

ASEAN CORPORATE GOVERNANCE SCORECARD

PRUDENTIAL GUARANTEE AND ASSURANCE, INC.
FINANCIAL YEAR 2018
NON-LIFE INSURANCE | CLASS 3



PENALTY

ITEM NO.	GOVERNING STANDARD	GUIDING REFERENCE	RESPONSE	REFERENCE/ SOURCE DOCUMENT
A. Rights of shareholders				
A.1 Basic shareholder rights				
Clearly defined board responsibilities and corporate governance policy				
A.1.1 (P)	Did the company fail or neglect to offer equal treatment for share repurchases to all shareholders?	OECD Principle II (A)	N.A.	As noted on Annex C of Circular Letter No. 2015-23, dated May 08, 2015, this is a "Not Applicable Item" for insurance companies falling under Class 3.
A.2 Shareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in the Principles, subject to exceptions to prevent abuse.				
A.2.1(P)	Is there evidence of barriers that prevent shareholders from communicating or consulting with other shareholders?	OECD Principle II: <i>(G) Shareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in the Principles, subject to exceptions to prevent abuse.</i>	No	There is no evidence to this effect.
A.3 Right to participate effectively in and vote in general shareholders meeting and should be informed of the rules, including voting procedures, that govern general shareholders meeting.				
A.3.1(P)	Did the company include any additional and unannounced agenda item into the notice of AGMEGM?	OECD Principle II (C) 2	No	All agenda items discussed during the 2018 Annual Stockholders' Meeting, dated April 06, 2018, were included in the Notice sent to all stockholders, dated March 07, 2018. Notice for 2018 Annual Stockholders' Meeting Minutes of Annual Stockholders' Meeting (April 06, 2018)
A.4 Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.				
Did the company fail to disclose the existence of:				
A.4.1(P)	Shareholders agreement?	OECD Principle II (D)	No	There is no evidence to this effect.
A.4.2(P)	Voting cap?		No	As noted on Annex C of Circular Letter No. 2015-23, dated May 08, 2015, this is a "Default Item" for insurance companies falling under Class 3. Nevertheless, there is no evidence to this effect.

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A.4.3(P)	Multiple voting rights?	OECD Principle II (D)	No	As noted on Annex C of Circular Letter No. 2015-23, dated May 08, 2015, this is a "Default Item" for insurance companies falling under Class 3. Nevertheless, there is no evidence to this effect.
A.5 Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.				
A.5.1(P)	Is a pyramid ownership structure and/or cross holding structure apparent?	<p>OECD Principle II:</p> <p><i>(D) Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.</i></p> <p><i>Some capital structures allow a shareholder to exercise a degree of control over the corporation disproportionate to the shareholders' equity ownership in the company. Pyramid structures, cross shareholdings and shares with limited or multiple voting rights can be used to diminish the capability of noncontrolling shareholders to influence corporate policy.</i></p>	N.A.	As noted on Annex C of Circular Letter No. 2015-23, dated May 08, 2015, this is a "Not Applicable Item" for insurance companies falling under Class 3.
B. Equitable treatment of shareholders				
B.1 Insider trading and abusive self-dealing should be prohibited.				
B.1.1(P)	Has there been any conviction of insider trading involving directors/commissioners, management and employees in the past three years?	<p>OECD Principle III:</p> <p>The Equitable Treatment of Shareholders</p> <p><i>(B) Insider trading and abusive dealing should be prohibited.</i></p> <p>ICGN 3.5</p> <p><i>Employee share dealing Companies should have clear rules regarding any trading by directors and employees in the company's own securities. Among other issues, these must seek to ensure individuals do not benefit from knowledge which is not generally available to the market.</i></p> <p>ICGN 8.5 Shareholder rights of action</p> <p><i>... Minority shareholders should be afforded protection and remedies against abusive or oppressive conduct.</i></p>	No	There is no evidence to this effect.

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B.2 Protecting minority shareholders from abusive action				
B.2.1(P)	Has there been any cases of non compliance with the laws, rules and regulations pertaining to significant or material related party transactions in the past three years?	<p>OECD Principle III: <i>(B) Insider trading and abusive dealing should be prohibited</i></p> <p>ICGN 2.11.1 Related party transactions <i>Companies should have a process for reviewing and monitoring any related party transaction. A committee of independent directors should review significant related party transactions to determine whether they are in the best interests of the company and if so to determine what terms are fair.</i></p> <p>ICGN 2.11.2 Director conflicts of interest <i>Companies should have a process for identifying and managing any conflicts of interest directors may have. If a director has an interest in a matter under consideration by the board, then the director should not participate in those discussions and the board should follow any further appropriate processes. Individual directors should be conscious of shareholder and public perceptions and seek to avoid situations where there might be an appearance of a conflict of interest.</i></p>	No	There is no evidence to this effect.
C. Role of Stakeholders				
C.1 The rights of stakeholders that are established by law or through mutual agreements are to be respected.				
C.1.1(P)	Have there been any violations of any laws pertaining to labour/ employment/ consumer/ insolvency/ commercial/ competition or environmental issues?	<p>OECD Principle IV: <i>(A) The rights of stakeholders that are established by law or through mutual agreements are to be respected.</i></p>	No	There is no evidence to this effect.
C.2 Where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis.				
C.2.1(P)	Has the company faced any sanctions by regulators for failure to make announcements within the requisite time period for material events?	<p>OECD Principle IV: <i>(B) Where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis</i></p>	No	There is no evidence to this effect.

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D. Disclosure and transparency				
D.1 Sanctions from regulator on financial reports				
D.1.1(P)	Did the company receive a "qualified opinion" its external audit report?	OECD Principle V: Disclosure and Transparency <i>(B) Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial disclosures. (C) An annual audit should be conducted by an independent, competent and qualified, auditor in order to provide an external and objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the company in all material respects. (D) External auditors should be accountable to the shareholders and owe a duty to the company to exercise due professional care in the conduct of the audit.</i>	No	The Company received an "Unqualified Opinion" for its 2018 Financial Statements, as audited by SGV and Co. Audited Financial Statements, as at December 31, 2018 (Page 2)
D.1.2(P)	Did the company receive an "adverse opinion" in its external audit report?	ICGN 6.2 Annual audit <i>The annual audit carried out on behalf of shareholders is an essential part of the checks and balances required at a company. It should provide an independent and objective opinion that the financial statements fairly represent the financial position and performance of the company in all material respects, give a true and fair view of the affairs of the company and are in compliance with applicable laws and regulations.</i>	No	The Company received an "Unqualified Opinion" for its 2018 Financial Statements, as audited by SGV and Co. Audited Financial Statements, as at December 31, 2018 (Page 2)
D.1.3(P)	Did the company receive a "disclaimer opinion" in its external audit report?	ICGN 7.3 Affirmation of financial statements <i>The board of directors and the appropriate officers of the company should affirm at least annually the accuracy of the company's financial statements or financial accounts. International Auditing Standard (IAS) No. 705 "Modifications to the Opinion in the Independent Auditor's Report" (2009). Paras. 7, 8 and 9 specify the three types of modifications to the auditor's opinion; that is, Qualified opinion, Adverse opinion, and Disclaimer opinion respectively.</i>	No	The Company received an "Unqualified Opinion" for its 2018 Financial Statements, as audited by SGV and Co. Audited Financial Statements, as at December 31, 2018 (Page 2)
D.1.4(P)	Has the company in the past year revised its financial statements for reasons other than changes in accounting policies?		No	As provided in Note 31 of the 2018 Financial Statements, all restatements effected during the most recently concluded financial year were due to changes in accounting policies. Audited Financial Statements, as at December 31, 2018 (Page 70-72)

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E. Responsibilities of the Board				
E.1 Compliance with listing rules, regulations and applicable laws				
E.1.1(P)	Is there any evidence that the company has not complied with any listing rules and regulations over the past year apart from disclosure rules?	<p>OECD Principle VI:</p> <p>(D) (7) <i>Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.</i></p> <p><i>Companies are also well advised to set up internal programmes and procedures to promote compliance with applicable laws, regulations and standards, including statutes, to criminalise bribery of foreign officials that are required to be enacted by the OECD Anti-bribery Convention and measures designed to control other forms of bribery and corruption. Moreover, compliance must also relate to other laws and regulations such as those covering securities, competition and work and safety conditions. Such compliance programmes will also underpin the company's ethical code.</i></p>	N.A.	As noted on Annex C of Circular Letter No. 2015-23, dated May 08, 2015, this is a "Not Applicable Item" for insurance companies falling under Class 3.
E.1.2(P)	Have there been any instances where non-executive directors/ commissioners have resigned and raised any issues of governance-related concerns?	<p>UK CODE (JUNE 2010)</p> <p>A.4.3 <i>Where directors have concerns which cannot be resolved about the running of the company or a proposed action, they should ensure that their concerns are recorded in the board minutes. On resignation, a non-executive director should provide a written statement to the chairman, for circulation to the board, if they have any such concerns.</i></p>	No	There is no evidence to this effect.
E.2 Board Appraisal				
E.1.2(P)	<p>Does the Company have any independent directors/ commissioners who have served for more than nine years or two terms (whichever is higher) in the same capacity?</p> <p><i>(The five years term must be required by legislation which pre-existed before the introduction of the ASEAN Corporate Governance Scorecard in 2011)</i></p>	<p>ICGN 3.3 Tenure</p> <p><i>Non-executive directors should serve for an appropriate length of time to properly serve the board without compromising the independence of the board. The length of tenure of each director should be reviewed regularly by the nomination committee to allow for board refreshment and diversity.</i></p>	No	<p>Item D.1. of Circular Letter No. 2018-36, "Rules on Number of Seats, Qualifications and Term Limits of Independent Directors", dated June 26, 2018 and as issued by the Insurance Commission, "As far as Insurance Companies are concerned, the foregoing term limit shall be reckoned from January 02, 2015". As such, all Independent Directors were granted fresh term limits, and this requirement shall only be applicable on January 02, 2024.</p> <p>Circular Letter No. 2018-36, "Rules on Number of Seats, Qualifications and Term Limits of Independent Directors"</p>

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E.2.2(P)	Did the company fail to identify who are the independent director(s)/ commissioner(s)?	ICGN 2.4 Composition and structure of the board ICGN 2.4.1 Skills and experience ICGN 2.4.3 Independence	No	All four (4) Independent Directors were identified on the General Information Sheet, for both 2018 and 2019, and the Annual Report for 2018. General Information Sheet (as at April 06, 2018) General Information Sheet (as at April 29, 2019) 2018 Annual Report (Pages 11, 17-18)
E.3 External Audit				
E.3.1(P)	Are any of the directors or senior management a former employee or partner of the current external auditor (in the past 2 years)?	OECD Principle V: <i>(C) An annual audit should be conducted by an independent, competent and qualified, auditor in order to provide an external and objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the company in all material respects.</i> <i>Examples of other provisions to underpin auditor independence include, a total ban or severe limitation on the nature of non-audit work which can be undertaken by an auditor for their audit client, mandatory rotation of auditors (either partners or in some cases the audit partnership), a temporary ban on the employment of an ex-auditor by the audited company and prohibiting auditors or their dependents from having a financial stake or management role in the companies they audit.</i>	No	Only Atty. Emmanuel C. Alcantara, an Independent Director appointed on April 06, 2018, was a former employee of our External Auditor, SGV and Co. However, he retired from the said audit firm in 2014. 2018 Annual Report (Page 18)
E.4 Board structure and composition				
E.4.1 (P)	Has the Chairman been the company CEO in the last three year	OECD Principle VI (E) <i>The board should be able to exercise objective independent judgement on corporate affairs. In countries with single tier board system, the objectivity of the board and its independence from management may be strengthened by the separation of the role of chief executive and Chair.</i> <i>Separation of the two posts is generally regarded as good practice, as it can help to achieve an appropriate balance of power, increase accountability and improve the board's capability for decision making independent management. The presence of a recent CEO as Chairman may unduly influence the views of the board.</i>	No	The current Chairman of the Board, Mr. Robert Coyiuto, Jr., was CEO until June 30, 2012 (seven years ago). He was succeeded by Atty. Celestino L. Ang, who served until November 30, 2018. The current CEO is Mr. Anthony G. Sy, who was appointed on December 01, 2018. 2018 Annual Report (Pages 12-13, 16)