



**ALLIEDBANKERS INSURANCE CORPORATION**  
**MANUAL ON CORPORATE GOVERNANCE**

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## **A. Corporate Governance Policy and Framework**

### **a. Introduction**

We, the Board of Directors and Management of Alliedbankers Insurance Corporation (the “Corporation”) do hereby commit ourselves to the principles and the best practices contained in this Manual on Corporate Governance (“Manual”), and acknowledge that the same may guide the attainment of the Company’s goals and objectives. We believe that adherence to good corporate governance principles is essential for the achievement of our strategic goals.

### **b. Framework**

Through the years, we have developed mechanisms to ensure that our corporate governance conforms to regulatory requirements and best practices, and that we pursue our goals ethically and honestly. Those mechanisms are set forth in this Corporate Governance Manual, our Code of Conduct, Anti-Fraud, Bribery, Whistle-blowing, Corruption Policy, Policy on Related Party Transactions and Enterprise Risk Management Policy (hereafter, the Governance Codes and Policies), our Articles of Incorporation (the “Articles”) and By-Laws (the “By-laws”), and the Charters of our Board of Directors (the “Board”) and its Committees (the “Charters”). Copies of the current version of this Corporate Governance Manual, the Governance Codes and Policies, the Articles, the By-laws and the Charters are posted in our website.

In compliance with the Code of Corporate Governance for Insurance Commission Regulated Companies (the CG Code for ICREs), particularly the guidelines on the contents of a corporation's manual on corporate governance, the Governance Codes and Policies, the Articles, the By-laws and the Charters are incorporated in this Corporate Governance Manual.

This Manual shall institutionalize the principles of good corporate governance in the Corporation. The Board of Directors, Management, employees, and shareholders believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within organization.

This Manual also governs the performance of the Board of Directors and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates.

### c. Definition of Terms

- i. **Corporate Governance** - the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders. Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior - reconciling long-term customer satisfaction with shareholder value - to the benefit of all stakeholders and society. Its purpose is to maximize the organization's long-term success, creating sustainable value for its shareholders, stakeholders and the nation.
- ii. **Board of Directors** - the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties. The term shall also include Board of Trustees
- iii. **Director** - as used in this Code shall also refers to a Trustee.
- iv. **Management** - a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation.
- v. **Independent Director** - a person who is independent of management and the controlling shareholder, and is 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.
- vi. **Executive Director** - a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
- vii. **Non-executive Director** - a director who has no executive responsibility and does not perform any work related to the operations of the corporation.
- viii. **Internal Control** - a process designed and effected by the board of directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures.
- ix. **Enterprise Risk Management** - a process, effected by an entity's Board of Directors, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

- x. **Entity** - shall also refer to a company.
- xi. **Related Party** - shall cover the company's subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the company exerts direct or indirect control over or that exerts direct or indirect control over the company; the company's directors; officers; shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the company.
- xii. **Related Party Transaction** - a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.
- xiii. **Shareholders** - refers to an owner of a share of stock in a company. For the purpose of this Code, the term shareholder shall also refer to a member of a nonstock non-profit entity.
- xiv. **Stakeholders** - any individual, organization or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

## **B. Governance Structure**

### **a. Board of Directors**

The Board of Directors (the Board) bears the primary responsibility to foster the long term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which shall exercise in the best interest of the Corporation, its shareholders and other stakeholders.

The board shall conduct itself with utmost honesty and integrity in, the discharge of its duties, functions and responsibilities. The Board shall act in a manner characterized by transparency, accountability and fairness.

i. **Composition**

Composition. The Board shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the Corporation's insurance industry. The Board shall always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

The Board shall be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on company affairs and to substantiate proper checks and balances in accordance with the By-Laws of the Corporation.

Diversity. The Board shall have a policy on board diversity that no director or candidate for directorship shall be discriminated upon by reason of gender, age, disability, ethnicity, nationality, or political, religious or cultural backgrounds, skills, competence or knowledge.

Succession Policy. The Board shall ensure an effective succession planning for its directors and Management to safeguard the transfer of Corporation leadership. The Board may, however, amend this policy, as it may deem appropriate, taking into consideration local and global trends and practices, stature and strong qualifications of a director.

The retirement age for Management shall follow the compulsory retirement age prescribed under the Labor Code of the Philippines.

ii. **Directorship Limits**

Multiple Board Seats. The non-executive directors of the Board should concurrently serve as directors to a maximum of five Insurance Commission Regulated Entities and Publicly Listed Companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the company.

Sitting on the board of too many companies may interfere with the optimal performance of board members, in that they may not be able to contribute enough time to keep abreast of the corporation's operations and to attend and actively participate during meetings, a maximum board seat limit of five directorships is recommended.

*Proper Notification of Directorship.* A director shall notify the Board where he/she is an incumbent director before accepting a directorship in another company. This is for the company to be able to assess if his/her present responsibilities and commitment to the company will be affected and if the director can still adequately provide what is expected of him/her.

### iii. **Qualifications and Disqualifications**

#### Nomination and Election Process

In accordance with the By-Laws of the Corporation, any shareholder, including minority shareholders, shall be elected annually at the annual stockholders meeting and shall serve for a term of one (1) year, and until their successors shall have been elected and qualified.

The nomination and election process also includes the review and evaluation of the qualifications of all persons nominated to the Board, including whether candidates:

1. possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and in light of the entity's business and risk profile;
2. have a record of integrity and good repute;
3. have sufficient time to carry out their responsibilities; and
4. have the ability to promote a smooth interaction between board members. A good practice is the use of professional search firms or external sources when searching for candidates to the Board.

In addition, the process also includes monitoring the qualifications of the directors. The qualifications and grounds for disqualification are contained in the company's Manual on Corporate Governance.

#### Qualification Standards

A director of the Corporation shall have the following qualifications:

1. Ownership of at least one (1) share of the capital stock of the Corporation;
2. A college degree or its equivalent or adequate understanding of the insurance industry or sufficient experience and competence in managing a business to substitute for such formal education;



3. Relevant qualification, such as previous business experience, membership in good standing in the relevant industry, and membership in business and professional organizations;
4. Possess integrity, probity and shall be diligent and assiduous in the performance of his functions.

#### Disqualification Standards

The following are the grounds for the disqualification of a director:

##### 1. Permanently Disqualified

- a. 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;
- b. Persons who have been convicted by final judgment of the court for violation of insurance laws;
- c. Persons who have been judicially, declared insolvent, spendthrift or unable to enter into a contract; or
- d. 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.

##### 2. Temporarily Disqualified

- a. Persons who refuse to fully disclose the extent of their business interests when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as the refusal persists;
- b. Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special of the Board of Directors during their incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding elections;
- c. Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;

- d. Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
- e. Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification of the Insurance Commission;
- f. Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;
- g. Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- h. Those under preventive suspension;
- i. Persons with derogatory records with the NBI, court, police, Interpol and insurance authorities of other countries (for foreign directors) involving violation of any law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of an insurance director. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity;
- j. Persons who are delinquent in the payment of their obligations as defined hereunder:
  - i. Delinquency in the payment of obligations means that obligations of a person with the insurance company or its related companies where he/she is a director or officer; or at least two obligations with other insurance companies, under different credit lines or loan contracts;
  - ii. Obligations shall include all borrowings from an insurance company, or its related companies obtained by:
    - 1. A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorsers, or surety for loans from such institutions;
    - 2. The spouse or child under the parental authority of the director or officer;

3. Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
4. A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
5. A corporation, association or firm wholly owned or majority of the capital is contributed by any or a group of persons mentioned in the foregoing items 1, 2, and 4.

This disqualification should be in effect as long as the delinquency persists.

#### **iv. Leadership**

##### *Chairman of the Board*

The Board should be headed by a competent and qualified Chairperson.

The roles and responsibilities of the Chairman include, among others, the following:

1. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
2. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
3. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
4. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
5. Assures the availability of proper orientation for first time directors and continuing training opportunities for all directors; and
6. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

The Chairman shall have such other responsibilities as the Board of Directors may impose upon him or as provided by the Corporation's By-Laws.

In the absence of the Chairman of the Board, one of the Co-Vice-Chairmen shall preside at meetings of the Board.

**v. Independence**

Number of Independent Directors. The Board should be composed of at least twenty percent (20%) independent directors.

Term Limit of Independent Directors. Service in a board for a long duration may impair a director's ability to act independently and objectively. Hence, the tenure of an independent director is set to a cumulative term of nine years. Independent directors (IDs) who have served for nine years may continue as a non-independent director of the company.

Reckoning of the cumulative nine-year term is from 02 January 2015 for Insurance Companies, in connection with IC Circular Letter No. 2018-36 dated 26 June 2018.

Any term beyond nine years for an ID is subjected to particularly rigorous review, taking into account the need for progressive change in the Board to ensure an appropriate balance of skills and experience. However, the shareholders may, in exceptional cases, choose to re-elect an independent director who has served for nine years. In such instances, the Board must submit to the Insurance Commission a formal written justification and a shareholder's approval during the annual shareholders' meeting.

Qualifications of an Independent Director. The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

An Independent Director refers to a person who:

1. Is not or was not a regular director, officer or employee of the covered entity, its subsidiaries, affiliates or related companies during the past three (3) years counted from the date of his election/appointment;
2. Is not or was not a regular director, officer, or employee of the covered entity's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;
3. Is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the covered entity, or in any of its related companies or of its majority corporate shareholders;

4. Is not a relative by affinity or consanguinity within the fourth (4th) degree of a director, officer, or stockholder holding shares of stock sufficient to elect one (1) seat in the board of the covered entity or any of its related companies or of any of its substantial stockholders;
5. Is not acting as a nominee or representative of any director or substantial shareholder of the covered entity, any of its related companies or any of its substantial shareholders;
6. Is not or was not retained as professional adviser, auditor, consultant, agent or counsel of the covered entity, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election/appointment;
7. Is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the covered entity or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;
8. Was not appointed in the covered entity, its subsidiaries, affiliates or related companies as Chairman "Emeritus", "Ex-Officio", Regular Directors, Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his election/appointment;
9. Is not affiliated with any non-profit organization that receives significant funding from the covered entity or any of its related companies or substantial shareholders; and,
10. Is not employed as an executive officer of another company where any of the covered entity's executives serve as regular directors. Related company refers to (a) the covered entity's holding/parent company; (b) its subsidiary or affiliate; (c) subsidiaries of its holding/parent company; or (d) a corporation where a covered entity or its majority stockholder own such number of shares that will allow/enable such person or group to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner.

*Lead Independent Director.* The Board shall designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer are held by one person.

The functions of the lead director include, among others, the following:

1. Serves as an intermediary between the Chairman and the other directors when necessary;
2. Convenes and chairs meetings of the non-executive directors; and
3. Contributes to the performance evaluation of the Chairman, as required.

**vi. Training**

The Corporation shall provide in its Board Charter or Manual on Corporate Governance a policy on the training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors.

The orientation program for first-time directors and relevant annual continuing training for all directors aim to promote effective board performance and continuing qualification of the directors in carrying-out their duties and responsibilities.

The orientation program for first-time directors, shall be for at least eight (8) hours, while the annual continuing training be for at least four (4) hours.

*Orientation Program.* All directors shall be properly oriented upon joining the board. This ensures that new members are appropriately apprised of their duties and responsibilities, before beginning their directorships.

The orientation program covers IC-mandated topics on corporate governance and an introduction to the company's business, Articles of Incorporation, and Code of Conduct. It should be able to meet the specific needs of the company and the individual directors and aid any new director in effectively performing his or her functions.

*Continuing Training Program.* The annual continuing training program, makes certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the company. It involves courses on corporate governance matters relevant to the company, including audit, internal controls, risk management, sustainability and strategy. Corporations shall assess their own training and development needs in determining the coverage of their continuing training program.

IC-mandated topics on corporate governance include the following:

1. Code of Corporate Governance for IC Regulated Companies;
2. ACGS and IC Annual Corporate Governance Report;
3. Board Responsibilities;
4. Illegal activities of corporations/ directors/officers;
5. Protection of minority shareholders;
6. Liabilities of directors;
7. Confidentialities;
8. Conflict of interest;
9. RPT;
10. Enterprise Risk management; and
11. Case studies and Financial Reporting and Audit.

**vii. Roles and Responsibilities**

*Responsibilities of the Board of Directors.* The Board shall:

1. Act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Corporation and all shareholders in a manner characterized by transparency, accountability and fairness.
2. Oversee the development of, and approve, the Corporation's vision, mission, values, corporate strategies and objectives and monitor implementation in order to sustain the Corporation's long-term viability and strength.

It shall set forth policies that shall guide its activities, including the means to effectively monitor Management's performance. The vision, mission, values and strategic objectives, are subject to review by the Board at least annually.

3. Ensure that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality.
4. Establish an effective performance management framework that will ensure that the Management, including the CEO, and personnel's performance are at par with the standards set by the Board.
5. Ensure the presence and adequacy of internal control mechanisms and systems for good governance.
6. Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;

7. Adopt an effective succession planning program for directors, which includes a policy on the retirement age, to ensure growth and a continued increase in the shareholders' value;
8. Adopt a succession planning and professional development program for employees and Management; and formulate and adopt a remuneration policy specifying the relationship between remuneration and performance of employees and Management that consider, among others, the level of remuneration as commensurate to the responsibilities of the role;
9. Align the remuneration of Board members with the long-term interests of the Corporation. As such, it shall formulate and adopt a policy specifying the relationship between remuneration and performance of directors. No director shall participate in discussions or deliberations involving his own remuneration;
10. Properly discharge Board functions by meeting at such times or frequency as may be needed. Independent views during Board meetings should be given due consideration and all such meetings should be minuted;
11. Oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks;
12. Adopt a transparent framework and process that allow stakeholder engagement such that all stakeholders are able to communicate with the Corporation and obtain redress for violation of stakeholder/shareholder rights;
13. Review and guide corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans, set performance objectives, monitor implementation and corporate performance, and oversee major capital expenditures, acquisitions and divestitures;
14. Ensure that the Corporation complies with all relevant laws, regulations and as far as possible best business and corporate governance practices;
15. Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its shareholders, and the Corporation and third parties, which may involve the submission of such conflict to mediation pursuant to the Alternative Dispute Resolution Act of the Philippines and to arbitration in accordance with the Philippine Arbitration Law (Article VI, Section 13.3 below);
16. The Board shall ensure timely and accurate disclosure on all material matters, including the financial situation, performance and governance of the Corporation;



17. Create a Board charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter should serve as a guide to the directors in the performance of their functions and should be publicly available and posted on the company's website;
18. The Board shall adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings;
19. The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies; and
20. Perform other functions prescribed by law or assigned to the Board in the Corporation's Articles of Incorporation and By-Laws.

*Specific Responsibilities of each Director.* In addition to performing the duties prescribed by the Corporation's By-Laws and existing relevant statutes, each Director is expected to:

1. Act in the best interest of the Corporation, the stockholders and the stakeholders in a manner characterized by transparency, accountability and fairness;
2. Engage in fair business transactions with the Corporation and ensure that his personal interests do not create any bias when making Board decisions;
3. Abstain from taking part in deliberations for transactions where he has a material interest in;
4. Devote time and attention necessary to properly discharge his duties and responsibilities;
5. Attend and actively participate in all meetings of the Board, the Board Committees where he is a member of, and the shareholders, except when prevented by justifiable causes;
6. Act judiciously on a fully informed basis, in good faith and with due diligence and care;
7. Exercise independent judgment;
8. Have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of incorporation and By-Laws, the requirements of the Securities and Exchange Commission, the

Insurance Commission, and where applicable, the requirements of other regulatory agencies;

9. Keep confidential all non-public information acquired by reason of his Board membership;
10. Ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment;
11. Attend and participate in the training program of the Corporation; and
12. Notify the Board, through the Corporate Secretary, before accepting a directorship in another Corporation

**viii. Conduct of Meeting**

Meetings and Attendance. The directors shall attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so.

In Board and Committee meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

The absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his/her incumbency is a ground for disqualification in the succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events.

Board materials/papers shall be provided to each director at least two (2) days prior to the meetings set.

The Board shall endeavor to meet at least once a month but in no case shall it be lower than eight (8) times a year.

Meetings of the Non-executive Directors. The non-executive directors (NEDs) shall have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation.

The Non-executive Directors shall endeavor to meet separately at least once a year and minutes of meeting to be record by the Corporate Secretary.

The meetings should be chaired by the lead independent director.

## ix. Board Committees

*Committee Roles.* The Board shall establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities, in accordance with the By-Laws of the Corporation and to aid in good governance.

*Audit and Risk Committee.* The Board shall establish an Audit and Risk Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, risk management policies, compliance with applicable laws and regulations.

The committee should be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairman, should be independent.

All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance and at least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

The Chairman of the Audit and Risk Committee should not be the chairman of the Board or of any other committees.

The Audit and Risk Committee has the following duties and responsibilities, among others:

1. Recommends the approval the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
2. Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to:
  - (a) Safeguard the company's resources and ensure their effective utilization;
  - (b) Prevent occurrence of fraud and other irregularities;
  - (c) Protect the accuracy and reliability of the company's financial data; and
  - (d) Ensure compliance with applicable laws and regulations;
3. Oversees the Internal Audit Department, and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE).

4. The Audit and Risk Committee should also approve the terms and conditions for outsourcing internal audit services, if the need arises;
5. Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfil his duties and responsibilities. For this purpose, he/she should directly report to the Audit and Risk Committee;
6. Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
7. Reviews the disposition of the recommendations in the External Auditor's management letter;
8. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders.
9. Reviews and approves the Interim, if any, and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - a. Any change/s in accounting policies and practices
  - b. Areas where a significant amount of judgment has been exercised
  - c. Significant adjustments resulting from the audit
  - d. Going concern assumptions
  - e. Compliance with accounting standards
  - f. Compliance with tax, legal and regulatory requirements
10. Performs oversight functions over the Corporation's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions; and
11. Coordinates, monitors and facilitates compliance with laws, rules and regulations.

Corporate Governance Committee. The Board shall establish a Corporate Governance Committee that should be tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.

It should be composed of at least three (3) members, majority of whom should be independent directors, including the Chairman.

The Corporate Governance Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:

1. Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;
2. Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
3. Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
4. Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
5. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
6. Determines the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
7. Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.

The establishment of a Corporate Governance Committee does not preclude companies from establishing separate Remuneration or Nomination Committees, if they deem necessary.

*Related Party Transaction Committee.* Subject to a corporation's size, risk profile and complexity of operations, the Board shall establish a Related Party Transaction (RPT) Committee, which shall be tasked with reviewing all material related party transactions of the company.

It should be composed of at least three (3) non-executive directors, majority of whom should be independent, including the Chairman.

The following are the functions of the RPT Committee, among others:

1. Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;
2. Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:
  - a. The related party's relationship to the company and interest in the transaction;
  - b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - c. The benefits to the corporation of the proposed RPT;
  - d. The availability of other sources of comparable products or services; and
  - e. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
3. Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material

conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;

4. Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
5. Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
6. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

*Other Board Committees.* The Board of Directors shall constitute other committees to support the effective performance of its functions, promote good governance policies principles and practices and as may be required by the IC, SEC or other government agencies. Among these are the following board committees:

1. Executive Committee
2. Non-Executive Committee
3. Investments Committee

*Committee Charters.* All established committees should be required to have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters should provide the standards for evaluating the performance of the Committees. It should also be fully disclosed on the company's website.

#### **x. Liability of Directors**

A director with a material interest in any transaction affecting the corporation shall abstain from taking part in the deliberations for the same.

The abstention of a director from participating in a meeting when related party transactions, self-dealings or any transactions or matters on which he/she has a material interest are taken up ensures that he has no influence over the outcome of the deliberations. The fundamental principle to be observed is that a director does not use his position to profit or gain some benefit or advantage for his himself and/or his/her related interests.

**xi. Performance Assessment**

The Board shall conduct an annual assessment of its performance, including the performance of the Chairman, individual members and committees. Every three (3) years, the assessment may be supported by an external facilitator.

A self-assessment questionnaire shall be given to each director to ensure the effectiveness of processes, performance and to identify areas of improvement with evaluation criteria focusing on structure, efficiency, and effectiveness of the Board, as well as participation and engagement of each member of the Board.

*Feedback Mechanism.* The Board shall have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders.

**xii. Remuneration**

The Corporation shall provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report consistent with ASEAN Corporate Governance Scorecard (ACGS) and the Revised Corporation Code.

Also, companies should disclose the remuneration on an individual basis, including termination and retirement provisions.

**xiii. Supporting Key Officers**

*Corporate Secretary.* The Board shall ensure that it is assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer. The Corporate Secretary may or may not be a member of the Board of Directors and should annually attend a training on corporate governance

The Corporate Secretary shall be a resident and citizen of the Philippines. He/she must possess organizational and interpersonal skills, and the legal skills of a chief legal officer.

The Corporate Secretary is primarily responsible to the corporation and its shareholders, and not to the Chairman or President of the Company.



The following are the duties and responsibilities of the Corporate Secretary, among others:

1. Assists the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
2. Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;
3. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
4. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
5. Advises on the establishment of board committees and their terms of reference;
6. Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least two (2) working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
7. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
8. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements;
9. Submit to the SEC, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings;
10. Handle all submitted proxies filed with him/her and determine validity of such proxies; and
11. Performs such other duties and responsibilities as may be provided by the IC, Board of Directors and the Corporation's By-Laws.

Compliance Officer. The Board shall ensure that it is assisted in its duties by a Compliance Officer, who should have a rank of Vice President or an equivalent position with adequate stature and authority in the corporation. The Compliance Officer should not be a member of the Board of Directors and should annually attend a training on corporate governance.

The Compliance Officer is a member of the company's management team in charge of the compliance function. Similar to the Corporate Secretary, he/she is primarily liable to the corporation and its shareholders, and not to the Chairman or President of the company.

The following are the duties and responsibilities of the Compliance Officer:

1. Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
2. Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
3. Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
4. Ensures the integrity and accuracy of all documentary submissions to regulators;
5. Appears before the IC, SEC and/or other regulatory bodies when summoned in relation to compliance with this Code;
6. Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
7. Identifies possible areas of compliance issues and works towards the resolution of the same;
8. Ensures the attendance of board members and key officers to relevant trainings;
9. The Compliance Officer shall also support in ensuring the awareness and observance of all provisions in the Code among Board members; and
10. Performs such other duties and responsibilities as may be provided by the IC and Board of Directors.

## **b. Management**

### **i. Chief Executive Officer**

The positions of Chairman of the Board and Chief Executive Officer (CEO) shall be held by separate individuals to avoid conflict or a split board and to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making.

This type of organizational structure facilitates effective decision making and good governance. In addition, the division of responsibilities and accountabilities between the Chairman and CEO is clearly defined and delineated and disclosed in the Board Charter.

The CEO has the following roles and responsibilities, among others:

1. Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;
2. Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
3. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
4. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
5. Directs, evaluates and guides the work of the key officers of the corporation;
6. Manages the corporation's resources prudently and ensures a proper balance of the same;
7. Provides the Board with timely information and interfaces between the Board and the employees;
8. Builds the corporate culture and motivates the employees of the corporation; and
9. Serves as the link between internal operations and external stakeholders.

The CEO shall have such other responsibilities as the Board of Directors may impose upon him

## **ii. Chief Audit Executive**

Subject to a company's size, risk profile and complexity of operations, it should have a qualified Chief Audit Executive (CAE) appointed by the Board.

The CAE shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.

In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel should be assigned the responsibility for managing the fully outsourced internal audit activity.

The CAE, in order to achieve the necessary independence to fulfill his/her responsibilities, directly reports functionally to the Audit Committee and administratively to the CEO.

The following are the responsibilities of the CAE, among others:

1. Periodically reviews the internal audit charter and presents it to senior management and the Board Audit Committee for approval;
2. Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;
3. Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
4. Spearheads the performance of the internal audit activity to ensure it adds value to the organization;
5. Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
6. Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

## **c. Charters and Governance Codes and Policies**

The company's corporate governance policies, programs and procedures should be contained in its Manual on Corporate Governance, which should be submitted to the regulators and posted on the company's website.

## **C. Internal Control System and Risk Management Framework**

### **a. Internal Control**

The Company should have an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, taking into account its size, risk profile and complexity of operations.

#### **i. Financial Reporting/Transparency and Internal Control**

The Board, the CEO and senior management shall receive regular reports on all key aspects of the operation of the Corporations. These reports include the analysis of premium growth, underwriting performance, investment results, and claims management, in order to provide a sound basis for assessing financial performance and condition, identifying real and potential problems, and formulating appropriate policies and strategies.

#### **ii. Internal Control**

The Board must assure that an effective system of control is in place for safeguarding the Corporation's assets.

Major risks which are likely to affect the performance and financial condition of the Corporation and the approach taken by management in dealing with these risks shall be reported to the Board to enable the latter to effectively address said risks.

The Board must ensure that reports accurately reflect the financial condition and the results of operations of the Corporation.

The Board shall regularly review the system for securing adherence to key internal policies as well as to significant laws and regulations that apply to it.

### **b. Internal Audit**

The Corporation shall have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.

It shall perform its auditing functions faithfully by maintaining independence from the Management and controlling shareholders.

The Internal Audit Group shall be headed by a CAE. The CAE shall preferably be a Certified Public Accountant and/or a Certified Internal Auditor and shall report to the Audit and Risk Committee of the Board of Directors.

The internal auditors shall report that their activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. Otherwise, the CAE shall disclose to the Board and Management that it has not yet achieved full compliance with the standards for the professional practice of internal auditing

A separate internal audit function is essential to monitor and guide the implementation of company policies. It helps the company accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the Company's governance, risk management and control functions.

The following are the functions of the internal audit, among others:

- i. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes.
- ii. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
- iii. Performs consulting and advisory services related to governance and control as appropriate for the organization;
- iv. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- v. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;
- vi. Evaluates 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;
- vii. Evaluates specific operations at the request of the Board or Management, as appropriate; and
- viii. Monitors and evaluates governance processes.

A company's internal audit activity may be a fully resourced activity housed within the organization or may be outsourced to qualified independent third party service providers.

### **c. Risk Management**

The Corporation's risk management function shall be guided by a risk management (RM) framework that is internationally-accepted and espouses sound global RM standards.

The framework shall also ensure that compliance processes and procedures are effectively guided by the Corporation's RM. The Board shall have oversight over the Corporation's RM function and activities.

The risk management function involves the following activities, among others:

- i. Defining a risk management strategy;
- ii. Identifying and analyzing key risks exposure relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization's strategic objectives;
- iii. Evaluating and categorizing each identified risk using the company's predefined risk categories and parameters;
- iv. Establishing a risk register with clearly defined, prioritized and residual risks;
- v. Developing a risk mitigation plan for the most important risks to the company, as defined by the risk management strategy;
- vi. Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Audit and Risk; and
- vii. Monitoring and evaluating the effectiveness of the organization's risk management processes.

### **D. External Auditor**

The Audit and Risk Committee should have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor should be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the company website and required disclosures.

The Audit and Risk Committee Charter shall include the Audit and Risk Committee's responsibility on assessing the integrity and independence of external auditors and exercising

effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Charter should also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.

The Corporation shall disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. The Audit Committee should be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.

The external auditor of the Corporation shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

The Corporation's external auditor shall be changed preferably at least every five (5) years.

#### **E. Related Party Policy**

The Corporation's policy on RPTs institutionalizes the Corporation's assurance of protection for its shareholders, including minority shareholders, and all stakeholders from abusive RPTs as well as reinforces the CG principles of complete disclosure and transparency in relation to such transactions. Among other key provisions, the Corporation's policy on RPTs provides for:

- a. Definition of related parties;
- b. Coverage of RPT policy;
- c. Guidelines in ensuring arm's length terms;
- d. Identification and prevention or management of potential or actual conflicts of interest which arise;
- e. Adoption of materiality thresholds and excluded transactions;
- f. Internal limits for individual and aggregate exposures;
- g. Whistle-blowing mechanisms, and
- h. Restitution of losses and other remedies for abusive RPT's

In addition, the Corporation is given the discretion to set their materiality threshold at a level where omission or misstatement of the transaction could pose a significant risk to the company and influence its economic decision.

The IC may direct a company to reduce its materiality threshold or amend excluded transactions if the IC deems that the threshold or exclusion is inappropriate considering the company's size, risk profile, and risk management systems. Depending on the materiality threshold, approval of management, the RPT Committee, the Board or the shareholders may be required.



In cases where the shareholders' approval is required, it is good practice for interested shareholders to abstain and let the disinterested parties or majority of the minority shareholders decide.

Related party transactions shall be conducted on terms that are at least comparable to normal commercial terms or at terms obtained in the market in order to safeguard the best interests of the Corporation and the policyholders, creditors and claimants. In all cases, the provision of the Title 20 of the Revised Insurance Code shall be complied with.

The Corporation shall disclose its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions. The material or significant RPTs should be reviewed and approved by the Board and submitted for confirmation by majority vote of the stockholders in the annual stockholders' meeting. All material or significant RPTs for the year should be disclosed in its Annual Company Report or Annual Corporate Governance Report.

## **F. Duties to Shareholders**

The Board shall ensure that basic shareholder rights are disclosed in the Manual on Corporate Governance and on the company's website.

It is the responsibility of the Board to adopt a policy informing the shareholders of all their rights. Shareholders are encouraged to exercise their rights by providing clear-cut processes and procedures for them to follow.

Shareholders' rights relate to the following, among others:

### **a. Voting Rights**

- i. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- ii. Cumulative voting shall be used in the election of directors
- iii. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.
- iv. All voting at all meetings of the stockholders shall be based by the number of shares of stocks and not per capital.
- v. Each stockholder shall, in every meeting of stockholders, be entitled to one (1) vote for each share of the capital stock held by him, Provided, however, that at the election of directors, each stockholder shall be entitled to cumulate his votes in the manner provided by law, such that the total number of votes to which a stockholder is entitled

shall be equivalent to the number of the stockholder's shares multiplied by the number of directors to be elected.

- vi. The vote of elections of directors shall be by stock vote as provided in the preceding paragraph and by ballot. Upon demand of stockholders entitled to cast twenty percent (20%) of the votes present in person or by proxy, the vote on any other question shall, likewise, be by stock vote and by ballot. Each ballot shall state the name of the stockholder voting and the number of shares owned by him and in addition, if such ballots be cast by proxy, it shall also state the names of the principal and such proxy. With these exceptions, and the further exception of any question the manner of resolving of which is especially regulated by the statute, all voting shall be viva voce.

**b. Proxies**

- i. At all meetings of stockholders, a stockholder may vote in person or by proxy executed in writing by the stockholder or his attorney-in-fact. Unless otherwise, provided in the proxy, it shall be valid only for the meeting for which it has been presented to the Corporate Secretary.
- ii. All proxies must be submitted to the Corporate Secretary prior to the date set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholder either in an instrument in writing duly presented or recorded with the Secretary prior to scheduled meeting or by his personal presence at the meeting.

**c. Quorum**

No stockholders meeting shall be competent to decide any matter or transact any business, unless a majority of the outstanding capital stock shall be present in person or represented by proxy thereat, to constitute a quorum for such meeting, except in those cases in which the Corporation Law requires the presence of a greater proportion.

**d. Pre-emptive rights**

All shareholders of the Corporation shall have no pre-emptive right to subscribe to or purchase any shares of stock of the Corporation of any class now or hereafter authorized, issued or reissued from treasury in accordance to the Corporation's By-Laws and Articles of Incorporation.

**e. Power of Inspection**

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be provided with an annual report, including financial statements.

**f. Right to Information**

- i. All The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- ii. The minority shareholders shall be granted the right to propose the holding of meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
- iii. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

**g. Dividend policies**

- i. Shareholders shall have the right to receive dividends subject to the discretion of the Board.
- ii. The Corporation shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid in capital stock subject to required internal and external approvals;
- iii. The Board of Directors may each year declare and pay cash or stocks dividend upon approval by the Board Members within 30 days after being declared for interim dividends and approved at the annual general meeting; except:
  1. When justified by definitive corporate expansion projects or programs approved by the Board; or
  2. When the Corporation is prohibited under any loan agreement with any financial institution or creditors whether local or foreign , from declaring dividends without its consent, and such consent has not been secured; or

3. When it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

#### **h. Corporate Policy on Dividend Declaration**

- i. The Board of Directors is authorized to declare dividends out of the “unrestricted retained earnings”, which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding shares held by them.
- ii. Majority of the Board and Directors stocks dividends shall not be issued without the approval of the stockholders representing at least 2/3 of the capital stock then outstanding at a regular meeting of the corporation or at a special meeting duly called for the purpose.
- iii. Upon stockholder’s approval, the Compliance Officer is directed to inform and submit to the Insurance Commission the Board Resolution and the Secretary’s Certificate attesting to the declaration of the dividends, following Sec 201 of the new Insurance Code of the Philippines.
- iv. Payment of dividend declaration to the stockholders of record at a given date will only take effect upon receipt of Insurance Commission’s approval.
  1. For stock dividends, the Corporate Secretary is authorized to (1) record the issuance of stock dividends in the books of Corporation; (2) issue the corresponding stock certificate; and (3) cause the payment of corresponding documentary stamp taxes (DST) to the Bureau of Internal Revenues.
  2. For cash dividends, payments will take effect on the date stated in the Board Resolution and Secretary’s Certificate.
  3. Provision is made for dividends which are declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of financial year but not distributed at the balance sheet date.

#### **i. Appraisal Right**

The shareholders shall have the appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines under any of the following circumstances;

1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the right of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares or 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 Corporation Code; and

3. In case of merger or consolidation.

**j. Annual Stockholders' Meeting**

The Board shall encourage active shareholder participation by sending the notice of annual and special stockholders' meetings with sufficient and relevant information at least 28 days before the date of the meeting. Together with the notice, the Corporation shall also send the Agenda Items for shareholder approval, explanation of such items, and other relevant information.

The results of the annual and special stockholders' meetings, including all the votes (approving and dissenting) during the meetings and the results of the organizational meeting, shall be publicly available through the company website within one (1) day from the dates of the meetings while the minutes of shareholders' meetings shall be available within five (5) business days from the dates of the meetings.

The minutes of the meeting shall include, but not be limited to, a description of the voting and the vote tabulation procedures used, the opportunity given to shareholders to ask questions, as well as a record of the questions and the answers received if any, the matters discussed and the resolutions reached and a list of directors and officers who attended the meeting.

**k. Alternative Dispute Mechanism**

To resolve intra-corporate disputes, a shareholder, at his option, may file for mediation under the Alternative Dispute Resolution Act of 2004. If the intra-corporate dispute is not resolved by mediation, the parties may bring the matter to arbitration in accordance with the Philippine Arbitration Law, then in force. The seat of arbitration shall be the Philippines. The language of arbitration shall be English.

**G. Duties to Stakeholders**

**a. Identification of Stakeholders**

The Board shall identify the company's various stakeholders and promote cooperation between them and the company in creating wealth, growth and sustainability.

Stakeholders in corporate governance include, but are not limited to, customers, employees, suppliers, shareholders, investors, creditors, the community the company operates in, society, the government, regulators, competitors, external auditors, etc.

In formulating the company's strategic and operational decisions affecting its wealth, growth and sustainability, due consideration is given to those who have an interest in the company and are directly affected by its operations.

**b. Equitable Treatment of Stakeholders**

The Board should establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.

In instances when stakeholders' interests are not legislated, companies' voluntary commitments ensure the protection of the stakeholders' rights.

The Corporation's Code of Conduct ideally includes provisions on the company's policies and procedures on dealing with various stakeholders. The company's stakeholders include its customers, resource providers, creditors and the community in which it operates. Fair, professional and objective dealings as well as clear, timely and regular communication with the various stakeholders ensure their fair treatment and better protection of their rights.

**c. Communication Plan**

The Board shall adopt a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.

The company's stakeholders play a role in its growth and long-term viability. As such, it is crucial for the company to maintain open and easy communication with its stakeholders. This can be done through stakeholder engagement touchpoints in the Corporation.

**d. Employee Engagement**

The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.

The establishment of policies and programs covering, among others, the following:

- i. Health, safety and welfare;
- ii. Training and development; and
- iii. Reward/compensation for employees, encourages employees to perform better and motivates them to take a more dynamic role in the corporation.

Active participation is further fostered when the company recognizes the firm-specific skills of its employees and their potential contribution in corporate governance. The

employees' viewpoint in certain key decisions may also be considered in governance processes.

**e. Anti-Bribery and Corruption Policy**

The Board shall set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. Further, the Board should disseminate the policy and program to employees across the organization through trainings to embed them in the company's culture.

The adoption of an anti-corruption policy and program endeavors to mitigate corrupt practices such as, but not limited to, bribery, fraud, extortion, collusion, conflict of interest and money laundering. This encourages employees to report corrupt practices and outlines procedures on how to combat, resist and stop these corrupt practices. Anti-corruption programs are more effective when the Board sets the tone and leads the company in their execution.

**f. Conflict of Interest**

Conflict of interest involving any person with the decision-making authority, including directors, with respect to the operations of the Corporation, shall be disclosed to the Board and the CEO for the proper action, taking into account the overriding interests of policyholders, claimants, creditors and the public in general.

Disclosure of conflicts of interest involving the CEO and senior officers with at least the rank of VP (Vice President) shall be made to the whole Board, while those involving line managers, executive employees and other personnel shall be made known to the CEO.

**g. Whistle-blowing Policy**

The Board shall establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board should be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

A suitable whistleblowing framework sets up the procedures and safe harbors for complaints of employees, either personally or through their representative bodies, concerning illegal and unethical behavior. One essential aspect of the framework is the inclusion of safeguards to secure the confidentiality of the informer and to ensure protection from retaliation.

#### **h. Encouraging Sustainability and Social Responsibility**

The Corporation shall recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.

The Board shall be instrumental in encouraging sustainable development and empower the Corporation's CEO in observance of responsible business operations and working alongside local government and other institutional partners to contribute to solving complex global challenges that may directly or indirectly affect the Corporation.

The Corporation shall not only comply with existing regulations, but also voluntarily employ value chain processes that take into consideration economic, environmental, social and governance issues and concerns in accordance with its own sustainability framework and its adopted global reporting standard.

#### **i. Public Accountability**

As an insurance company, the Corporation shall ensure that its dealing with the public is always conducted in a fair, honest and equitable manner. Accordingly officers of the Corporation shall avoid conflicts of interest and not engage in any unfair or deceptive acts or conduct that constitutes unfair trade practices to the detriment of policyholders.

Policyholders and claimants including but not limited to:

- i. Misrepresentation through false, deceptive or misleading statements, which include misrepresentations as to terms and benefits of insurance policies, the financial condition of the Corporation, and information about competitors for the purpose of inducing a policyholder to lapse, forfeit or surrender for his policy;
- ii. Entering into any agreement to commit any act of boycott, coercion or intimidation resulting in a market monopoly of insurance business; and
- iii. Knowingly committing or performing as a general business practice unfair claims settlement practices as defined in Section 241 of the Insurance Code, stated as follows:

Any of the following acts by an insurance company, if committed without just cause and performed with such frequency as to indicate a general business practice, shall constitute unfair claim settlement practices:

1. Knowingly representing to claimants pertinent facts or policy provisions relating to coverage under its policies;



2. Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under its policies;
3. Not attempting on good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear; or
4. Compelling policyholder to institute suits to cover amount due under its policies by offering without justifiable reason substantially less than the accounts ultimately recovered in suits brought by them.

#### **H. Disclosure and Transparency**

The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.

##### **a. Communications**

To ensure effective communication and access to reliable, timely and adequate information necessary for proper management decisions, the Corporation shall continue to maintain a communication policy which shall include the following:

- i. Documentation of important policies and procedures or development of operating manuals for critical functions such as underwriting, claims, reinsurance, investment, disbursement and management;
- ii. Composition and frequency of various Management Committees meeting to discuss issues of common concern and important developments affecting the Corporation or the insurance industry; and
- iii. Communication of priority information, such as new regulatory requirements, reinsurance matters and large claims to concerned personnel

##### **b. Board-level Transparency**

The Board shall fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.

The Corporation's annual reports including, but not limited to, the Annual and Sustainability Report and the Annual Corporate Governance Report (ACGR), shall contain directors' and key officers' qualifications, share ownership in the Corporation, membership in other boards, other executive positions, continuous trainings attended and identification of independent directors.

**c. Focus on Non-financial and Sustainability Reporting**

The Board shall have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. Companies should adopt a globally recognized standard/framework in reporting sustainability and nonfinancial issues.

**d. Company Website**

The company shall have a website to ensure a comprehensive, cost efficient, transparent, and timely manner of disseminating relevant information to the public.

**I. Effectivity and Periodic Review of this Manual**

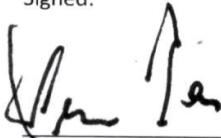
**a. Effectivity**

This Manual shall be effective upon approval of the Board of Directors. It supersedes the previous Manual on Corporate Governance.

**b. Periodic review**

This Manual shall be reviewed periodically by the Corporate Governance Committee and the Board will make appropriate changes based on recommendations from the Committee(s).

Signed:



**LUCIO C. TAN**

Chairman of the Board



**EILEEN ANGELES-SY**

Corporate Governance Compliance Officer