0.000603%
<b>TOTAL</b>	<b>94,600</b>	<b>0</b>	<b>0.004454%</b>

### 2) Does the Annual Report disclose the following:

Key risks	YES
Corporate objectives	YES
Financial performance indicators	YES
Non-financial performance indicators	YES
Dividend policy	YES
Details of whistle-blowing policy (Code of Ethics)	YES
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	YES
Training and/or continuing education programme attended by each director/commissioner	YES
Number of board of directors/commissioners meetings held during the year	YES
Attendance details of each director/commissioner in respect of meetings held	YES
Details of remuneration of the CEO and each member of the board of directors/commissioners	YES

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

### 3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Punongbayan & Araullo for 2012	P 950,000	P 73,536

#### 4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

Shareholders are provided through public records, communication media, and the Company's website, the disclosures, announcements and reports filed with the SEC, PSE, IC and other regulating agencies.

#### 5) Date of release of audited financial report:

December 31, 2012 audited financial statements were submitted to regulators on April 15, 2013.

#### 6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	YES
Financial statements/reports (current and prior years)	YES
Materials provided in briefings to analysts and media	YES
Shareholding structure	YES
Group corporate structure	YES
Downloadable annual report	YES
Notice of AGM and/or EGM	YES
Company's constitution (company's by-laws, memorandum and articles of association)	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

#### 7) Disclosure of RPT

RPT	Relationship	Nature	Value (in million pesos) For the year ending December 31, 2012
GSIS	Stockholder	Reinsurance Premiums	P327
BPI Group	Stockholder	Reinsurance Premiums	P250
Malayan Group	Stockholder	Reinsurance Premiums	P65

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

All related party transactions are fully disclosed to the Board of Directors. Reinsurance transactions are done in the regular course of business and conducted on an arm's length basis, negotiated based on prevailing competitive commercial terms and approved by the Company's Underwriting Committee. None of the Company's shareholders are granted special privileges or concessions.

#### J. RIGHTS OF STOCKHOLDERS

##### 1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

###### (a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

<b>Quorum Required</b>	A quorum at any meeting of the stockholders shall consist of stockholders representing at least a majority of the outstanding capital stock <u>except in those cases where the Corporation Code of the Philippines requires greater proportion</u> . In the event of lack of quorum, the Chairman of the meeting or a majority interest of the stockholders present in person or represented by proxy may adjourn the meeting from time to time without notice other than announcement of the meeting, until a quorum shall be obtained. At any such adjourned meeting at which there is a quorum, any business may be transacted which might have been transacted at the meeting originally called. (Emphasis supplied) [Amended By-Laws, Section 4. Quorum, page 5]
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**(b) System Used to Approve Corporate Acts**

Explain the system used to approve corporate acts.

<b>System Used</b>	For the ratification of the acts of the Board of Directors and Officers, the vote required is a <u>majority of the outstanding common stock present in person or by proxy</u> , provided constituting a quorum. (Emphasis supplied.) (SEC Form 20-IS- Definitive Information Statement for 2012, page 27)
<b>Description</b>	The method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands or, upon motion duly made and seconded, by secret ballot. (SEC Form 20-IS- Definitive Information Statement for 2012, page 27)

**(c) Stockholders' Rights**

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
Stockholders' Rights concerning Annual/Special Stockholders' Meeting are in accordance with provisions stated in the Corporation Code.	There are no stockholders' rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

**Dividends**

Declaration Date	Record Date	Payment Date
May 17, 2012	June 1, 2012	June 22, 2012

**(d) Stockholders' Participation**

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
<p><i>The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation.</i></p> <p><i>Stockholders should be encouraged to personally attend subject meeting and if not possible, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.</i></p> <p><i>To promote stockholders participation in the Annual Stockholders' Meeting, the Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy.</i></p> <p><i>Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.</i></p> <p><i>Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.</i>  <a href="#">[Revised Manual of Corporate Governance, page 20]</a></p>	<ol style="list-style-type: none"> <li>1. <i>Shareholders are provided through public records, communication media, and the Company's website, the disclosures, announcements and reports filed with the SEC, PSE, IC and other regulating agencies.</i></li> <li>2. <i>Shareholders are allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code.</i></li> <li>3. <i>Shareholders, upon request, are provided with periodic reports which disclose personal and professional information about the directors, officers and certain other matters such as their shareholdings, dealings with the Company, relationships among directors and key officers, and the aggregate compensation of directors and officers.</i></li> <li>4. <i>Stockholders are informed at least 15 business days before the scheduled date of the Annual Stockholders' Meeting. The Notice of Meeting includes the date, time, venue and agenda of the meeting, the record date of stockholders entitled to vote, and the date and place of proxy validation.</i></li> <li>5. <i>Each share entitles the holder to one vote that may be exercised in person or by proxy at shareholder meetings, including the Annual Stockholders' Meeting. Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.</i></li> <li>6. <i>Voting procedures on matters presented for approval to the stockholders in the Annual Stockholders' Meeting are set out in the Definitive Information Statement, which is sent to all stockholders of record at least 15 days before the date of meeting.</i></li> <li>7. <i>The Company has also designated relations officers to handle investor and shareholder queries and requests, and their contact information can easily be accessed through the Company's website.</i></li> <li>8. <i>The Company continues to actively maintain its website to provide timely information updates on its governance, operational, and financial performance.</i></li> </ol>

**2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:**

- a. *Amendments to the company's constitution*
- b. *Authorization of additional shares*

- c. Transfer of all or substantially all assets, which in effect results in the sale of the company

*Shareholders have the right to actively participate in the above corporate decisions (a,b,c) through shares held as each share entitles the holder to one vote that may be exercised in person or by proxy at shareholder meetings, including the Annual Stockholders' Meeting. Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts (which also includes the above corporate decision matters) in accordance with the Corporation Code.*

*Voting procedures on matters presented for approval to the stockholders in the Annual Stockholders' Meeting are set out in the Definitive Information Statement, which is sent to all stockholders of record at least 15 days before the date of meeting.*

**3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?**

*Yes, giving out notice of Annual Stockholders' Meeting is 28 days as counted from May 18, 2012 to June 27, 2013.*

**a. Date of sending out notices-**

*Initial sending out of notice was done when we submitted our PSE on-line disclosure of the Definitive Information Statement on **May 18, 2012** and the same was uploaded to the Company's website. On June 1, 2012, sending out of hard copies to all record stockholders was done thru personal delivery using courier service or registered mail.*

**b. Date of the Annual/Special Stockholders' Meeting: June 27, 2012**

**4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.**

*Following are the questions and answers during the June 27, 2012 Annual Stockholders' Meeting:*

**Question 1:** *Mr. Philip Turner inquired on the efforts being undertaken by the Company in eliminating its non-viable economic business*

**Answer:** *The President, Mr. RBCrisol, explained that the Company has cut-down on its marine hull business because it has caused big losses in the past and it has imposed stringent conditions before accepting companies to be insured. Some of the conditions include (1) payment of full premiums; (2) high rating levels; (3) warranties and in other areas of business, the Company has started to adopt strict underwriting guidelines.*

**Question 2:** *Mr. Philip Turner inquired on how the Company is trying to bring premiums up.*

**Answer:** *The President explained that the Company is standing pat on the minimum required premiums on natural perils. The Company has raised the level of fire rates but much remains to be done to bring about improvement.*

**Question 3:** *Mr. Philip Turner inquired on how long the impact of the 'Thailand flooding' losses be felt by the Company.*

**Answer:** *The President explained that the full impact of the losses from the Thai floods will take time to be finally ascertained due to the vast areas affected by the floods. Hence, a deterioration in the loss experience of and an escalation of claims from this calamity remains a major concern. Management will continue to be vigilant in monitoring the loss developments, reviewing and documenting all claims advices it receives and taking whatever action is appropriate.*

**Question 4:** *Another stockholder inquired on the Company's investment and other income such as trading gains.*

**Answer:** *The CFO, Mr. JEHuang, replied that the trading gains are realized trading gains and that the trend continues to be positive.*



**Question 5:** *The same stockholder above also inquired on the net underwriting loss of the company, and he emphasized that the company appears to generate income from trading gains, but not from underwriting.*

**Answer:** *Mr. JEHuang explained that the Company strives to break-even and to generate positive results.*

**5. Result of Annual/Special Stockholders' Meeting's Resolutions - June 27, 2012 Annual Stockholders' Meeting**

Resolution	Approving	Dissenting	Abstaining
1. Approval of the Minutes of Annual Stockholders' Meeting held on June 30, 2011	1,550,781,900 votes representing 73.03%	-	-
2. Ratification of the acts of the Board of Directors / Officers	1,550,781,900 votes representing 73.03%	-	-
3. Appointment of the External Auditors- Punongbayan & Araullo for the year 2012	1,550,781,900 votes representing 73.03%	-	-
4. Amendment of the Articles of Incorporation to increase the number of directors to thirteen (13).	1,550,781,900 votes representing 73.03%	-	-
5. Amendment of the By-Laws: <i>(a) title page to add the business name PhilNaRe; (b) change the schedule of annual meeting to fourth Wednesday of June each year; (c) provide deadline for submission of proxies for stockholders' meeting is 10 days prior to the meeting; (d) provide that nominations for directors should be submitted to the Chairman or Vice-Chairman at least 60 days before the annual meeting and the Chairman or Vice-Chairman should then refer the same to the Nomination Committee; and (e) remove the requirement that the Treasurer should be elected from among the members of the Board.</i>	1,550,781,900 votes representing 73.03%	-	-
6. Delegation to the Board of the Authority to further amend the By-Laws	1,549,688,900 votes representing 72.97%	1,093,000 votes representing 0.051%	-
7. Election of Directors	1,550,781,900 votes representing 73.03%	-	-

**6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:**

*The results of the annual stockholders' meeting was immediately disclosed to PSE's on-line reporting system (OdiSy) within the same date of the meeting- June 27, 2012.*

**(e) Modifications**

**State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:**

Modifications	Reason for Modification
<i>No modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year.</i>	

**(f) Stockholders' Attendance**

**(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:**

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
<b>Annual Stockholders' Meeting</b>	<b>Directors:</b> (1) Bernardo, Romeo L. (2) Crisol, Roberto B. (3) Dee, Helen Y. (4) Gozo, Danilo A. (5) Limcaoco, Jose Teodoro K. (6) Napa, Ermilando D., (7) Nera, Medel T. (8) Salcedo, Jr. Alfonso L. (9) Vergara, Roberto G. (10) Yu, Gregorio T. (11) Ayuste, Rafael G. (12) Gallaga, Rafael C. <b>Officers:</b> (1) Huang, John E. (2) Augusto, Cipriano C. (3) De Leon II, Roberto S. (4) Villaseñor, Edgar B. (5) Basco, Amerfil V. (6) Ramos, Regina S. (7) Villarama Jr., Vicente B. (8) Aldeano, Marissa P. (9) De Guzman, Rene	June 27, 2012	By ballots	0.004939%	73.030830%	73.035769%
Special	No Special Meeting Held during the year.					

**(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?**

*Yes. Punongbayan & Araullo was the appointed Board Canvasser, an independent party to count and validate the votes during the Annual Stockholders' Meeting held on June 27, 2012.*

**(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.**

*The Company has only common shares and each share entitles the holder to one vote that may be exercised in person or by proxy at shareholders' meetings, including the Annual Stockholders' Meeting.*

**(g) Proxy Voting Policies**

**State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.** [*Nomination and Election Rule disclosed to PSE*]

Company's Policies	
Execution and acceptance of proxies	<p><i>Proxies shall be in writing, signed by the stockholders and submitted to the Corporate Secretary not later than ten (10) calendar days prior to the date of the stockholders' meeting. [<i>Amended By-laws, Section 5. Proxies, page 5</i>]</i></p> <p><i>The Corporate By-laws shall be controlling in determining the proper procedure to be followed in the execution and acceptance of proxies, provided that the minimum required formalities prescribed under Section 58 of the Corporation Code and SRC Rule 20 shall be complied with. [<i>Nomination and Election Rules</i>]</i></p>
Notary	<i>Unless required by the corporate by-laws, a proxy need not be notarized.</i>

	<b>Company's Policies</b>
Submission of Proxy	<i>Proxies shall be submitted not later than 10 calendar days prior to the annual stockholders' meeting, provided that in the case of the 2012 annual stockholders' meeting, the same should be submitted not later than 5 days prior to the annual stockholders' meeting, or not later than June 22, 2012, at 3 p.m. at the principal office of the Corporation.</i>
Several Proxies	<i>If the stockholder intends to designate several proxies, the number of shares of stock to be represented by each proxy shall be specifically indicated in the proxy form. If some of the proxy forms do not indicate the number of shares, the total shareholdings of the stockholder shall be tallied and the balance thereof, if any, shall be allotted to the holder of the proxy form without the number of shares. If all are in blank, the stocks shall be distributed equally among the proxies. The number of persons to be designated as proxies may be limited by the By-Laws.</i>
Validity of Proxy	<i>A proxy shall be valid only for the meeting for which it is intended.</i>
Proxies executed abroad	<i>Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.</i>
Invalidated Proxy	<i>A proxy shall not be invalidated on the ground that the stockholder who executed the same has no signature card on file with the Corporate Secretary or Transfer Agent, unless it can be shown that he/she had refused to submit the signature card despite written demand to that effect duly received by the said stockholder at least ten (10) days before the annual stockholders' meeting. There shall be a presumption of regularity in the execution of proxies and shall be accepted if they have the appearance of prima facie authenticity in the absence of a timely and valid challenge.</i>
Validation of Proxy	<i>Validation of proxies shall be held at the date, time and place as may be stated in the Notice of the stockholders' meeting which in no case shall be less than five (5) calendar days prior to the date of stockholders meeting.  In the validation of proxies, a special committee of inspectors shall be designated or appointed by the Board of Directors which shall be empowered to pass on the validity of proxies. Any dispute that may arise pertaining thereto, shall be resolved by the Securities and Exchange Commission upon formal complaint filed by the aggrieved party, or by the SEC officer supervising the proxy validation process. All issues relative to proxies including their validation shall be resolved prior to the canvassing of votes for purposes of determining a quorum.</i>
Violation of Proxy	<i>Any violation of this Rule on Proxy shall be subject to the administrative sanctions provided for under Section 144 of the Corporation Code and Section 54 of the Securities Regulation Code, and shall render the proceedings null and void.</i>

**(h) Sending of Notices**

**State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.**

Policies	Procedure
<p><i>Except as otherwise provided by law, written or printed notice of every annual meeting or special meeting of stockholders, stating the place, day and hour of the meeting and the purposes for which the meeting is called shall be transmitted through personal delivery, telefax, electronic mail or by mail to each stockholder at his address as the same appears on the stock book of the corporation at least fifteen (15) business days before the date of the meeting.</i></p> <p><i>[Amended By-Laws, Article II, Section 3, pages 4-5]</i></p>	<ol style="list-style-type: none"><li>1. <i>Personal Delivery of such Notice to a stockholder shall be equivalent to mailing.</i></li><li>2. <i>Except as otherwise provided by law, no publication of notice of annual meeting of stockholders shall be required.</i></li><li>3. <i>Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.</i></li><li>4. <i>Notice of meeting need not be given to any shareholder who signs a waiver of notice, in person or by proxy, whether before or after the meeting.</i></li><li>5. <i>The attendance of any shareholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting to lack of notice of such meeting, shall constitute a waiver of notice by him.</i></li><li>6. <i>No notice shall be necessary for any adjourned meeting.</i></li><li>7. <i>The notice of stockholders' meeting shall also set the date, time and place of the validation of proxies which, in no case, shall be less than five (5) calendar days prior to the annual stockholders' meeting to be held. The presence of any stockholder who may wish to be present in person or through counsel shall be allowed.</i></li><li>8. <i>The printed copy of the Definitive Information Statement which includes the 'Notice of Annual Meeting of Stockholders', shall be sent to all stockholders of record at least fifteen (15) business days from the date of the stockholders' meeting. (Distribution is done through courier services.)</i></li></ol>

**(i) Definitive Information Statements and Management Report**

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	<i>288 Shareholders were entitled to receive the DIS and Management report.</i>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	<i>June 1, 2012</i>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	<i>June 1, 2012</i>
State whether CD format or hard copies were distributed	<i>Hard copies were distributed.</i>
If yes, indicate whether requesting stockholders were provided hard copies	<i>All stockholders of record were provided with hard copies.</i>

**(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:**

Each resolution to be taken up deals with only one item.	YES
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	YES
The auditors to be appointed or re-appointed.	YES
An explanation of the dividend policy, if any dividend is to be declared.	YES
The amount payable for final dividends.	YES
Documents required for proxy vote.	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

*We have disclosed the foregoing information.*

**2) Treatment of Minority Stockholders**

**(a) State the company's policies with respect to the treatment of minority stockholders.**

Policies	Implementation
<p>The Board shall respect the following rights of the stockholders as mandated or set forth in the Corporation Code of the Philippines, Articles of Incorporation and By-Laws of the Company:</p> <ul style="list-style-type: none"> <li>i. Right to vote on all matters that require their consent or approval;</li> <li>ii. Right to inspect corporate books and records;</li> <li>iii. Right to information;</li> <li>iv. Right to dividends; and</li> <li>v. Appraisal right.</li> </ul> <p>The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. <i>[Revised Manual of CG, Item E. pages 18-20]</i></p>	<ol style="list-style-type: none"> <li>1. Shareholders are informed at least 15 business days before the scheduled date of the Annual Stockholders' Meeting. Notice for the June 27, 2012 Annual Stockholders' Meeting was sent on June 01, 2012.</li> <li>2. Each share entitles the holder to one vote that may be exercised in person or by proxy at shareholders meeting, including the Annual Stockholders' Meeting.</li> <li>3. Voting procedures on matters presented for approval to the stockholders in the Annual Stockholders' meeting are set out in the Definitive Information Statement, which is sent to all stockholders of record at least 15 days before the date of meeting.</li> <li>4. Shareholders are provided through public records, communication media, and the Company's website, the disclosures, announcements and reports filed with the SEC, PSE, IC and other regulating agencies.</li> <li>5. The Board of Directors are authorized to declare dividends out of the unrestricted retained earnings of the Company, which may be payable in cash, in property, or in stock to all stockholders.</li> </ol>

**(b) Do minority stockholders have a right to nominate candidates for board of directors?**

*Yes. As per the election rule, nominations for directors shall be made in writing and shall be delivered or mailed to the Chairman of the Board or Vice Chairman of the Board at the principal office of the corporation, with the written consent of the nominees, at least 60 days before the scheduled annual stockholders' meeting. The Chairman or Vice-Chairman of the Board, as the case may be, shall forward or refer such nominations to the Nomination Committee. [Amended By-Laws, Article III, Section 4. Nomination of Directors, page 9]*

**K. INVESTORS RELATIONS PROGRAM**

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.**

*The Company has set-up communication channels that promote effective communication with its shareholders and the investing community. Aside from the regular reporting and disclosures to the various regulating agencies such as the SEC, PSE and IC, the Company actively maintains its website that provides timely information updates on its governance, operational, and financial performance. The Company has also designated relations officers to handle investor and shareholder queries and requests, and their contact information can easily be accessed through the Company's website.*

*The President/CEO and Chief Financial Officer (CFO) exercises oversight responsibility over this investor relations program.*

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.**

	Details
<b>(1) Objectives</b>	<i>To build better understanding and cultivate a relationship of trust with stakeholders, the Company has set-up communication channels that promote effective communication with its shareholders and the investing community.</i>
<b>(2) Principles</b>	<i>Handle investors and shareholders queries and requests as a top priority matter and therefore, immediate resolution is required.</i>
<b>(3) Modes of Communications</b>	<i>Company Website and PSE Website for all our corporate disclosures which includes NRCP's stock performance, security information, company profile, chart, and historical data.</i>
<b>(4) Investors Relations Officer</b>	<i>Mr. Roberto De Leon II, FVP for Nonlife Treaty Division, contact number- (632) 988-7408 Ms. Marissa Aldeano, VP for Treasury &amp; Investment, contact number (632) 988-7461 Email: ir@nrcp.com.ph</i>

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?**

*The Company does not have a separate rule or procedure governing the acquisition of corporate control in the capital markets and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets other than the provisions stated under Sections 40, 81 and 82 of the Corporation Code of the Philippines.*

**SEC. 40. Sale or other disposition of assets.**- "... a corporation may, by a majority vote of its board of directors or trustees, sell, lease, exchange, mortgage, pledge or otherwise dispose of all or substantially all of its property and assets, including its goodwill, upon such terms and conditions and for such consideration, which may be money, stocks, bonds or other instruments for the payment of money or other property or consideration, as its board of directors or trustees may deem expedient,

*when authorized by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock... in a stockholders' or members' meeting duly called for the purpose."*

**SEC. 81. Instances of appraisal right.**- *"Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:*

1. *In case of amendment to the Articles of incorporation has the effect of changing or restricting the rights of any stockholder 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;*
2. *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 Code; and*
3. *In case of merger or consolidation."*

**SEC. 82. How right is exercised.**- *"The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares..."*

(Emphasis supplied)

**Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.**

*Nothing to report, the Company does not have any transaction of this nature.*

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

**Discuss any initiative undertaken or proposed to be undertaken by the company.**

The Company has made a number of donations to the following institutions to support the various civic spirited activities and projects.

Initiative	Beneficiary
1. 2012 Insurance Consciousness Week of the Philippine Insurers' Club (PIC)	Kanlungan in Maria in Antipolo
2. 16 <sup>th</sup> PLIA (Phil Life Insurance Assoc.) Golf Tournament	Indigent ATI families and PLIA-Gawad Kalinga Village
3. FMAP movie screening- Bourne Legacy	FMAP Scholarship Fund
4. DSWD Donation	Golden Acres Home for the Aged
5. Fund Raising Projects of the Knights of Columbus	Scholarship funds for Filipino seminarians and priests

#### M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

**Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.**

	Process	Criteria
Board of Directors	<i>No formal performance evaluation is in place however, the Board, through its Audit Committee, performs a <u>self-evaluation</u> in which the current and potential state of the Company's corporate governance practices were rated using <u>best practice guidelines issued by the PSE</u> (criteria used).</i>	
Board Committees	<i>Audit Committee conducts annual performance evaluation in compliance with the SEC requirement per SEC Memo Circular No. 4, Series of 2012.</i>	<i>Guidelines for the Assessment of the Performance of Audit Committee of Companies Listed on the Exchange.</i>
Individual Directors	<i>No formal evaluation process in place.</i>	

	Process	Criteria
<b>CEO/President</b>	<i>The Nomination and Compensation Committee conducts a performance evaluation of the CEO/President and this becomes the basis for renewing his employment contract. The current contract of the President has a term of two years or until December 30, 2013, renewable for another year at the sole option of the Corporation.</i>	

#### N. INTERNAL BREACHES AND SANCTIONS

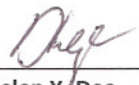
Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

Violations	Sanctions
<b>First Violation</b>	<i>Subject person shall be reprimanded.</i>
<b>Second Violation</b>	<i>Suspension from office shall be imposed to the subject person</i>
<b>Third Violation</b>	<i>The maximum penalty or removal from office shall be imposed.</i>

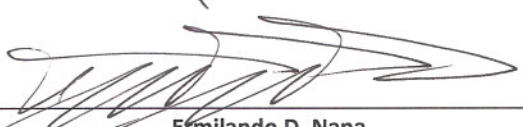


Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati, on May 16, 2013.


**Signatures**


  
 \_\_\_\_\_  
**Helen Y. Dee**  
 Chairman

  
 \_\_\_\_\_  
**Roberto B. Crisol**  
 President and CEO

  
 \_\_\_\_\_  
**Ermilando D. Napa**  
 Independent Director


  
 \_\_\_\_\_  
**Romeo L. Bernardo**  
 Independent Director

  
 \_\_\_\_\_  
**Medel T. Nera**  
 Independent Director

  
 \_\_\_\_\_  
**Regina S. Ramos**  
 Compliance Officer

**SUBSCRIBED AND SWORN** to before me this MAY 28 2013 day of May, 2013, affiant(s) exhibiting to me their Community Tax Certificates and/or Passport Number, as follows:

NAME	CTC/PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Helen Y. Dee	CTC 15888629	Mar. 5, 2013	Manila
Roberto B. Crisol	CTC 10708201	Feb. 22, 2013	Makati City
Ermilando D. Napa	PT# EB0778326	Aug. 17, 2010	DFA Manila
Romeo L. Bernardo	CTC 13926314	Jan. 17, 2013	Makati City
Medel T. Nera	CTC 10682326	Jan. 30, 2013	Makati City
Regina S. Ramos	CTC 22009648	Jan. 02, 2013	Makati City

  
**ATTY. ROBERT N. LUZ**  
 NOTARY PUBLIC  
 Until December 31, 2013  
 Appt. No. M-521, Makati City  
 IBP #899793, May 22, 2012-RSM  
 PTR #3685485, Jan. 16, 2013-Makati  
 S C Roll No. 59597  
 MCLE Compliance No. IV-0011330  
 Unit 6E Cityland Herrera Tower  
 near Rufino St. cor. Velera St.  
 Salcedo Village, Makati City

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