

Annual Corporate Governance Report of
PERLA COMPANIA DE SEGUROS, INC.

For fiscal year ended 2020

Certificate Authority Number: 2019/56-R

2/F Perla Mansions, 117 C Palanca St, Legaspi Village, Makati

www.perlainsurance.com

8892-9548 to 50

Additional Docs

GIS

Additional Director Info

Manual on Corporate Governance

Key Personnel – Compliance Officer, Assistant Comp Officer

Minutes of Annual Shareholders meeting

Information on Chief Audit Executive

Recommendation 1.1

Recommendation		Additional Information/ Explanation
1. Board is composed of directors with collective	Compliant	See GIS
2. Board has an appropriate mix of Competence	Compliant	See GIS
3. Directors remain qualified...	Compliant	Information on website, Additional director information

Recommendation 1.2

Recommendation		Additional Information/ Explanation
1. Board is composed of majority	Compliant	See GIS

Recommendation 1.3

Recommendation		Additional Information/ Explanation
1. Company provides in its Board Charte...	Compliant	Manual on Corporate Governance
2. Company provides orientation program	Compliant	Manual on Corporate Governance
3. Company has annual training	Non-Compliant	Training only done as needed usually every 2-3 years or when new director is brought in

Recommendation 1.4

Recommendation		Additional Information/ Explanation
1. Company has a policy of board diversity	Non-Compliant	Company is still working to increase board diversity and looking for suitable candidates

Recommendation 1.5

Recommendation		Additional Information/ Explanation
1. Board is assisted by Corp Sec	Non-Compliant	Manual on Corp Governance
2. Corp Sec is separate from Compliance	Compliant	See key personnel
3. Corp Sec is not member of board	Non-Compliant	Corp Sec is more than capable of fulfilling both duties
4. Corp Sec attends trainings	Compliant	Attended director training as required

Recommendation 1.6

Recommendation		Additional Information/ Explanation
1. Board assisted by Compliance officer	Compliant	Manual on Corp Governance
2. Compliance Officer Rank	Compliant	
3. Compliance is not member	Compliant	
4. Compliance Officer attends trainings	Non-Compliant	Attends trainings as needed such as when new to the role

Recommendation 2.1

Recommendation		Additional Information/ Explanation
1. Directors act on a full informed basis	Compliant	Minutes of meetings

Recommendation 2.2

Recommendation		Additional Information/ Explanation
1. Board oversees the development	Compliant	Minutes of Board Meetings
2. Boards oversees and monitors company business objectives	Compliant	Minutes of Board Meetings

Recommendation 2.3

Recommendation		Additional Information/ Explanation
1. Board is headed by competent and qualified Chairperson	Compliant	Minutes of Board Meetings

Recommendation 2.4

Recommendation		Additional Information/ Explanation
1. Board ensures and adopts an effective succession planning program	Compliant	Company tries to always have a second in command for various positions so that succession is smooth
2. Board adopts a policy on retirement	Compliant	HR Policy Employees are retired at 55, 1 year extensions can then be given for directors and officers based on their performance

Recommendation 2.5

Recommendation		Additional Information/ Explanation
1. Board formulates and adopts a policy specifying the relationship between remuneration and performance	Compliant	The Company sets Key Performance Indicators (KPI) targets for employees to achieve every 6 months and this affects salaries and bonuses.
2. Board aligns the remuneration of key officers with long term interests	Compliant	Depending of the officer, KPI could include measurable things like meeting regularly with clients to build lasting relationships
3. Directors do not participate in discussions involving remuneration	Compliant	Shareholders discuss remuneration of directors

Recommendation 2.6

Recommendation		Additional Information/ Explanation
1. Board has a formal and transparent nomination and election policy	Compliant	Minutes of Annual Shareholders Meeting
2. Board nomination and election policy disclosed in Manual on Corp Governance	Compliant	Manual on Corp Governance
3. Board nomination and election policy includes how the company accepts nominations from minority shareholders	Compliant	Manual on Corp Governance
4. Board nomination policy includes how board reviews candidates	Compliant	Manual on Corp Governance
5. Board nomination includes assessment of the effectiveness of the board's processes	Compliant	Manual on Corp Governance
6. Board has a process for identifying quality of directors	Compliant	Manual on Corp Governance

Recommendation 2.7

Recommendation		Additional Information/ Explanation
1. Board has overall responsibility governing Related Party Transactions (RPT)	Compliant	Minutes of Annual Shareholders Meeting
2. RPT policy includes review and approval of RPTs	Compliant	Minutes of Annual Shareholders meeting
3. RPT policy encompasses all entities	Compliant	Minutes of Annual Shareholders Meeting

Recommendation 2.8

Recommendation		Additional Information/ Explanation
1. Board is responsible for selection of management	Compliant	Minutes of Organizational Meeting
2. Board is responsible for assessing performance of management	Compliant	Minutes of Organizational Meeting

Recommendation 2.9

Recommendation		Additional Information/ Explanation
1. Board establishes and effective performance and management	Compliant	Minutes of Organizational Meeting

framework that ensures management		
2. Board establishes and effected performance management framework for personnel	Compliant	Minutes of Organization Meeting

Recommendation 2.10

Recommendation		Additional Information/Explanation
1. Board oversees appropriate internal control system	Compliant	Internal Audit reports to the board HR Manual
2. Internal control system includes mechanism for monitoring	Compliant	Internal Audit reports to the board
3. Board approves Internal Audit Charter	Non-Compliant	Internal audit is under President and Treasurer for now

Recommendation 2.11

Recommendation		Additional Information/Explanation
1. Board oversees company has sound ERM	Non-compliant	Board relies on internal audit to manage business risks
2. Risk management framework guides the board in identifying units/business lines	Non-Compliant	Board relies on internal audit to manage business risks

Recommendation 2.12

Recommendation		Additional Information/Explanation
1. Board has a board charter	Compliant	Manual on Corp Governance
2. Board charter serves as a guide	Compliant	Manual on Corp Governance
3. Board charter is publicly available	Non-Compliant	Manual on Corp Governance

Recommendation 3.1

Recommendation		Additional Information/Explanation
1. Board establishes board committess	Compliant	See website, Manual on Corp Governance

Recommendation 3.2

Recommendation		Additional Information/Explanation

1. Board establishes audit committee	Compliant	See website, Manual on Corp Governance
2. Audit committee is composed of	Compliant	See website, Manual on Corp Governance
3. All members of committee has background	Compliant	See website, Manual on Corp Governance
4. Chairman of audit is not chairman of board	Compliant	See website, Manual on Corp Governance

Recommendation 3.3

Recommendation		Additional Information/Explanation
1. Board establishes Corp Governance Committee	Non Compliant	Not one of the committees in Manual of Corp Governance
2. Members	Non Compliant	Not one of the committees in Manual of Corp Governance
3. Chairman is independent	Non Compliant	Not one of the committees in Manual of Corp Governance

Recommendation 3.4

Recommendation		Additional Information/Explanation
1. Board establishes Risk Oversight Committee	Non Compliant	Not one of the committees in Manual of Corp Governance
2. Members	Non Compliant	Not one of the committees in Manual of Corp Governance
3. Chairman	Non Compliant	Not one of the committees in Manual of Corp Governance
4. Thorough knowledge	Non Compliant	Not one of the committees in Manual of Corp Governance

Recommendation 3.5

Recommendation		Additional Information/Explanation
1. Related Party Committee	Non Compliant	Not one of the committees in Manual of Corp Governance
2. Members	Non Compliant	Not one of the committees in Manual of Corp Governance

Recommendation 3.6

Recommendation		Additional Information/Explanation
1. Established committees have committee charters	Compliant	Manual on Corp Governance

2. Standards for evaluating performance	Compliant	Manual on Corp Governance
3. Charters are disclosed on website	Compliant	Manual on Corp Governance

Recommendation 4.1

Recommendation		Additional Information/Explanation
1. Director attends and participates in all meetings	Compliant	Minutes of Board Meetings
2. Directors review meeting materials	Compliant	Minutes of Board Meetings
3. Directors ask necessary questions	Compliant	Minutes of Board Meetings

Recommendation 4.2

Recommendation		Additional Information/Explanation
1. Non executive directors serve as directors for max of 5 ICREs	Compliant	Manual on Corp Governance

Recommendation 4.3

Recommendation		Additional Information/Explanation
1. Directors notify the company's board before accepting directorship	Non-Compliant	This is not required in corp governance manual. They only have to keep less than 5 directorships in ICREs

Recommendation 5.1

Recommendation		Additional Information/Explanation
1. Board is composed of 20% independent directors	Compliant	GIS

Recommendation 5.2

Recommendation		Additional Information/Explanation
1. Independent directors possess all necessary qualifications	Compliant	Info on Directors

Recommendation 5.3

Recommendation		Additional Information/Explanation
-----------------------	--	---

1. Independent directors serve for max cumulative term of 9 years	Compliant	Manual on Corp Governance
2. Independent director cannot serve more than 9 years	Compliant	Manual on Corp Governance
3. In the instance the company retains an independent director over 9 years	Compliant	Manual on Corp Governance

Recommendation 5.4

Recommendation		Additional Information/Explanation
1. Positions of Chairman of the Board and CEO are held by separate individuals	Compliant	Chairperson – Judy Lou CEO – Jeffrey Lim
2. The Chairman of the Board and CEO have clearly defined responsibilities	Compliant	Manual on Corporate Governance

Recommendation 5.5

Recommendation		Additional Information/Explanation
1. If Chairman of the Board is not an independent director	Compliant	Rodolfo Ang is lead director among independent directors

Recommendation 5.6

Recommendation		Additional Information/Explanation
1. Directors with material interest in a transaction should abstain	Compliant	Rules on Related Party Transactions

Recommendation 5.7

Recommendation		Additional Information/Explanation
1. The non-executive directors have separate periodic meetings	Non Compliant	All audit committee directors meet together with Internal and External audit
2. The meetings are chaired by Lead Independent director	Non Compliant	All audit committee directors meet together with Internal and External audit

Recommendation 6.1

Recommendation		Additional Information/ Explanation
1. Board conducts annual assessment	Non Compliant	Performance assessed by shareholders not the board
2. Performance of chairman assessed by board	Non Compliant	Performance assessed by shareholders not the board
3. Performance of each member assessed by board	Non Compliant	Performance assessed by shareholders not the board
4. Performance of each committee assessed by board	Non Compliant	Performance assessed by shareholders not the board
5. Every three years assessments are supported by external facilitator	Non Compliant	Performance assessed by shareholders not the board

Recommendation 6.2

Recommendation		Additional Information/ Explanation
1. Board has a system to determine performance of board	Non Compliant	Shareholders can replace board members as needed
2. Feedback mechanism for shareholders	Compliant	Shareholders can raise comments, criticisms or replace board during shareholder meetings

Recommendation 7.1

Recommendation		Additional Information/ Explanation
1. Board adopts code of Business Conduct	Compliant	Manual on Corporate Governance
2. Code is disseminated to board and employees	Compliant	Manual on Corporate Governance
3. Code is disclosed on website	Compliant	www.perlainsurance.com

Recommendation 7.2

Recommendation		Additional Information/ Explanation
1. Board ensures monitoring of compliance with Code of Business Conduct and Ehtics	Compliant	Internal Audit reports to the board violations
2. Board ensures the proper and efficient implantation and mintoring of compliance with internal policies	Compliant	Internal audit reports to the board violations

Recommendation 8.1

Recommendation		Additional Information/ Explanation
1. Board establishes disclosure policies and procedures	Compliant	The financial statements, synopsis, GIS and other documents required by IC/SEC are available online.

Recommendation 8.3

Recommendation		Additional Information/ Explanation
1. Board discloses all relevant and material information	Compliant	Directors' Bio is available
2. Board discloses all relevant and material information on key executives	Non Compliant	Not all executives have agreed to having their qualifications listed online. Company respects their preference

Recommendation 8.4

Recommendation		Additional Information/ Explanation
1. Company provides disclosure for setting board remuneration	Non Compliant	Not all board members agreed to this. We respect their privacy
2. Company provides disclosure for Executive remuneration	Non Compliant	Not all board members agreed to this. We respect their privacy
3. Company discloses remuneration on an individual basis	Non Compliant	Not all board members agreed to this. We respect their privacy

Recommendation 8.5

Recommendation		Additional Information/ Explanation
1. Company discloses its policies governing RPTs	Compliant	Manual on Corporate Governance, Annual Shareholders meeting
2. Company discloses material or significant RPTs	Compliant	No material or significant RPTs as discussed in Annual shareholders meeting

Recommendation 8.7

Recommendation		Additional Information/ Explanation
-----------------------	--	--

1. Company's corporate governance polices are in Manual on Corporate Governance	Compliant	www.perlainsurance.com
2. MCG is posted on website	Compliant	www.perlainsurance.com

Recommendation 9.1

Recommendation		Additional Information/Explanation
1. Audit committee has a process for approving and recommending appoint of external auditors	Compliant	Annual shareholders meeting
2. Audit committee recommends appointment of external auditor, approved by board and ratified by shareholders	Compliant	Annual Shareholders meeting
3. Removal of auditor the reasons are disclosed to regulators and the public	Non Compliant	Issue has never arisen and has not been fully discussed. Current procedure just dictates that board must vote and shareholders are notified

Recommendation 9.2

Recommendation		Additional Information/Explanation
1. Audit committee charter includes responsibilities	Non Compliant	Not all of these are enumerated in Manual on Corporate Governance
2. Audit Committee charter contains responsibility to review and monitor external auditor suitability	Compliant	Manual on Corporate Governance

Recommendation 9.3

Recommendation		Additional Information/Explanation
1. Company discloses nature of non-audit services performed by external auditor	Compliant	To avoid problems, the company does not ask the approved external auditor for any additional services.
2. Audit committee stays alert for conflict of interest situations	Compliant	To avoid problems, the company does not ask the approved external auditor for any additional services.

Recommendation 10.1

Recommendation		Additional Information/ Explanation
1. Board has a clear and focused policy on disclosure on non-financial information	Non Compliant	There is no policy on disclosure of non-financial information. Pertinent data is evaluated by the board on a case to case basis.
2. Company adopts a globally recognized framework for reporting sustainability and non-financial issues	Non Compliant	There is no policy on disclosure of non-financial information. Pertinent data is evaluated by the board on a case to case basis.

Recommendation 11.1

Recommendation		Additional Information/ Explanation
1. Company should have a website	Compliant	All information for the public is available on the website www.perlainsurance.com

Recommendation 12.1

Recommendation		Additional Information/ Explanation
1. Company has an adequate and effective internal control system	Compliant	Internal Auditor checks on all operational and finance related functions. We are reviewing to increase responsibilities of the auditor
2. Company has an adequate and effective ERM framework	Compliant	Company management ensures that there is not too much concentration of risk. Reinsurance and diversification are used.

Recommendation 12.2

Recommendation		Additional Information/ Explanation
1. Company has internal audit that provides independent and objective assure and consulting services to add value and improve operations	Compliant	Internal Audit exists in house

Recommendation 12.3

Recommendation		Additional Information/ Explanation
1. Company has a qualified Chief Audit Executive	Compliant	Information on CAE
2. CAE oversees and is responsible for internal audit activity	Compliant	Responsibilities of CAE
3. In case of a full outsourced internet audit	Non Compliant	Audit done in house

Recommendation 12.4

Recommendation		Additional Information/ Explanation
1. Company has a separate risk management function	Non Compliant	Company is working to define what responsibilities such a person would have that would differentiate from current risk management

Recommendation 12.5

Recommendation		Additional Information/ Explanation
1. Company has a Chief Risk Officer	Non Compliant	Company is presently recruiting such a person to handle risks especially related to underwriting concentration
2. CRO has adequate authority, stature	Non Compliant	Still recruiting the person

Recommendation 13.1

Recommendation		Additional Information/ Explanation
1. Board insures that basic shareholder rights are disclosed	Compliant	Manual on Corporate Governance
2. Basic shareholder rights are disclosed on website	Compliant	www.perlainsurance.com

Recommendation 13.2

Recommendation		Additional Information/ Explanation
1. Board encourages active shareholder participation	Compliant	www.perlainsurance.com Remuneration is not discussed during shareholders meeting

Recommendation 13.3

Recommendation		Additional Information/ Explanation
1. Board encourage active shareholder participation	Compliant	Annual shareholders meeting
2. Minutes of Annual and Special shareholders meeting are available	Compliant	Annual shareholders meeting

Recommendation 13.4

Recommendation		Additional Information/ Explanation
1. Board has an alternative dispute mechanism	Non Compliant	The issue has not come up to the board
2. Alternative dispute mechanism is include in Manual on Corporate Governance	Non Compliant	The issue has not been brought up to the board.

Recommendation 14.1

Recommendation		Additional Information/ Explanation
1. Board identifies company's various stakeholders	Compliant	GIS, Manual on Corporate Governance

Recommendation 14.2

Recommendation		Additional Information/ Explanation
1. Board establishes clear policies and programs	Compliant	Manual on Corporate Governance

Recommendation 14.3

Recommendation		Additional Information/ Explanation
1. Board adopts a transparent framework and process	Compliant	Ester Berdida – HR Manager Julia Fideles- Corporate Secretary Shareholders can voice their complaints to these 2 assigned individuals with contact number 8892-9548

Recommendation 15.1

Recommendation		Additional Information/ Explanation
-----------------------	--	--

1. Board establishes policies, programs and procedures to encourage employees to participate	Non Compliant	All work on this was halted during the pandemic.
--	---------------	--

Recommendation 15.2

Recommendation		Additional Information/Explanation
1. Board sets the tone	Compliant	Manual on Corporate Governance
2. Board disseminates policy	Compliant	All employees are notified when they first join the company. This is all repeated during annual trainings.

Recommendation 15.3

Recommendation		Additional Information/Explanation
1. Board has framework for whistleblowing	Compliant	Manual on Corporate Governance Employees are protected for whistleblowing
2. Board has framework for whistleblowing that allows employees direct access to board or unit for whistleblowing	Compliant	Ester Berdida- HR Head 8892-9548
3. Board supervises whistleblowing framework	Compliant	If ever anything arises, these are discussed by the board during their meetings.

Recommendation 16.1

Recommendation		Additional Information/Explanation
1. Company recognizes and places importance	Compliant	In the past, company was involved in tree planting, disaster relief and other environmental areas. All these programs were suspended since May 2020 or the start of the pandemic. Company's focus now is to help its own workers adjust to changes in the business environment.