

NORTHWEST INSURANCE & SURETY CO., INC.

CORPORATE GOVERNANCE PRINCIPLES

## Table of Contents

Company Profile .....	3
Dividend Policy .....	5
Whistle Blowing Policy .....	6
Audit Committee Charter .....	9
Nomination Committee Charter .....	12
Remuneration Committee Charter .....	14

Northwest Insurance & Surety Co., Inc. (NISCO) is one of the premier non-life insurance companies in the Philippines.

Incorporated on March 10, 1959, NISCO is a stable and trustworthy insurer of the following lines: motor car, fire, marine, bonds, personal accident and liability insurance.

Headed by its current president, Mrs. Olivia Ang, NISCO operations and investments are effectively managed by Mr. Constantine Ang who is the Vice President. Other corporate officers include Mr. Kim Ang (AVP/Chairman/Treasurer), Ms. Caroline Bess Ong (General Manager), and Ms. Yolanda Panganiban as Corporate Secretary.

As a responsible and law-abiding corporate citizen, NISCO cultivates a corporate culture that manages all employees, managers, staff in support of nation-building, not least by complying vigilantly and proudly with all the laws, rules and regulations of the Philippines as well as with the internal policies of the company.

To maintain the independence and objectivity of the Board in its judgment and decisions, the esteemed Mr. James Ang, chairman of the Utex Group of Companies, serves as the independent director. He also sits as a director of Allied Banking Corporation. He is a non-executive director of the company. He is not related to an officer in senior management position nor does he provide any other services to the company other than being an independent director.

The primary responsibility of the Board of Directors is to ensure that the company follows its corporate philosophy and mission which is to be a responsible member of the non-life insurance industry. This entails

being fair to all the parties that it deals with, including the government, policy holders and other stakeholders.

NISCO's Board ensures that the company's assets are safe and protected from risks such as underwriting risks, reinsurance risks, investment risks, geographical risks, operational risks and legal risks.

The aim is to maximize the performance of the company and to ensure the financial soundness of the company. Hence, reports closely reflect the outcome of NISCO's operations and its financial strengths.

The Board routinely reviews the system for monitoring adherence to company policies, laws and regulations. Audits may be conducted by independent external auditors.

NISCO ensures that it is publicly accountable in a fair, honest and equitable manner. Officers and employees of NISCO do not have any conflicts of interests in the performance of their responsibility in providing services not only to the company but also to the public.

## Dividend Policy

Consistent with its commitment to shareholders, the Company declares and pays out dividends from its unappropriated retained earnings after ascertaining full compliance with the Insurance Code on retaining unimpaired the entire paid-up capital stock, meeting solvency requirements, maintaining the legal reserve fund and providing a sum sufficient to pay all net losses reported or in the course of settlement, and all liabilities for expenses and taxes.

The Board of Directors (Board) may, at its discretion and after taking into consideration the above regulatory compliances as well as the Company's operating results, capital and cash flow requirements, declare and approve the distribution of dividends to all shareholders.

Dividends declared by the Company are payable in cash or in additional shares of stocks. As a policy, the company observes a 30-day period for the payment of dividends to shareholders from the declaration date of such dividends.

## Whistle Blowing Policy

NorthWest Insurance & Surety Co., Inc. requires its directors, officers and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. All employees and representatives of the company must practice honesty and integrity in fulfilling their responsibilities and comply with all applicable laws and regulations.

### Introduction

In adopting this Whistleblower Policy, the company encourages all directors, officers and employees, suppliers, business partners, contractors and other third parties to come forward and raise genuine concerns about possible improprieties, whether in matters of financial reporting, malpractices or risk involving the company.

This policy ensures that those who raise concerns (the “whistleblower”) will not suffer retribution and provides a transparent and confidential process for dealing with such concerns.

### Scope and Coverage

This policy not only covers possible improprieties in matters of financial reporting, but also the following:

1. Fraud;
2. Corruption, bribery or blackmail;
3. Fraudulent reporting or accounting malpractice;
4. Criminal offenses;
5. Failure to comply with legal or regulatory obligations;

6. Misuse or misappropriation of company's assets;
7. Conflict of interests situations;
8. Any conduct that poses a serious risk to public safety, health or environment;
9. Concealment of any of the above.

### Principles

The following principles will govern disclosures brought forward under this policy:

1. All concerns raised will be treated fairly and properly;
2. Harassment or victimization of anyone raising a genuine concern will not be tolerated;
3. Any individual making a disclosure will retain his/her anonymity unless he/she agrees otherwise;
4. Any individual raising a concern will be made aware of who is handling the matter;
5. No one will be at risk of suffering some form of retribution as a result of raising a concern, even he/she is mistaken. However, this assurance is not extended to someone who maliciously raises a matter that is known to be untrue.

## Reporting Channels

The whistleblower may submit his/her complaint to the Compliance Officer through the following channels:

1. E-mail

[\(northwestins@gmail.com\)](mailto:northwestins@gmail.com)

2. Mail

Office of the Compliance Officer  
Northwest Insurance & Surety Co., Inc.  
2/F, NISCO Building, 272 Dasmariñas St., Binondo, Manila

3. Telephone

242-9330; 242-9334

## Investigation

The company's Compliance Officer will notify the person who submitted a complaint and acknowledge receipt of the reported violation or suspected violation. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

## Benefit

This policy shall provide for the standard handling of complaints and ensure that serious concerns of reporting parties are addressed and they are protected against retaliation.

# Northwest Insurance & Surety Co., Inc.

## Audit Committee

### Charter of the Audit Committee

#### I. Principal Functions

The principal functions of the Audit Committee are to:

- 1) Oversee the integrity of the Company's financial statements and the Company's compliance with related legal and regulatory requirements;
- 2) Monitor the adequacy and effectiveness of the Company's accounting and financial reporting, and its internal controls and processes;
- 3) Supervise the set-up of an internal audit system;
- 4) Recommend the appointment of and oversee the performance of internal auditors as well as independent external auditors.

#### II. Membership

The Committee shall comprise a Chairman and two (2) members elected by the Board of Directors. They shall be independent board members, preferably with accounting and finance experiences.

#### III. Meetings

Meetings of the Audit Committee shall be held as often as necessary to discharge its functions. Moreover, the Committee should periodically meet with the external auditors, out of the presence of Company management, to discuss internal controls

and procedures, the completeness and accuracy of the Company's financial statements, and any other matters that the Committee or the external auditors believe should be discussed privately.

#### IV. Roles and Responsibilities

##### 1) Financial Reporting

The Committee shall:

- Review and discuss with the independent auditors and Company management the financial statements and the results of the independent auditors' audit of the financial statements; and
- Discuss the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles, the adequacy and effectiveness of its accounting and financial controls as well as sufficiency of compliance with the regulatory requirements;
- Discuss significant issues, events and transactions and any significant changes regarding accounting principles, practices, judgments or estimates with Company management and the independent auditors.

##### 2) Legal Matters

The Committee shall periodically review the status of any legal matters that could have a significant impact on the Company's financial statements.

##### 3) Related-Party Transactions

The Committee shall review and approve or prohibit, as appropriate, any proposed related-party transactions with the Company.

#### 4) Financial Risks Exposures

The Committee shall periodically review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

#### 5) Oversight of the Internal and Independent External Auditors

The Committee shall review and evaluate annually the performance of the internal and external auditors.

#### 6) Reports

The Committee shall:

- Maintain minutes of meetings and periodically report to the Board of Directors on significant matters related to the Committee's responsibilities;
- Review and reassess the adequacy of the Committee's charter at least annually;
- Submit the charter to the Company's Board of Directors for review.

# Northwest Insurance & Surety Co., Inc.

## Nomination Committee

### Charter of the Nomination Committee

#### I. Principal Functions

The principal functions of the Nomination Committee are to:

- 1) Review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors;
- 2) Prepare job specifications of the Chairman, including an assessment of the time commitment expected of him.

#### II. Membership

The Committee shall be composed of at least three (3) members of the Board, one of whom is an independent director. The Board shall appoint a Chairman from among the members of the Committee.

#### III. Meetings

Meetings of the Nomination Committee shall be held as often as necessary to discharge its functions.

#### IV. Roles and Responsibilities

Board Composition and Evaluation

The Committee shall:

- Periodically review the future membership needs of the Board, and will identify, recruit, and evaluate candidates for appointment or election as members of the Board.
- The Committee will be responsible for recommending to the Board for approval all nominees to serve as members of the Board, whether they are to be appointed by the Board to fill a vacancy or nominated by the Board for election at a meeting of stockholders.
- The Committee will assist the Board in an annual evaluation of individual members of the Board.
- The Committee will periodically review the business interests and business activities of members of the Board and the executive officers of the Company, including any interests and activities that may constitute a conflict of interest.

## V. Reports

The committee shall:

- Maintain minutes of meetings and periodically report to the Board of Directors on significant matters related to the Committee's responsibilities;
- Review and reassess the adequacy of the Committee's charter at least annually;
- Submit the charter to the Company's Board of Directors for review.

# Northwest Insurance & Surety Co., Inc.

## Remuneration Committee

### Charter of the Remuneration Committee

#### I. Principal Functions

The principal functions of the Remuneration Committee are to:

- 1) Prepare compensation plan to position the Company competitively relative to other insurance companies of the same size;
- 2) Discharge the responsibilities of the Board with respect to all forms of compensation (including incentive schemes) of the Company's executive officers;
- 3) Recommend and monitor the level and structure of salaries including remunerations and incentives for senior management.

#### II. Membership

The Committee is composed of at least three (3) members, one of whom should be an independent director. A Chairman shall be appointed by the Board from among the members of the Committee.

#### III. Meetings

Meetings of the Remuneration Committee shall be held as often as necessary to discharge its functions. The Committee shall report to the Board from time to time, as requested by the Board and at

such other times as determined by the Committee to be appropriate.

#### IV. Roles and Responsibilities

- 1) The Committee will annually review, and recommend to the Board for approval, the compensation and incentives to be paid the Company's executive officers. As part of this process, the Committee will review the Management's recommendations regarding the compensation and incentives of such executive officers under procedures that the Committee may establish from time to time.
- 2) The Committee may delegate to the Executive Committee the authority to determine compensation to be paid to persons who are not executive officers of the Company.
- 3) The Committee will periodically review, and make recommendations to the Board, with respect to adoption and approval of, or amendments to, compensation plans, incentive schemes and other arrangements.
- 4) The Committee will periodically review and assess the adequacy of this Charter and recommend any modifications thereof to the Board for consideration.

#### V. Reports

The Committee will maintain written minutes of its meetings and periodically report to the Board on significant matters related to the Committee's responsibilities.