



**CEBUANA LHUILLIER INSURANCE
BROKERS, INC.**
**Doing Business under the Name and Style of
Cebuana Lhuillier Financial**

**CORPORATE GOVERNANCE
MANUAL**

I. INTRODUCTION

Cebuana Lhuillier Insurance Brokers, Inc. (the “Company”), its Board of Directors, Management, stockholders, officers, and employees, are committed to the highest standards and principles of good corporate governance as embodied in the Company’s Amended Articles of Incorporation, By-Laws, Corporate Governance Manual (“Manual”), Company Policies, Rules and Regulations, and pertinent laws, rules, regulations, and other issuances.

The Board of Directors and Management, officers, stockholders, and employees believe that corporate governance is a necessary component of what constitutes sound strategic business management to improve the economic and commercial prosperity of the Company and enhance long-term stockholder and stakeholder value.

II. DEFINITION OF TERMS

For the purposes of this Manual, the following terms are hereby defined as follows:

- (a) **“Articles of Incorporation”**– refers to the Articles of Incorporation of the Company and all amendments thereto.
- (b) **“Board Committees”** – means such committees which the Board may constitute from time to time in accordance with the Company’s By-Laws, relevant laws, rules and regulations issued by the government.
- (c) **“Board of Directors”** or **“Board”** – is the governing body elected by the Shareholders that exercises the corporate powers of the Company, conducts all its business and controls its properties;
- (d) **“By-Laws”** – refers to the By-Laws of the Company and all amendments thereto.
- (e) **“Chief Executive Officer”** or **“CEO”** – shall also refer to the President of the Company.
- (f) **“Commission”** – shall refer to the Insurance Commission.
- (g) **“Compliance Officer”** – is the highest position in the Company responsible for the compliance function and is primarily liable to the Company and its Shareholders.
- (h) **“Corporate Governance”** – refers to 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.
- (i) **“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.

- (j) **“Executive Director”** – is a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
- (k) **“Independent Director”** – refers to a person who is independent of management and the controlling Shareholders, 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.
- (l) **“Interlocking Directorship or Officership”** – where the concerned director or officer of the Corporation owns, controls, or has power to vote, at least twenty percent (20%) of the outstanding voting stock of another entity.
- (m) **“Internal Audit”** – refers to an independent and objective assurance activity designed to add value and improve the Company’s operations, and help accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes.
- (n) **“Internal Control”** – refers to 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 Company’s policies and procedures.
- (o) **“Management”**, also referred to as **Officers”** – refers to 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 Company.
- (p) **“Non-audit Work”** – refers to the other services offered by an External Auditor to a Corporation that are not directly related and relevant to its statutory audit functions, such as, accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an External Auditor.
- (q) **“Non-Executive Director”** – a director who has no executive responsibility and does not perform any work related to the operations of the corporation.
- (r) **“Officers”** – shall include the President or Chief Executive Officer (CEO), one or more Vice President, Treasurer, Chief Finance Officer, Corporate Secretary, and others mentioned as officers of the Corporation, or those whose duties as such are defined in the By-Laws, or are generally known to be the officers of the Company (or any of its branches other than the head office), either through announcement, representation, publication, or any kind of communication by the Company.
- (s) **“Related Parties”** – refers to 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; and such other person or juridical entity whose interest may pose a potential conflict with the interest of the Company.

- (t) **“Related Party Transaction”** or **“RPT”** – refers to the transfer of resources, services or obligations between a reporting Company 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.
- (u) **“Shareholder”** – refers to an owner of a share of stock in the Company.
- (v) **“Stakeholder”** – refers to 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.
- (w) **“Substantial Shareholder”** – means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

III. THE BOARD’S GOVERNANCE RESPONSIBILITY

A. BOARD GOVERNANCE FRAMEWORK

1. COMPETENCE

The Board of Directors (the “Board”) shall have the principal responsibility of ensuring the Company’s compliance with the principles of good corporate governance. It shall exercise all corporate powers and manage the business and property of the Company in accordance with sound corporate governance. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

The company shall be headed by a competent, working Board to foster the long-term success and sustainability of the corporation in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.

Thus, the Board shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the Company's industry/sector. 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

2. COMPOSITION OF THE BOARD

The Board shall be composed of the number of directors as provided in the Articles of Incorporation and By-Laws.. The Board should be composed of at least twenty percent (20%) independent directors. 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.

3. ORIENTATION AND CONTINUING EDUCATION

New Directors joining the Board shall be required to undergo an orientation program within the year from the date of election or appointment. This ensures that new members are appropriately apprised of their duties and responsibilities, before beginning their directorships. The orientation program covers the Commission's mandated topics on corporate governance and an introduction to the Company's business, Articles of Incorporation, By-Laws, Code of Conduct and other relevant policies, rules and regulations. It shall 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. The orientation program for first-time directors be for at least eight (8) hours.

All directors are also encouraged to participate in continuing education programs or trainings at the Company's expense which shall aim to promote effective board performance and continuing qualification of the directors in carrying-out their duties and responsibilities. The continuing education program or trainings shall be for at least four (4) hours. 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 shall involve courses on corporate governance matters relevant to the Company, including audit, internal controls, risk management, sustainability and strategy. The Company may assess its own training and development needs in determining the coverage of its continuing training program.

The Commission mandated topics on governance include the following:

- a. Code of Corporate Governance for the Commission's Regulated Companies;
- b. ACGS and the Commission's Annual Corporate Governance Report;
- c. Board Responsibilities;
- d. Illegal activities of corporations/ directors/officers;
- e. Protection of minority shareholders;
- f. Liabilities of directors;
- g. Confidentialities;
- h. Conflict of interest;
- i. RPT;
- j. Enterprise Risk management; and
- k. Case studies and Financial Reporting and Audit.

4. BOARD DIVERSITY

The Company recognizes that diversity and difference in principles and prospective among its Directors will foster and encourage critical discussion and thus, promote balanced decision and may ensure that optimal decision-making is achieved. Board diversity includes but not limited to gender, sexual orientation, age, ethnicity, culture, skills, experience, competence, knowledge and other related expertise to oversee the strategic direction of the Company. In determining the optimum composition of the Board and in filling vacancies, the Board will consider all aspects of diversity in order to maintain an appropriate balance of skills, background, experience, and knowledge on the Board.

The Company also recognizes the important role of women with appropriate and relevant skills and experience that can contribute to the diversity of perspectives in the Board. The diversity representation of the Board will be part of the annual performance and effectiveness evaluation of the board and committees.

5. INDEPENDENT OFFICERS

In performing its duties, the Board shall be assisted by a Corporate Secretary and a separate Compliance Officer who are not members of the Board. They should annually attend a training on corporate governance. Members of the board of directors shall not be appointed as Corporate Secretary or Chief Compliance Officer.

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a. CORPORATE SECRETARY

The Corporate Secretary shall be a Filipino Citizen and in no case, shall be a member of the Board. Considering the varied functions and duties required of the position, the Corporate Secretary must possess administrative and interpersonal, and financial skills, and, if not a general counsel, must have some legal skills. Further, the Corporate Secretary must possess knowledge of the business and operations of the Corporation.

The Corporate Secretary shall work fairly and objectively with the Board, Management, stockholders and stakeholders, shall be expected to be loyal to the mission, vision, and objectives of the Corporation, and shall have, among others, the following duties and responsibilities:

- 1) 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;
- 2) 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;
- 3) 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;
- 4) Advises on the establishment of board committees and their terms of reference;
- 5) Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five 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;
- 6) 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;
- 7) Performs required administrative functions;

- 8) Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- 9) Performs such other duties and responsibilities as may be provided by the Commission.

b. COMPLIANCE OFFICER

To ensure adherence to the corporate principles, relevant and applicable laws, rules, and regulations issued by the Commission and other government agencies, and best practices, the Board of Directors shall appoint a Compliance Officer who is a member of the Company's Management Team in charge of the compliance function. Similar to the Corporate Secretary, the Compliance Officer is primarily liable to the corporation and its shareholders, and not to the Chairman or President of the company.

The Compliance Officer must possess integrity, probity, and sound understanding of relevant and applicable laws, rules, and regulations and their impact on the Company's good governance, business, and operations. Further, the Compliance Officer must be updated with the development and changes in laws, rules, and regulations, and standards through continuous learning and training.

The Compliance Officer has, among others, the following duties and responsibilities:

- 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 Commission 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; and
- 9) Performs such other duties and responsibilities as may be provided by the Commission.

B. ROLES AND RESPONSIBILITIES OF THE BOARD

1. FIDUCIARY DUTY

The Board members shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and all shareholders.

2. OVERSIGHT DUTY

The Board shall oversee the development of and approve the Company's business objectives and strategy, and monitor their implementation, in order to sustain the Company's long-term viability and strength.

The Board shall 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.

3. CHAIRPERSON

The Board shall be headed by a competent and qualified Chairperson whose roles and responsibilities include, among others, the following:

- a. 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;
- b. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- e. Assures the availability of proper orientation for first time directors and continuing training opportunities for all directors; and
- f. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

The Chairman of the Board cannot concurrently serve as the President and CEO of the Company to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for an independent decision.

4. SUCCESSION PLAN

The Company acknowledges that to ensure growth and continued leadership and increase in the shareholders' value, there shall be an effective succession planning program for Directors. The transfer of company leadership to highly competent and qualified individuals is the goal of succession planning. The Board shall be responsible in implementing a process to appoint competent, professional, honest and highly motivated management officers who can add value to the Company.

As for the policy on retirement age for directors, the Company recognizes that the age of the Directors is not a major factor in determining the effectiveness of the director in discharging its duties and responsibilities. Seniority may be an advantage in terms of the valuable wisdom and experience carried by senior directors. Further, there is no law, rules and regulations which provide age as a ground for disqualification or removal of a director. Hence, it is for the best interest of the Company that it shall hold in abeyance the implementation of a retirement age policy for directors.

The succession plan of a director is linked to the documented roles and responsibilities for each position, and shall start in objectively identifying the key knowledge, skills, and abilities required for the position. Succession planning is a continuing process of identifying, assessing, and developing individuals to ensure the Company's continues effective performance and growth through leadership continuity.

The succession plan shall comply with the qualifications and disqualifications standards set in the Company's Articles of Incorporation, By-Laws, and this Manual for the identification of potential candidates for membership to the Board. The succession plan may consider and provide for rotation of directors through Committee Chairperson positions and memberships to provide for a balance of continuity and rotation in the leadership role.

5. BOARD REMUNERATION

The Board shall formulate and adopt a policy specifying the relationship between remuneration and performance of key officers and board members which should be aligned with the long-term interests of the Company. Further, no director should participate in discussions or deliberations involving his own remuneration.

The levels of remuneration of the Company shall be sufficient to be able to attract and retain the services of qualified and competent directors and officers, in line with the business and risk strategy, objectives, values and incorporate measures to prevent conflicts of interest. Consistent with the By-Laws and by resolution of the Board, each director shall receive a reasonable per diem for his attendance at each meeting of the Board of Directors, or of the Committees created by the Board.

Key considerations in determining proper compensation include the following:

- a. the level of remuneration is commensurate to the responsibilities of the role;
- b. no director should participate in deciding on his remuneration; and

- c. remuneration pay-out schedules should be sensitive to risk outcomes over a multi-year horizon. For employees in control functions (e.g., risk, compliance and internal audit), their remuneration is determined independent of any business line being overseen, and performance measures are based principally on the achievement of their objectives so as not to compromise their independence.

6. NOMINATION AND ELECTION

The Term, Vacancies and Election of the Board Members shall be in accordance with Article III on Board of Directors, Section 2 on Election and Term and Section 3 on Vacancies of the Company's By-Laws.

The incumbent Board Members shall undertake the process of identifying the qualifications of directors aligned with the company's strategic direction. In evaluating the suitability of individual board member and promoting diversity in the composition of the Board, the incumbent Board members should take into account the relevant qualifications of every candidate nominated for election such as among others, physical/mental fitness, relevant educational and professional background, personal track record, experience/training, commitment to contribute, willingness to serve and interest to remain engaged and involved without undue prejudice to race, gender, ethnic origin, religion, age or sexual orientation. The Company may use external search firm or external data bases in selecting the pool of candidates for the members of the Board.

a. Qualifications of a Director

A director shall have the following qualifications at the time he is duly elected and qualified and throughout his term of office:

- i. Holder of at least one (1) share of stock of the Corporation.
- ii. Must possess the necessary skills, competence and experience, in terms of management capabilities, preferably in the field of insurance or insurance-related disciplines.
- iii. Must be person with professional ethics, integrity and credibility.
- iv. Must not hold any incompatible position in other Companies.
- v. No disqualification as provided for in the Company Code, this Manual and Commission's Circulars.
- vi. Must have attended the required orientation program provided under this Manual.

b. Specific Duties and Responsibilities of a Director

A Director should observe the following norms of conduct:

- i. *Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interest of the corporation.*

The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may 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.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the corporation, or stands to acquire or gain financial advantage at the expense of the corporation.

- ii. *Devote his time and attention necessary to properly and effectively perform his duties and responsibilities.*

A director should devote sufficient time to familiarize himself with the corporation's business. He should be constantly aware of and knowledgeable with the corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

- iii. *Act judiciously.*

Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification

- iv. *Exercise independent judgment.*

A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollarily, he should support plans and ideas that he thinks are beneficial to the corporation.

- v. *Have a working knowledge of the statutory and regulatory requirements that affect the corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and where applicable, the requirements of relevant regulatory agencies.*

A director should also keep abreast with industry developments and business trends in order to promote the corporation's competitiveness.

- vi. *Observe confidentiality.*

A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

c. **Grounds for Permanent Disqualification of a Director**

The following are grounds for permanent disqualification of a director:

- i. 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;
- ii. Persons who have been convicted by final judgment of the court for violation of insurance laws;
- iii. Persons who have been judicially, declared insolvent, spendthrift or unable to enter into a contract; or
- iv. Directors, officers or employees of closed insurance companies or any insurance intermediaries who were responsible for such institution's closure as determined by the Commission.

d. **Grounds for Temporary Disqualification of a Director**

The following are grounds for permanent disqualification of a director:

- i. 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 Commission. This disqualification shall be in effect as long as the refusal persists;
- ii. 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;
- iii. Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- iv. Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Commission;

- v. 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 Commission;
- vi. Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;
- vii. Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- viii. Those under preventive suspension;
- ix. 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;
- x. Persons who are delinquent in the payment of their obligations as defined hereunder:
 - a. 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;
 - b. Obligations shall include all borrowings from an insurance company, or its related companies obtained by:
 - i. A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorser, or surety for loans from such institutions;
 - ii. The spouse or child under the parental authority of the director or officer;
 - iii. Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
 - iv. 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

- v. 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. iii

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

7. RELATED PARTY TRANSACTIONS

As part of the Board's overall responsibility in ensuring 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, the Board will adopt a Company policy on RPTs. Said Company policy on RPTs will include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policies further encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations.

Further, to be included in the Company' policies on RPTs are those measures which require ratification by shareholders of material or significant RPTs approved by the Board, in accordance with existing laws. Other measures include ensuring that transactions occur at market prices, at arm's-length basis and under conditions that protect the rights of all shareholders.

8. PERFORMANCE ASSESSMENT

The Board shall be responsible in appointing competent management team at all times, 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 a regular review of the company's policies with the management team. In the selection process, fit and proper standards are to be applied on key personnel and due consideration is given to integrity, technical expertise and experience in the institution's business, either current or planned.

The Board shall be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO), and control functions led by their respective heads. (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).

9. PERFORMANCE MANAGEMENT

The Board shall establish an effective performance management framework that will ensure that the Management, including the Chief Executive Officer, and personnel's performance is at par with the standards set by the Board and Senior Management.

Results of performance evaluation shall be linked to other human resource activities such as training and development, remuneration, and succession planning. These shall likewise form part of the assessment of the continuing fitness and propriety of

management, including the Chief Executive Officer, and personnel in carrying out their respective duties and responsibilities.

10. INTERNAL CONTROL SYSTEM

The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders. The Board shall also approve the Internal Audit Charter.

In the performance of the Board's oversight responsibility, the minimum internal control mechanisms may include overseeing the implementation of the key control functions, such as risk management, compliance and internal audit, and reviewing the corporation's human resource policies, conflict of interest situations, compensation program for employees and management succession Plan.

11. ENTERPRISE RISK MANAGEMENT

Risk management policy is part and parcel of the Company's corporate strategy. The Board shall be responsible for defining the Company's level of risk tolerance and providing oversight over its risk management policies and procedures. Thus, the Board shall oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework serves to guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

12. BOARD CHARTER

The Charter of the Board of Directors ("Board Charter") formalizes and clearly states the Board's roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter serves as a guide to the directors in the performance of their functions and is publicly available and posted on the Company's website. Explanation The Board Charter guides the directors on how to discharge their functions. The Board Charter further provides the standards for evaluating the performance of the Board and contains the roles and responsibilities of the Chairman.

The Board acknowledges that this Manual as it incorporates the Board Charter, is their over-all guide to principled actions and responsible conduct in carrying out their fiduciary duties.

C. BOARD COMMITTEES

Considering the size, risk profile and complexity of operations of the Company, the Committees are not yet necessary and the functions of the same are being diligently performed by the Board of Directors of the Company.

D. FOSTERING COMMITMENT

To show full commitment to the company, the directors shall devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

1. BOARD MEETINGS

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

In Board meetings, the director shall 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

2. MULTIPLE BOARD SEATS

The non-executive directors of the Board shall 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. This ensures that the members of the board are able to effectively commit themselves to perform their roles and responsibilities, regularly update their knowledge and enhance their skills.

A director shall notify the Board where he/she is an incumbent director before accepting a directorship in another company in order 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. The Board expects commitment from a director to devote sufficient time and attention to his/her duties and responsibilities. Hence, it is important that a director notifies his/her incumbent Board before accepting a directorship in another company.

E. BOARD INDEPENDENCE

1. INDEPENDENT DIRECTOR

An independent director shall mean a person other than an officer or employee of the Company, its parent or subsidiaries, or any other individual having any relationship with the Company, which could interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Thus, apart from the director's fees and shareholdings, the Independent Director shall be independent of management and free from any business or other relationship that could materially interfere with the exercise of his/her independent judgment.

An independent director shall refer to a person who:

- i. 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;
- ii. 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;
- iii. 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;
- iv. 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;
- v. 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;
- vi. 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;
- vii. is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers 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, an associated person or salesman, and an authorized clerk of the broker or dealer;
- viii. 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;

- ix. 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;
- x. 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
- xi. 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. (Circular Letter No. 2018-36)

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.

a. **Qualifications of an Independent Director**

An Independent Director shall have the following qualifications:

- i. He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;
- ii. He shall possess proven integrity, probity and independence;
- iii. Has least one (1) share of stock of the Company;
- iv. At least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;
- v. Possesses integrity, probity and independence;
- vi. Is assiduous;
- vii. Acts judiciously;
- viii. Is not a director or officer or substantial stockholder of the Company or of its related Companies or any of its substantial

shareholders (other than as an independent director of any of the foregoing);

- ix. Is not a relative of any director, officer, or substantial shareholder of the Company, any of its related Companies or any of its substantial shareholders. For this purpose, relative includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
- x. Is not acting as a nominee or representative of a substantial shareholder of the Company, any of its related Companies or any of its substantial shareholders;
- xi. Has not been employed in any executive capacity by the Company, any of its related Companies or by any of its substantial shareholder within the last five (5) years; and
- xii. Is not retained as a professional adviser by the Company, or any of its related Companies or any of its substantial shareholders within the last five (5) years, either personally or through his firm.

Related companies, as used in this section, refer to the Corporation's holding/parent company, its subsidiaries, or subsidiaries of its holding/parent company.

b. Term Limit of Independent Directors

An Independent Director shall serve for a maximum cumulative term of nine (9) years.

An Independent Director who served the maximum period shall be perpetually banned from any re-election in the Company but may continue therein as a non-independent director.

However, if the Company desires to continue the services of an Independent Director who had already served his/her maximum term limit, said Independent Director, as an exception, may still continue to act as such provided that the Company's Board submits to the Commission a formal written justification and must, in addition thereto, acquire the majority of the shareholders' approval during its annual meeting.

c. Grounds for Disqualification of an Independent Director

In addition to the Grounds for Permanent and Temporary Disqualification of a Director under this Manual, an independent director shall be disqualified as such during his/her term if there is any violation of the enumeration under the provisions of "b. Independent Directors" and "1) Qualifications of Independent Directors herein.

2. CHIEF EXECUTIVE OFFICER

The positions of Chairman of the Board and Chief Executive Officer (CEO) shall be held by separate individuals and each should have clearly defined responsibilities.

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

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

3. LEAD 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:

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

4. EXECUTIVE SESSIONS OF NON-EXECUTIVE DIRECTORS

The role of the non-executive directors (NEDs) is to satisfy themselves on the integrity of the corporation's internal control and effectiveness of the risk management systems. This role can be better performed by the NEDs if they are provided access to the external auditor and heads of the internal audit, compliance and risk functions, as well as

to other key officers of the company without any executive directors present. Hence, there 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 meetings shall be chaired by the lead independent director.

F. ASSESSING BOARD PERFORMANCE

The Company acknowledges that the best measure of the Board's effectiveness is through an assessment process. Thus, the Board shall regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

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

Finally, the criteria for the self-assessment of the Board performance and peer evaluation have been in place based on functions, roles and responsibilities provided in the Board Charter.

G. STRENGTHENING BOARD ETHICS

The Board adheres to the highest standards and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings, taking into account the interests of all stakeholders.

The Company adopts the highest ethical standards through the strict implementation of the Company's Code of Conduct and Business Ethics that addresses the conduct and practices in internal and external dealings, including confidentiality, conflicts of interest, data privacy, information security and proper use of corporate assets and accountabilities in case of violations. The Code shall be properly disseminated to the Board, senior management and employees. It shall also be disclosed and made available to the public through the company website.

The Board has the primary duty to make sure that the internal controls are in place to ensure the Company's compliance with the Code of Business Conduct and Ethics and its internal policies and procedures. Hence, it needs to ensure the implementation of said internal controls to support, promote and guarantee compliance. This includes efficient communication channels, which aid and encourage employees, customers, suppliers and creditors to raise concerns on potential unethical/unlawful behavior without fear of retribution. The Company's ethics policy can be made effective and inculcated in the company culture through a communication and awareness campaign, continuous training to reinforce the code, strict monitoring and implementation and setting in place proper avenues where issues may be raised and addressed without fear of retribution.

IV. DISCLOSURE AND TRANSPARENCY

A. COMPANY DISCLOSURE POLICIES AND PROCEDURES

Adopted in this Manual are the corporate disclosure policies and procedures as approved by the Board which ensures 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.

In its disclosure policies and procedures, it provides 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.

The Board has the duty to fully disclose the following:

1. 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;
2. Remuneration on an individual basis, including termination and retirement provisions; and
3. Policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions. The material or significant RPTs shall 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.

The Company's corporate governance policies, programs and procedures contained and/or adopted in this Manual shall be submitted to the regulators and posted on the Company's website.

B. EXTERNAL AUDITOR'S INDEPENDENCE and AUDIT QUALITY

The Board of Directors carries out and performs the functions of the Audit Committee which is responsible 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 approved by the Board. Removal or change of the External Auditor should be disclosed to regulators and the public through the Company's website and proper disclosures.

The Board in exercising the functions of the Audit Committee, shall include the 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 Board shall also be responsible on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.

Finally, the Company 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 Board shall 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.

C. INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING

The Company shall ensure that the material and reportable non-financial and sustainability issues are disclosed. Thus, the Company adopts in this Manual its 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. The Company has adopted a globally recognized standard/framework in reporting sustainability and non-financial issues.

D. PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION

The Company shall continue to maintain and use its website as the most comprehensive and cost-efficient communication channel for disseminating relevant information.

V. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK

To ensure the integrity, transparency and proper governance in the conduct of its affairs, the Company shall maintain a strong and effective internal control system and enterprise risk management framework, taking into account its size, risk profile and complexity of operations.

A. INTERNAL CONTROL SYSTEM

The Company shall maintain and strengthen its independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.

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

1. 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 in (a) promoting the right values and ethics, (b) ensuring effective performance management and accounting in the organization, (c) communicating risk and control information, and (d) coordinating the activities and information among the Board, external and internal auditors, and Management;
2. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
3. Performs consulting and advisory services related to governance and control as appropriate for the organization;
4. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;

5. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;
6. 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;
7. Evaluates specific operations at the request of the Board or Management, as appropriate; and
8. 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.

B. RISK MANAGEMENT FRAMEWORK

The Company has a separate risk management function which identifies, assesses and monitors key risk exposures.

In its functions, the risk management involves the following activities, among others:

1. Defining a risk management strategy;
2. Identifying and analyzing key risks exposure relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization's strategic objectives;
3. Evaluating and categorizing each identified risk using the company's predefined risk categories and parameters;
4. Establishing a risk register with clearly defined, prioritized and residual risks;
5. Developing a risk mitigation plan for the most important risks to the company, as defined by the risk management strategy;
6. 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 Board Risk Oversight Committee; and
7. Monitoring and evaluating the effectiveness of the organization's risk management processes.

In managing the Company's Risk Management System, the company will appoint a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to a company's size, risk profile and complexity of operations.

The CRO has the following functions, among others:

1. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
2. Communicates the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;
3. Collaborates with the CEO in updating and making recommendations to the Board Risk Oversight Committee;
4. Suggests ERM policies and related guidance, as may be needed; and
5. Provides insights on the following:
 - a. Risk management processes are performing as intended;
 - b. Risk measures reported are continuously reviewed by risk owners for effectiveness; and
 - c. Established risk policies and procedures are being complied with.

VI. CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS – Promoting Stockholders Rights

It is the policy of the Company to treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights. Thus, the Board ensures that the basic shareholder rights are disclosed in this Manual and on the Company's website.

Shareholders' rights relate to the following, among others:

1. Pre-emptive rights;
2. Dividend policies;
3. Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting;
4. Right to nominate candidates to the Board of Directors;
5. Nomination process;
6. Voting procedures that would govern the Annual and Special Shareholders' Meeting;
7. Right to Information; and
8. Right of Inspection

The Board shall encourage active shareholder participation through, but not limited to, the following:

1. By giving sufficient information prior to voting on fundamental corporate changes such as: (a) amendments to the Articles of Incorporation and By-Laws of the company; (b) the authorization on the increase in authorized capital stock; and (c) extraordinary transactions, including the transfer of all or substantially all assets that in effect result in the sale of the company. In addition, the disclosure and clear explanation of the voting procedures, as well as removal of excessive or unnecessary costs and other administrative impediments, allow for the effective exercise of the shareholders' voting rights.
2. By sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information in accordance with the requirements of the Company's By-Laws.
3. By making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.
4. By having alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner which is adopted in this Manual.

VII. DUTIES OF STAKE HOLDERS

A. RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDER'S RIGHT

The Company recognizes that the rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' right and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

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

The Company hereby adopts in this Manual its existing policies and programs which provide a mechanism on the fair treatment and protection of stakeholders and a transparent framework and process that allow stakeholders to communicate with the Company and to obtain redress for the violation of their rights.

B. ENCOURAGING EMPLOYEE PARTICIPATION

The Company adopts in this Manual its existing policies and mechanisms for employees participation which creates a symbiotic environment, helps realize the Company's goals and participates in its corporate governance processes. The following are the existing policies of the Company hereby adopted in this Manual:

1. health, safety and welfare;
2. training and development; and

3. Reward/compensation for employees which encourages employees to perform better and motivates them to take a more dynamic role in the corporation.
4. Recognition of the firm-specific skills of employees, viewpoint in certain key decision and their potential contribution in corporate governance.

The Company further adopts in this Manual its existing policies on anti-corruption and programs in relation thereto which 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.

Finally, the Company hereby adopts its existing policy on or in relation to Whistleblowing which 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.

C. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY

The Company strongly endeavors to maintain and continue its social responsibility in all its dealings with the communities where it operates. It ensures that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

Finally, the Company recognizes and places an importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the Company to grow its business, while contributing to the advancement of the society where it operates.