



**PNB GENERAL INSURER'S CO., INC.**

**REVISED CORPORATE GOVERNANCE MANUAL  
JULY 2014**

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PNB GENERAL INSURER'S CO., INC,

## CORPORATE GOVERNANCE MANUAL

### I. INTRODUCTION

The Board of Directors and Management, i.e., officers and staff, of the PNB General Insurers Co., Inc. commit themselves to adhere to highest principles of good corporate governance as embodied in the Company's Amended By-Laws, Code of Conduct and this Revised Corporate Governance Manual. The Company subscribes to the philosophy of integrity, accountability and transparency in its manner of doing business; dealing fairly with its clients, investors, stockholders, the communities affected by its activities and various public; professionalism among its Board of Directors, executives and employees in managing the Company and respect for the laws and regulations of the countries affecting its businesses.

The Board and Management believe that corporate governance is a necessary component of sound strategic business management and will, therefore, undertake every effort necessary to create awareness within the organization to ensure that the principles of fairness, accountability and transparency are indispensable in conducting the day-to-day business of the Company.

### II. OBJECTIVE

This Manual seeks to institutionalize the principles of good corporate governance in the entire organization of the Company.

### III. DEFINITIONS OF TERMS

1. Corporate Governance – the framework of rule, systems and processes in the corporation that 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 community in which it operates.
2. Board of Directors – the governing body elected by the stockholders and exercises the corporate powers of a corporation conducts all its business and controls its properties.
3. Management – the body 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.
4. Independent Director – a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

5. Executive Director – a director who is also the head of a department or unit of the corporation or performs any work related to its operation.
6. Non-Executive Director – a director who is not the head of a department or unit of the corporation nor performs any work related to its operation.
7. Control – exist when the parent owns directly or indirectly through subsidiary more than one half of the voting power of an enterprise unless, in exceptional circumstance, it can be clearly demonstrated that such ownership is one half or less of power of an enterprise where is:
  - a) power more than one half of the voting rights by virtue of an agreement with other stockholders; or
  - b) power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
  - c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
  - d) power to cast the majority votes at meetings of the board of directors or equivalent governing body; or
  - e) any other arrangement similar to any of all the above.
8. Internal Control – the system established by the Board of Directors and Management for the accomplishment of the corporation’s objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules.
9. Internal Control System – the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed.
10. Internal Audit – an independent and objective assurance activity designed to add value to and improve the corporation’s operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness or risk management, control and governance processes.
11. Internal Audit Department – a department or unit of the corporation and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the corporation’s operations.
12. Internal Auditor – the highest position in the corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.
13. Business Risk – the threat an event or action will adversely affect an organization’s ability to achieve its business objectives and execute its strategies successfully.
14. Actuarial Risk – risk which an insurance underwriter covers in exchange for premiums.

15. Risk Management – procedure to minimize the adverse effect of a financial loss by (a) identifying potential sources of loss; (b) measuring the financial consequences of a loss occurring; and (c) using controls to minimize actual losses of their financial consequences.
16. Stakeholders – refers to the group of company owners, officers and employees, policyholders, suppliers, creditors and the community.
17. Parent – is a corporation who has control over another corporation directly or indirectly through one or more intermediaries.
18. Related company - means another company which is: (a) its parent or holding company; (b) its subsidiary or affiliate; or (c) a corporation where an insurance company or its majority stockholder owns such number of shares which allow/enable him to elect at least one (1) member of the board of directors a partnership where such majority stockholder or a partner.
19. Substantial or major shareholder – shall mean a person, whether natural or juridical, owning such number of shares that will allow him to elect at least one (1) member of the board of directors of a company or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security.
20. Majority stockholder or Majority shareholder – means a person, whether natural or juridical, owning more than fifty percent (50%) of the voting stock.
21. Subsidiary – means a corporation more than fifty percent (50%) of the voting stock of which is owned or controlled directly or indirectly through one or more intermediaries by a company.
22. Affiliate – is a juridical person that directly or indirectly through one or more intermediaries is controlled by, or is under common control with the companies or its affiliates
23. Related interests – shall mean individuals related to each other within the fourth consanguinity or affinity, legitimate or common law, and two or more company owned or controlled by a single individual or by the same family group or the same group persons.

#### IV. CORPORATE GOVERNANCE STRUCTURE

##### 1. Board of Directors

Compliance with the highest standards in corporate governance principally starts with the Board of Directors which has the responsibility to foster the long-term success of the Company and secure its sustained competitiveness in accordance with its fiduciary responsibility. The Board of Directors is primarily responsible for approving and overseeing the implementation of the Company's strategic objectives, risk strategy, corporate governance and values. Further, the Board of Directors is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day to day affairs of the Company.

In the same manner, every employee of the entire organization is expected to embrace the same degree of commitment to the desired level of corporate standards.

## 1.1 Composition of the Board and the Independent Directors

The Board shall be composed of at least five (5), but not more than eleven (11) members who are elected by the stockholders as provided for in the Articles of Incorporation and By-Laws. The members of the board of directors shall be selected from a broad pool of qualified candidates. The members of the board of directors shall be selected from a broad pool of qualified candidates.

A sufficient number of qualified non-executive members shall be elected to promote the independence of the board from the views of senior management. For this purpose, non-executive members of the board of directors shall refer to those who are not part of the day to day management of operations and shall include the independent directors.

The Company shall have at least three (2) independent directors and/or twenty percent (20%) of the total number of the members of the Board. Any fractional result from applying the required minimum proportion shall be rounded-up to the nearest whole number.

## 1.2 General Principles

1.2.1 The Board is primarily accountable to the stockholders. It should provide them with a balanced/fair and comprehensible assessment of the corporation's performance, position and prospects on a quarterly basis, including interim and other reports on matters that could adversely affect its business, as well as reports to regulators that are required by law.

1.2.2 The principle of fairness refers to the protection of the rights of all shareholders, treatment in share purchases, issuance of reports to all and by and large the specific policies on the treatment of stakeholders.

1.2.3 Transparency refers to the adherence to the disclosure standards on the issuance of periodic reports regarding material information and the over-all performance of management. It also covers the standards used both by the internal and external auditors in reporting their audit findings.

1.2.4 In accepting memberships in other corporate boards, the members of the Board of Directors of PNB Gen shall always be guided by the basic consideration of how much time they can effectively discharge their duties in PNB Gen as well as in the other corporate boards.

## 1.3 Powers, Duties and Responsibilities of the Board of Directors

### 1.3.1 Powers of the Board of Directors

The corporate powers of the company shall be exercised, its business conducted and all its property controlled and held, by its board of directors. The powers of the board of directors as conferred by law are original and cannot be revoked by the stockholders. The directors hold their office charged with the duty to exercise sound and objective judgment for the best interest of the company.

### 1.3.2 General Responsibilities of the Board of Directors

1.3.2.1 The board of directors is primarily responsible for approving and overseeing the implementation of the company's strategic objectives, risk strategy, corporate governance and corporate values. Further, the board of directors is also

responsible for monitoring and overseeing the performance of senior management as the latter manages the day to day affairs of the company.

1.3.2.2 The Board shall formulate the Company's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance; and

1.3.2.3 It shall be the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives, for the best interest of the Company, its stockholders ***and other stakeholders.***

### 1.3.3 Internal Control Responsibilities of the Board

The control environment of the Company consists of (a) the Board which ensures that the Company is properly and effectively managed and supervised; (b) a Management that actively manages and operates the Company in a sound and prudent manner; (c) the organizational and procedural control supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operations, and information systems, including reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, and regulations and contracts.

The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include:

1.3.3.1 Definition of the duties and responsibilities of the President who is ultimately accountable for the Company's organizational and operational controls;

1.3.3.2 Selection of the person who possesses the ability, integrity and expertise essential for the position of President;

1.3.3.3 Evaluation of proposed senior management appointments;

1.3.3.4 Selection and appointment of qualified and competent management officers; and

1.3.3.5 Review of the company's human policies, conflict of interest situations, compensation program for employees, and management succession plan.

### 1.3.4 Specific Duties and Responsibilities of the Board of Directors

To ensure high standards of best practices for the Company, its stockholders ***and other stakeholders,*** the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:

1.3.4.1 To approve and monitor the implementation of strategic objectives. Consistent with the company's strategic objectives, business plans shall be established for the company including its trust operations and initiatives thereto shall be implemented with clearly defined responsibilities and accountabilities. These shall take into account the company's long term financial interests, its level of risk tolerance and its ability to manage risks effectively. The board shall establish

a system for measuring performance against plans through regular monitoring and reviews, with corrective action taken as needed.

The Board shall review and approve the budget prepared by Management as well as the revisions thereto and shall monitor actual performance against the budget.

- 1.3.4.2 To approve and oversee the implementation of policies governing major areas of operations. The board shall approve policies on all major business activities and accordingly define the company's level of risk tolerance in respect of business activities. A mechanism to ensure compliance with said policies shall also be provided. The board shall set out matters and authorities reserved to it for decision, which include, among others major capital expenditures, equity investments and divestments. The board shall also establish the limits of the discretionary powers of each officer, committee, and such other groups for purposes of lending, investing or any other financial undertaking that exposes the company to significant risks.
- 1.3.4.3 To approve and oversee the implementation of risk management policies. The board of directors shall be responsible for defining the company's level of risk tolerance and for the approval and oversight of the implementation of policies and procedures relating to the management of risks;
- 1.3.4.4 Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Company, including its trust operations to anticipate and prepare for possible threats to its operational and financial viability;
- 1.3.4.5 Adopt and maintain adequate risk management policy. The risk management policy shall include:
  - 1.3.4.5.1 a comprehensive risk management approach;
  - 1.3.4.5.2 a detailed structure of limits, guidelines and other parameters used to govern risk-taking;
  - 1.3.4.5.3 a clear delineation of lines of responsibilities for managing risk;
  - 1.3.4.5.4 an adequate system for measuring risk; and
  - 1.3.4.5.5 an effective internal controls and a comprehensive risk-reporting process.
- 1.3.4.6 To oversee selection and performance of senior management. It is the primary responsibility of the board of directors to appoint competent, professional, honest, and highly-motivated management team at all times; adopt an effective succession planning program for management; monitor and assess the performance of the management team based on established performance standards that are consistent with the company's strategic objectives, and conduct regular review of company's policies with the management team:
  - 1.3.4.6.1 The Board of Directors shall apply fit and proper standards on key personnel. Integrity, technical expertise and experience in the institution's business, either current or planned, shall be the key considerations in the selection process. The board of directors shall replace members of senior management, when necessary, and have in place an appropriate plan of succession.



- 1.3.4.6.2 The Board of Directors shall regularly monitor the actions of senior management and ensure that these are consistent with the policies that it has approved. It shall put in place formal performance standards to be able to effectively assess the performance of senior management.
- 1.3.4.6.3 The Board of Directors shall regularly meet with senior management to engage in discussions, question and critically review the reports and information provided by the latter. The Board of Directors shall set the frequency of meeting with senior management taking into account the size, complexity of operations and risk profile of the company.
- 1.3.4.6.4 The Board of Directors shall regularly review policies, internal controls and self-assessment functions (e.g., internal audit, risk management and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues.

The Board of Directors shall ensure that senior management's expertise and knowledge shall remain relevant given the company's strategic objectives, complexity of operations and risk profile.

- 1.3.4.7 To consistently conduct the affairs of the company with a high degree of integrity. The board of directors shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees.

The Board of Directors shall:

- 1.3.4.7.1 Articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the institution, or unethical conduct.
- 1.3.4.7.2 Articulate policies that will prevent the use of the facilities of the company in furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.
- 1.3.4.7.3 Explicitly discourage the taking of excessive risks as defined by internal policies and establish an employees' compensation scheme effectively aligned with prudent risk taking. The compensation scheme shall be adjusted for all types of risk and sensitive to the time horizon of risk. Further, the grant of compensation in forms other than cash shall be consistent with the overall risk alignment of the company. The Board of Directors shall regularly monitor and review the compensation scheme to ensure that it operates and achieves the objectives as intended.
- 1.3.4.7.4 Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the company at all times. Further, the Board of Directors shall ensure that

- all transactions involving the pension fund are conducted at arm's length terms.
- 1.3.4.7.5 Allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the Board of Directors or to any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the Board itself.
  - 1.3.4.7.6 Articulate policies in communicating corporate values, codes of conduct and other standards in the company as well as the means to confidentially report concerns or violations to an appropriate body.
- 1.3.4.8 To define appropriate governance policies and practices for the company and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement. The board of directors, through policies and its own practices, shall establish and actively promote, communicate and recognize sound governance principles and practices to reflect a culture of strong governance in the company as seen by both internal and external stakeholders;
- 1.3.4.8.1 Ensure that the company's organizational structure facilitates effective decision making and good governance, e.g., clear definition and delineation of the lines of responsibility and accountability, especially between the roles of the Chairman of the Board of Directors and Chief Executive Officer/President.
  - 1.3.4.8.2 Maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities.
  - 1.3.4.8.3 Structure in terms of size, frequency of meetings and the use of committees, to promote efficiency, critical discussion of issues and thorough review of matters; meet regularly to properly discharge its functions; ensure independent views in board meetings are given full consideration.
  - 1.3.4.8.4 Conduct and maintain the affairs of the institution within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations; ensure effective compliance with the latter as well as prudential reporting obligations.
  - 1.3.4.8.5 Assess at least annually its performance and effectiveness as a body, as well as its various committees, the chief executive officer, the individual directors, and the company itself; regularly review the composition of the board in view of having a balanced membership.
  - 1.3.4.8.6 Ensure that individual members of the board and the shareholders are accurately and timely informed.
- 1.3.4.9 To constitute committees to increase efficiency and allow deeper focus in specific areas. The Board of Directors shall create committees to assist the Board in the performance of its duties and responsibilities, the number and nature of which

would depend on the size of the company and the board, the complexity of operations, long-term strategies and risk tolerance level of the company;

- 1.3.4.9.1 The board of directors shall approve, review and update at least annually or whenever there are significant changes therein, the respective charters of each committee or other documents that set out its mandate, scope and working procedures;
- 1.3.4.9.2 The board of directors shall appoint members of the committees taking into account the optimal mix of skills and experience to allow the members to fully understand, be critical and objectively evaluate the issues. In order to promote objectivity, the board of directors, shall appoint independent directors and non-executive members of the board to the greatest extent possible while ensuring that such mix will not impair the collective skills, experience, and effectiveness or the committees. Towards this end, an independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions.
- 1.3.4.9.3 The board of directors shall ensure that each committee shall maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions; and
- 1.3.4.10 To effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors. The board of directors shall recognize and acknowledge the importance of the assessment of the independent, competent and qualified internal and external auditors as well as the risk and compliance officers in ensuring the safety and soundness of the operations of a company on a going-concern basis and communicate the same through-out the company. Further, non-executive board members shall meet regularly, other than in meetings of the audit and risk oversight committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions;
- 1.3.4.11 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;
- 1.3.4.12 Ensure the Company's faithful compliance with all applicable laws, regulations and best business practices;
- 1.3.4.13 Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Company;
- 1.3.4.14 Identify the *stakeholders* in the community in which the Company operates or which are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;

- 1.3.4.15 Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Company's internal control system in order to maintain its adequacy and effectiveness;
- 1.3.4.16 Formulate and implement policies and procedures that will ensure the integrity and transparency of related party transactions between and among the corporation and its joint ventures, associates, affiliates, major stockholders, officers and Directors, including their spouses, children and dependent siblings and parents, and of interlocking Director relationships by members of the Board;
- 1.3.4.17 Establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders, and the company and third parties, including the regulatory authorities;
- 1.3.4.18 Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration;
- 1.3.4.19 Keep the activities and decisions of the Board within its authority under the Amended Articles of Incorporation and Amended By-Laws, and in accordance with existing laws, rules and regulations; and
- 1.3.4.20 Appoint a Compliance Officer who shall have the rank of at least a Vice President.
- 1.3.4.21 Adequate governance structures and control processes related to the different activities of the company are established and complied with including:
  - 1.3.4.21.1 Systems that accurately identify and measure all material risks and adequately monitor and control these risk;
  - 1.3.4.21.2 Adequate internal controls, organizational structures and accounting procedures leading to a suitable control environment aimed at meeting the company's prescribed corporate strategy, performance, information system and compliance objectives;
  - 1.3.4.21.3 The evaluation of the quality of assets and their proper recognition and measurement; and
  - 1.3.4.21.4 Requirements on the gathering and disclosure of material and relevant information on financial accounts including related party transactions.
- 1.3.4.22 Establish appropriate management information systems; and
- 1.3.4.23 Protect the interests of stakeholders adequately

#### 1.4 Limitation on nationality of the members of the board of directors.

Non-Filipino citizens may become members of the board of directors of the company to the extent of the foreign participation in the equity of the company, pursuant to Section 23 of the Corporation Code of the Philippines, a majority of the directors must be residents of the Philippines.

#### 1.5 Board Meetings and Quorum Requirement

The Members of the Board should attend its regular and special meetings in person or through teleconferencing or video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein.

A majority of the directors shall be necessary at all meetings to constitute a quorum for the transaction of any business and every decision of a majority of the quorum assemble as Board shall be valid as a corporate act unless otherwise provided by law. A minority of the Board present at any regular or special meeting shall, in the absence of a quorum, adjourn to a later date, and shall not transact any business until a quorum has been secured.

To promote transparency, the Board may require the presence of at least one (1) independent director in all its meetings.

### 2. Directors

#### 2.1 Definition of Directors

2.1.1 directors who are named as such in the Articles of Incorporation;

2.1.2 directors duly elected in subsequent meetings of the stockholders;

2.1.3 those elected to fill vacancies in the board of directors.

**Chairman Emeritus and the members of the Board of Advisers cannot be considered as directors. However, they may be considered as stockholders or related interest i.e., spouse or first degree relative, partner, co-owner, or interlocking officer/director as the case maybe. As such Chairman Emeritus and Board Advisors shall be classified as a related party.**

#### 2.2 Qualifications of Directors

2.2.1 Holder of at least one (1) share of stock of the Company;

2.2.2 He shall be at least a college graduate or have at least five (5) years experience in business to substitute for such formal education;

2.2.3 He shall be at least twenty-five (25) years old at the time of his election or appointment;

2.2.4 He must have attended a special seminar on corporate governance for board of Directors conducted or accredited by the BSP and SEC: Provided, That incumbent Directors must attend said seminar within a period of six (6) months from date of election;

- 2.2.5 He must be fit and proper for the position of a director of the company, *proven to possess integrity/probity, physical/mental fitness, competence, relevant education/ financial literacy/training, diligence and knowledge/experience;*
- 2.2.6 He shall be assiduous in his work habits;
- 2.2.7 Practical understanding of the business of the Company; and
- 2.2.8 Membership in good standing in relevant industry, business or professional organizations.

The members of the board of directors shall possess the foregoing qualifications for directors in addition to those required or prescribed under R.A. No. 8791 and other existing applicable laws and regulations.

### 2.3 Disqualifications of Directors

#### 2.3.1 Permanent Disqualification

- 2.3.1.1 Any person convicted by final judgment or order of a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- 2.3.1.2 Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as Director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities;

The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, the Securities Regulation Code or any other law administered by the SEC, or under any rule or regulation issued by the SEC or IC, or has otherwise been restrained from engaging in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- 2.3.1.3 Any person convicted by final judgment or order by a competent court or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- 2.3.1.4 Any person who has been adjudged by final judgment or order of the SEC, or by a competent court or administrative body to have willfully violated, or

willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the SEC, or any of their rules, regulations or orders;

- 2.3.1.5 Any person earlier elected as Independent Director of the Company who becomes an officer, employee or consultant of the Company;
- 2.3.1.6 Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (2.3.1.1) to (2.3.1.5) above;
- 2.3.1.7 Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment; and
- 2.3.1.8 Any person judicially declared to be insolvent.
- 2.3.1.9 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.

### 2.3.2 Temporary Disqualification

- 2.3.2.1 Refusal to fully disclose the extent of his business interests or any material information as 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 his refusal persists;
- 2.3.2.2 Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all regular and special meetings of the Board of Directors during his incumbency, or any twelve (12)-month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;
- 2.3.2.3 Dismissal or termination for cause as Director of any corporation covered by the Corporation Code. This disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
- 2.3.2.4 If the beneficial equity ownership of an Independent Director in the corporation or its subsidiaries and affiliates exceeds two (2) percent of its subscribed capital stock. This disqualification shall be lifted if the limit is later complied with;
- 2.3.2.5 If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final;

A temporarily disqualified Director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

## 2.4 Qualifications of Independent Directors

An Independent Director shall refer to a person who –

- 2.4.1 Is not or has not been, an officer or employee of the company, during the past three (3) years counted from the date of election;
- 2.4.2 Is not a director or officer of the related companies of the company's majority stockholder;
- 2.4.3 Is not a stockholder with shares of stock sufficient to elect one seat in the board of directors of the company, or in any of its related companies or of its majority corporate shareholders;
- 2.4.4 Is not a relative, legitimate or common-law of any director, officer or majority shareholder of the company or any of its related companies. Relatives refer to the spouse, parent, child, brother, sister, parent-in-law, son-/daughter-in-law, brother-/sister-in-law;
- 2.4.5 Is not acting as a nominee or representative of any director or substantial shareholder of the company, any of its related companies or any of its substantial shareholders;
- 2.4.6 Is not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the company 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 arms-length and could not materially interfere with or influence the exercise of his judgment;
- 2.4.7 A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an Independent Director after a 2-year "cooling-off period"; and
- 2.4.8 Persons appointed as Chairman "Emeritus", Ex-Officio" Directors/Officers or Members of any Executive Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities shall be subject to a one-year "cooling-off period" prior to his qualification as an Independent Director.

## 2.5 Disqualification of Independent Directors

- 2.5.1 Securities broker-dealer disqualifies from sitting as an Independent Director of listed companies and registered issuers of securities. Securities broker-dealer shall refer to any person holding any office of trust and responsibility in a broker-dealer firm which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, associated person or salesman, and an authorized clerk of the broker or dealer.



## 2.6 Term Limits for Independent Directors

- 2.6.1 Independent Director (ID) can be elected to only five (5) companies of the conglomerate, parent bank and its subsidiaries and affiliates;
- 2.6.2 Independent Director of a company may only serve as such for a total of five (5) consecutive years. ID shall be ineligible for reelection unless he has undergone a “cooling off” period of two (2) years; and
- 2.6.3 After the two (2)-year “cooling off” period, an ID can be re-elected and serve for another five (5) consecutive years and shall be perpetually barred from being elected as such after serving for ten (10) years.

## 2.7 Specific Duties and Responsibilities of the Chairman of the Board of Directors:

- 2.7.1 To call, convene and preside over all meetings of the Board of Directors whenever he may deem it necessary, either on his own initiative, or upon the request of the President, or two members of the Board; and the stockholders in accordance with the Amended By-Laws;
- 2.7.2 Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors;
- 2.7.3 To provide leadership in the board of directors. The chairperson of the board shall ensure effective functioning of the board, including maintaining a relationship of trust with board members;
- 2.7.4 To ensure that the board takes an informed decision. The chairperson of the board shall ensure a sound decision making process and he should encourage and promote critical discussions and ensure that dissenting views can be expressed and discussed within the decision-making process;
- 2.7.5 Maintain qualitative and timely lines of communication and information between the Board and Management;
- 2.7.6 Assist in ensuring compliance with the Company’s guidelines on corporate governance; and
- 2.7.7 To perform such other functions as are assigned to him by law or by the Board of Directors.

## 2.8 Specific Duties and Responsibilities of a Director

A Director’s office is one of trust and confidence. A Director should act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Company towards sustained stability and progress.

A Director should observe the following norms of conduct:

- 2.8.1 To remain fit and proper for the position for the duration of his term. A director is expected to remain fit and proper for the position for the duration of his term. He

should possess unquestionable credibility to make decisions objectively and resist undue influence. He shall treat board directorship as a profession and shall have a clear understanding of his duties and responsibilities as well as his role in promoting good governance. Hence, he shall maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities that the company is engaged in or intends to pursue as well as the developments in the insurance industry including regulatory changes through continuing education or training;

- 2.8.2 To conduct fair business transactions with the company and to ensure that personal interest or that of his colleagues does not bias board decisions. Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institution cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others.

The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that would compromise his impartiality.

If an actual or potential conflict of interest may arise on the part of a Director, he should fully and immediately disclose it and should not participate in the decision-making process. A Director who has a continuing material conflict of interest should seriously consider resigning from his position.

- 2.8.3 To act honestly and in good faith with loyalty and in the best interest of the company, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and the general public. A director must always act in good faith, with the care which an ordinarily prudent man would exercise under similar circumstances. While a director should always strive to promote the interest of all stockholders, he should also give due regard to the rights and interests of other stakeholders;
- 2.8.4 To devote time and attention necessary to properly discharge their duties and responsibilities. Directors should devote sufficient time to familiarize themselves with the company's business. They must be constantly aware of the company's condition and be knowledgeable enough to contribute meaningfully to the board's work. They must attend and actively participate in board and committee meetings, request and review meeting materials, ask questions, and request explanations. If a person cannot give sufficient time and attention to the affairs of the institution, he should neither accept his nomination nor run for election as member of the board;
- 2.8.5 To act judiciously after thorough consideration of all aspect of each matter for resolution. Before deciding on any matter brought before the Board of Directors, every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary;
- 2.8.6 To contribute significantly to the decision-making process of the board. Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of such board;
- 2.8.7 To exercise independent judgment. A director should view each problem or situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it

might be unpopular. Corollary, he should support plans and ideas that he thinks will be beneficial to the Company;

- 2.8.8 To have a working knowledge of the statutory and regulatory requirements affecting the company, including the contents of its Amended Articles of Incorporation and Amended By-Laws, the requirements of the IC, SEC and where applicable, the requirements of other regulatory agencies. A director should also keep himself informed of the industry developments and business trends in order to safeguard the company's competitiveness; and
- 2.8.9 To observe confidentiality. Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. Director should not reveal confidential information to unauthorized persons without the authority of the Board.

## 2.9 Remuneration of Directors and Officers

The company's remuneration and structures are based on the internal Policy on Remuneration of Directors and Officers.

The company's Amended By-Laws provides that Directors shall receive such compensation for their services as may from time to time be fixed by the stockholders subject to the limitations set forth in Section 30 of the Corporation Code. Each director shall also be entitled to a reasonable per diem, as may be determined by the Board.

## 3. Board Committees

To aid in complying with the principles of good corporate governance, the Board of Directors shall constitute, at a minimum, the following Committees:

### 3.1 Corporate Governance Committee

The composition and functions of the Corporate Governance Committee of the Board of Directors are contained in its Amended Charter hereto attached and made an integral part hereof as Annex "A". Any and all subsequent amendments and/ or supplements to subject charter that may be approved by the Board of Directors shall also be deemed as integral part/s hereof.

It shall pre-screen and shortlist all candidates nominated to become a member of the board of Directors in accordance with the qualifications and disqualifications.

- 3.1.1 The Committee shall consider the following guidelines in the determination of the number of Directorships in the Board:

- 3.1.1.1 The nature of the business of the corporations of which he is a Director;

- 3.1.1.2 Age of the Director;

- 3.1.1.3 Number of Directorship/active membership and officership in other corporations or organizations; and

- 3.1.1.4 Possible conflict of interest

In general, the optimum number shall be related to the capacity of a Director to perform his duties diligently.

- 3.1.2 In consultation with the executive or management committee/s, re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.
- 3.1.3 The Chief Executive Officer and other executive Directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive Directors who serve as full-time executives in other corporations. In any case, the capacity of Directors to serve with diligence shall not be compromised;
- 3.1.4 Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;

### 3.2 Board Audit and Compliance Committee (BACC)

The composition and functions of the Board Audit & Compliance Committee (BACC) are contained in its Charter of the Board Audit and Compliance Committee hereto attached and made an integral part hereof as Annex “B”.

### 3.3 Risk Management Committee

The composition and functions of the Risk Management Committee are contained in its Amended Charter hereto attached and made an integral part hereof as Annex “C”.

## 4. Duties and Responsibilities of Officers

- 4.1 To set the tone of good governance from the top. Company officers shall promote the good governance practices within the company by ensuring that policies on governance as approved by the board of directors are consistently adopted across the company.
- 4.2 To oversee the day-to-day management of the Company. Company officers shall ensure that company's activities and operations are consistent with the company's strategic objectives, risk strategy, corporate values and policies as approved by the board of directors. They shall establish a company-wide management system characterized by strategically aligned and mutually reinforcing performance standards across the organization.
- 4.3 To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency. Company officers shall establish measurable standards, initiatives and specific responsibilities and accountabilities for each company personnel. Company officers shall oversee the performance of these delegated duties and responsibilities and shall ultimately be responsible to the board of directors for the performance of the company; and
- 4.4 To promote and strengthen checks and balances systems in the company. Company officers shall promote sound internal controls and avoid activities that shall compromise the effective dispense

of their functions. Further, they shall ensure that they give due recognition to the importance of the internal audit, compliance and external audit functions.

## 5. The President

- 5.1 The Chief Executive of the Company shall be the President who shall be elected by the Board of Directors from among its members.
- 5.2 The President of the Company shall, among other powers and duties inherent in his office, execute and administer the policies, measures, orders and resolutions approved by the Board of Directors, and direct and supervise the operations and administration of the Company. Particularly, he shall have the power and duty:
  - 5.2.1 To execute all contracts and to enter into all authorized transactions in behalf of the Company;
  - 5.2.2 To exercise, as Chief Executive Officer, the power of supervision and control over decisions or actions of subordinate officers and all other powers that may be granted by the Board;
  - 5.2.3 To recommend to the Board the appointment, promotion or removal of all officers of the Company with the rank of at least Vice President or its equivalent;
  - 5.2.4 To appoint, promote or remove employees and officers of the Company, except those who are to be appointed or removed by the Board of Directors;
  - 5.2.5 To transfer, assign and reassign officers and personnel of the Company in the interest of the service;
  - 5.2.6 To report periodically to the Board of Directors on the operations of the Company;
  - 5.2.7 To submit annually a report on the result of the operations of the Company to the stockholders of the Company; and
  - 5.2.8 To delegate any of his powers, duties and functions to any official of the Company, with the approval of the Board of Directors.

## 6. The Corporate Secretary

- 6.1 The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the Company. Precision, transparency and thoroughness in performance are expected of him;
- 6.2 He must possess appropriate administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have a working knowledge of the operations of the Company;
- 6.3 Duties and Responsibilities of the Corporate Secretary
  - 6.3.1 Notify parties concerned of any Stockholders and Board meetings;

- 6.3.2 Inform the members of the Board, in accordance with the Amended By-Laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- 6.3.3 Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- 6.3.4 Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- 6.3.5 Provide proper assistance to the Members of the Board during all Board and Stockholders' meetings while they are in the performance of their duties and responsibilities under the law and the By-Laws;
- 6.3.6 Be responsible for the safekeeping and preservation of the integrity of the Minutes of the meetings, as well as the other official records pertaining to the duties and responsibilities of the Office of the Corporate Secretary;
- 6.3.7 Prepares the Agenda for the Board and Executive Committee meetings and also assists the directors in attending seminars and trainings;
- 6.3.8 Furnish all Directors with a copy of the *general responsibilities and* specific duties and responsibilities of the Board of Directors as well as the specific duties and responsibilities of a Director, within thirty (30) banking days from the time of election.
- 6.3.9 The appointment of the Compliance Officer shall be immediately disclosed to the Securities and Exchange Commission on SEC Form 17-C;
- 6.3.10 Exhibit loyalty to the mission, vision and objectives of the Company; and
- 6.3.11 Work fairly and objectively with the Board, Management and stockholders ***and other stakeholders.***

## 7. The Compliance Officer (CO)

- 7.1 To ensure adherence to corporate principles and best practices, there shall be a designated Compliance Officer who shall hold the position of at least a Vice President or its equivalent. He shall have direct reporting responsibilities to the Chairman of the Board thru the Board Audit and Compliance Committee (BACC).
- 7.2 He shall perform the following duties:
  - 7.2.1 Monitor compliance by the Company with the provisions and requirements of this Revised Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board thru the BACC and recommend the adoption of measures to prevent a repetition of the violation. The Compliance Officer shall likewise refer the matter to the Administrative Board or the Corporate Governance Committee, as the case may be, to determine the administrative liability and imposition of penalty, if any, against the responsible parties in accordance with the Company's Code of Conduct;

- 7.2.2 Appear before the Securities and Exchange Commission when summoned in relation to the Company's compliance with this Revised Manual;
- 7.2.3 Provide appropriate guidance and direction to the company on the development, implementation and maintenance of the compliance program; and
- 7.2.4 In charge in monitoring the company compliance with the provisions and requirements of the Corporate Governance Manual and relevant rules and regulations as well as keeping the Directors updated regarding any related statutory changes.

## 8. The External Auditor

- 8.1 An External Auditor shall ensure the establishment and maintenance of an environment of good corporate governance as reflected in the financial records and reports of the Company;

The Board, after consultations with the Board Audit and Compliance Committee, shall recommend to the stockholders an External Auditor duly accredited by SEC;

The External Auditor as appointed by the stockholders shall undertake an independent audit of the Company, and shall provide an objective assurance regarding the manner under which the financial statements are prepared and presented to the stockholders;

- 8.2 The External Auditor of the Company shall not at the same time provide internal audit services to the Company. Non-audit work may be given to the External Auditor provided it does not conflict with his duties as an independent auditor or does not pose a threat to his independence;
- 8.3 If the External Auditor resigns, is dismissed or ceases to perform his services, the reason/s and the date of effectivity of such action shall be reported in the Company's annual and current reports. The report shall include a discussion of any disagreement between him and the company on accounting principles or practices, financial statement disclosures or audit procedures which the former auditor and the Company failed to resolve satisfactorily;
- 8.4 If the External Auditor believes that any statements made in the Company's annual report, information statement or any report filed with the SEC or any regulatory body during the period of his engagement is incorrect or incomplete, he shall properly present his views in said reports; and
- 8.5 The Company's External Auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the corporation, should be changed with the same frequency.
- 8.6 Form an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework based on the evaluation of the conclusions drawn from the audit evidence obtained; and express that opinion clearly through a written report that also describes the basis for the opinion.
- 8.7 The external auditor shall identify and assess the risks of material misstatement in the company's financial statements, taking into consideration the company's operations, control environment and its components as well as the company's financial reporting systems. The assessment shall also take into account qualitative aspects of the company's accounting practices, including indicators of possible biases in management's judgments. The external Auditor should, likewise, assess, and communicate to the Board Audit and compliance Committee the results of its assessment on the capability of the company's management, the strength of the company's control environment, and

the adequacy of the company's accounting/information systems to comply with financial and prudential reporting responsibilities.

- 8.8 The External Auditor shall conclude whether it has obtained reasonable assurance that the financial statements, as a whole, are free from material misstatement, whether due to fraud or error. That conclusion shall include an evaluation of the following:
- 8.8.1 Whether sufficient appropriate audit evidence has been obtained;
  - 8.8.2 Whether uncorrected misstatements are material, individually or in aggregate; and
  - 8.8.3 Compliance with the applicable framework.

If material error or fraud is discovered, the external auditor shall immediately bring such information to the attention of the Board Audit and Compliance Committee. Moreover, the external auditor shall report such materials error or fraud and other matters as prescribed under existing regulations.

- 8.9 The External Auditor shall evaluate the requirements of the applicable financial reporting framework:
- 8.9.1 The financial statements adequately disclose the significant accounting policies selected and applied;
  - 8.9.2 The accounting policies selected and applied are appropriate and consistent with the applicable financial reporting framework.
  - 8.9.3 The accounting estimates made by the management are reasonable;
  - 8.9.4 The information presented in the financial statements are relevant, reliable, comparable and understandable;
  - 8.9.5 The financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial statements; and
  - 8.9.6 The terminologies used in the financial statements, including the title of each financial statement, are appropriate
- 8.10 While the external auditor has the sole responsibility for the audit report and for determining the nature, timing, and extent of audit procedures, much of the work of internal auditing can be useful to the external auditor in the audit of the financial statements.
- 8.11 Judgment permeates the external auditor's work. The auditor uses professional judgment in areas such as:
- 8.11.1 Assessing inherent and control risk and the risk of material misstatement due to fraud or error;
  - 8.11.2 Deciding upon the nature, timing and extent of the audit procedures;
  - 8.11.3 Evaluating the results of those procedure; and



- 8.11.4 Assessing the reasonableness of the judgments and estimates made by the management in preparing the financial statements.
- 8.12 The External Auditor should promote a two-way communication with those charged with the governance of the company. The subject of the communication may include the following:
  - 8.12.1 The responsibilities of the external auditor in relation to the financial statement audit, and an overview of the planned scope and timing of the audit;
  - 8.12.2 Information relevant to the external audit; and
  - 8.12.3 Timely observation arising from the external audit that are significant and relevant to the company's financial reporting process, including inappropriate accounting treatment that may result in tax violation.
- 8.13 The External Auditor is expected to charge only reasonable audit fees. In determining reasonable audit fees the following may be considered:
  - 8.13.1 Expected hours needed to complete the work envisioned in the audit plan;
  - 8.13.2 Complexity of the activities and structure of the company;
  - 8.13.3 Level of internal audit assistance;
  - 8.13.4 Level of fees being charged by other audit firms; and
  - 8.13.5 Quality of audit services.

The external Auditor ensures that the audit fees will be set at an amount that will not in any way compromise the quality of audit.

- 8.14 The external audit team is expected to be composed of members whose collective skills and competence are commensurate with the size and complexity of the operations of the company.

## 9. The Internal Auditor

- 9.1 The Company shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with;
- 9.2 **The Company shall have in place an effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the company for the benefit of all stockholders and stakeholders;**
- 9.3 The Corporate Governance Committee shall be responsible for the endorsement to the Board the approval of the appointment of the Internal Auditor as recommended by the Board Audit and Compliance Committee;
- 9.4 The Chief Audit Executive/Internal Auditor shall render to the Board and Board Audit and Compliance Committee and senior management an annual report on the internal audit department's activities, purpose, authority, responsibility and performance relative to audit plans and strategies approved by the Board Audit and Compliance Committee;

- 9.5 The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Company's organizational and procedural controls; and
- 9.6 The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of the business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

## **V. RELATED PARTY TRANSACTION (RPT)**

1. Overlapping interests in the insurance entity shall be disclosed to the Board and any material transaction involving such interests shall be similarly disclosed.
2. Related-party transactions shall be conducted in terms that are at least comparable to normal commercial practices to safeguard the best interest of the insurance corporation, its policyholders, creditors and claimants. In all cases, the provisions of Title 20, Chapter III of the Insurance Code shall be complied with.
3. Related party transactions shall be disclosed fully to the Board. Prior Board approval shall be obtained for related party transactions that are material in nature.

## **VI. SHAREHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS**

The Company recognizes that the most cogent proof of good corporate governance is visible to the eyes of its investors. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the Company and all its investors:

### **1. Rights and Protection of Investors/Minority Interests**

The Board shall be committed to respect the following rights of the stockholders:

#### **1.1. Right to vote on all matters that require their consent or approval**

1.1.1. Shareholders shall have the right to elect, remove and replace Directors and vote on certain corporate acts in accordance with the Corporation Code.

1.1.2. Cumulative voting shall be used in the election of Directors.

1.1.3. A Director shall not be removed without cause if it will deny minority shareholders representation in the Board.

#### **1.2. Right to inspect corporate books and records**

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 furnished with annual reports, including financial statements, without cost or restrictions.

#### **1.3. Right to Information**

- 1.3.1. 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 Company's shares, dealings with the Company, relationships among Directors and key officers, and the aggregate compensation of Directors and officers;
- 1.3.2. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes;
- 1.3.3. The minority shareholders shall have access to any information relating to matters for which Management is accountable;

#### 1.4. Appraisal Right

The shareholders shall have 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:

- 1.4.1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- 1.4.2. 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
- 1.4.3. In case of merger or consolidation.

#### 1.5. Absence of Pre-emptive right to stock issuances of the corporation

The stockholders shall have no pre-emptive right to subscribe to any new or additional issuance of shares by the Company, regardless of the class of shares, and whether the same is issued from the Company's unissued capital stock or in support of an increase in capital.

#### 1.6. Right to dividends

Dividends shall be declared and paid out of the surplus profits of the Company as often and at such times as the Company may determine and in accordance with the provisions of the law and regulations.

- 1.7. It shall be the duty of the Directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The Directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

All complaints from stockholders should be satisfactorily handled and processed.

## VII. CORPORATE GOVERNANCE ASSESSMENT AND MONITORING

1. Assessment Approach
  - 1.1 Good corporate governance is the foundation of safe and sound companying operations which embodies the principles of fairness, accountability and transparency hence, it promotes the protection of the rights of all stakeholders.
  - 1.2 Good corporate governance is a reflection of the collective values and competence of the board of directors and senior management team. Complete documentation of policies and procedures; and the effective implementation of such under the stewardship of the board and management translate to good corporate governance.
  - 1.3 Evaluation of the quality of governance transcend the checklist approach or assessment of compliance with the provisions of existing regulations.
  - 1.4 Effective implementation of the governance standards and principles shall put greater weight on the practices and performance of the board of directors and senior management.
2. Each Board Committee shall report regularly to the Board of Directors
3. Monitoring/review of reporting and internal controls on transparency of related party transactions will be conducted by the independent groups comprised of the Internal Audit Group, Risk Management Group and Global Compliance Group.
4. This revised Manual shall be subject to an annual review unless the same frequency is amended by the Board.

## VIII. REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE

1. The reports or disclosures required under this revised Manual shall be prepared and submitted to the SEC by the responsible office/officer;
2. The Company shall comply with the submission of reports to the regulatory agencies disclosing all entities in the group structure through conglomerate map/organizational structure where company belongs;
3. The Company shall submit all necessary reports that may be prescribed by the regulatory bodies/agencies in accordance with existing regulations covering related party transactions among entities;
4. All material information about the Company which could adversely affect its viability or the interest of its stockholders *and other stakeholders*, i.e., anything that could potentially affect share price, shall be publicly disclosed in a timely manner.

Such information shall include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. The Company shall not selectively disclose material non-public information except to:

- A person who is bound by duty to maintain trust and confidence to the Company such as but not limited to its auditors, legal counsels, investment bankers, financial advisers;
  - A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain;
5. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report; and
  6. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders

## **IX. COMMUNICATION PROCESS**

1. This revised Manual shall be available for inspection by any stockholder of the Company at reasonable hours on business days.
2. All Directors, executives and division and department heads are tasked to ensure the thorough dissemination of this revised Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

## **X. TRAINING PROCESS**

1. All key officers and members of the board are required to attend, at least once a year, a program on corporate governance conducted by training providers that are duly accredited by the Securities and Exchange Commission (SEC).
2. A Director shall, before his assumption of office or within a period of six (6) months from date of election, is required to attend seminar on corporate governance which shall be conducted by a private or government institute duly accredited by SEC.
3. If necessary, funds shall be allocated by the CFO or its equivalent officer for the purpose of conducting an orientation program or workshop to effectively implement this Revised Manual. It would be included in the annual budget the cost of conducting such orientation or workshop for this purpose.

## **XI. PENALTIES FOR NON-COMPLIANCE WITH THE REVISED MANUAL**

1. To strictly observe and implement the provisions of this revised Manual, the following penalties shall be imposed, after notice and hearing, on the company's directors, officers and staff, in case of violation of any of the provisions of this revised Manual:
  - 1.1 In case of first violation, the subject person shall be reprimanded;
  - 1.2 Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation; and
  - 1.3 For third violation, the maximum penalty of removal from office shall be imposed.

2. A fine of not more than Two Hundred (P200,000) shall be imposed by the SEC for every year of violation of the Code of Corporate Governance, without prejudice to other sanctions that the Commission may be authorized to imposed under the law.

The Code of Conduct as amended/approved by the Board is hereby adopted as an integral part of this Manual.

All business processes and practices being performed within any department or business unit of the Company that are not consistent with any portion of this revised Manual shall be revoked unless upgraded to the compliant extent.