

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

CORPORATE GOVERNANCE
MANUAL

POLICY GUIDELINES

Document Title: **Corporate Governance Manual (CLIB)**
Document No.: **PG5-SSC.11.1.1.2-1B**
Classification: **Internal**
Owner: **Chief Compliance Officer**

REVISION HISTORY

Revision	Description of Change	Author	Effective Date
A	Initial release.	Atty. Jaydee Justine Legaspi-Buduan	01/10/2024
B	Added Corporate Social Responsibility (CSR) Policy to the Duties of Stakeholders	Atty. Jaydee Justine Legaspi-Buduan	05/09/2024

SIGNATORIES

	Name	Position	Approval Date
Prepared by	Atty. Jaydee Justine Legaspi-Buduan	Assistant Corporate Secretary	Signed, 05/20/2024
	Kathleen Joy B. Zuñiga	Business Process Department Officer	Signed, 05/20/2024
Reviewed by	Robert I. Amor	Compliance Department Head (Non-Financial)	Signed, 05/21/2024
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Approved by	Pablo C. Samson II	Chief Compliance Officer	Signed, 06/03/2024
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BOARD OF DIRECTORS

Name	Position	Approval Date
Jean Henri D. Lhuillier	Chairman of the Board / President & CEO	Signed, 05/09/2024
Maria Rodora E. Banares	Independent Director	Signed, 05/09/2024
Francisco S.A. Sandejas	Independent Director	Signed, 05/09/2024
Jose F. Balderama	Non-Executive Director	Signed, 05/09/2024
Ergilio S. Ong	Director	Signed, 05/09/2024

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) **“Affiliate”** – shall refer to an entity linked directly or indirectly to the Company by means of
1. Ownership, control, or power of the Company holder to vote of at least twenty percent (20%) of the outstanding voting stock of the entity or vice-versa;
 2. Interlocking directorship or officership, where the concerned director or officer owns, controls, or possesses the power to vote, at least twenty percent (20%) of the outstanding voting stock of the entity;
 3. Common ownership, whereby, the common stockholders own at least ten percent (10%) of the outstanding voting stock of the Company and at least twenty percent (20%) of the outstanding voting stock of the entity;
 4. Management contract or any arrangement granting the Company the power to direct or cause the direction of management and policies of the entity; or
 5. Permanent proxy or voting trusts in favor of the Company constituting at least twenty percent (20%) of the outstanding voting stock of the entity or vice-versa.
- (b) **“Articles of Incorporation”** – refers to the Articles of Incorporation of the Company and all amendments thereto.
- (c) **“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.
- (d) **“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;
- (e) **“By-Laws”** – refers to the By-Laws of the Company and all amendments thereto.
- (f) **“Chief Executive Officer”** or **“CEO”** – shall also refer to the President of the Company.
- (g) **“Commission”** – shall refer to the Insurance Commission.
- (h) **“Compliance Officer”** – is the highest position in the Company responsible for the compliance function and is primarily liable to the Company and its Shareholders.
- (i) **“Control”** – exists when any of the following conditions is present:
1. Power over more than half of the voting rights by virtue of an agreement with other stockholders;
 2. Power to govern the financial and operating policies of the enterprise under a statute or an agreement;
 3. Power to appoint or remove the majority of the members of the board of directors or equivalent governing body;
 4. Power to cast the majority votes at meetings of the board of directors or equivalent governing body;
 5. Any other arrangement similar to any of the above.
- Control is presumed to exist if there is ownership or holding, whether direct or indirect, of twenty percent (20%) or more of a class of voting shares of a company.

- (j) **“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.
- (k) **“Directors”** – shall include: (1) directors who are named as such in the articles of incorporation; (2) directors duly elected in subsequent meetings of the stockholders; and (3) those elected to fill vacancies in the board of directors
- (l) **“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.
- (m) **“Executive Director”** – is a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
- (n) **“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.
- (o) **“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.
- (p) **“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.
- (q) **“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.
- (r) **“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.
- (s) **“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.
- (t) **“Non-Executive Director”** – a director who has no executive responsibility and does not perform any work related to the operations of the corporation.
- (u) **“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.
- (v) **“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.
- (w) **“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.
- (x) **“Stockholder”** – refers to an owner of a share of stock in the Company.

- (y) **“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.
- (z) **“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 shall 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 training on corporate governance. Members of the board of directors shall not be appointed as Corporate Secretary or Chief Compliance Officer.

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.

c. **PERSONS PROHIBITED TO BECOME OFFICERS**

The following persons are prohibited to become officers:

- 1) The spouses or relatives within the second degree of consanguinity or affinity holding officership positions across the following functional categories within the company:
 - i. Decision making and senior management function, e.g., President, Chief Executive Officer (CEO), Chief Operating Officer (COO), General Manager, and Chief Financial Officer (CFO);
 - ii. Recordkeeping and financial reporting functions, e.g., controller and chief accountant;
 - iii. Safekeeping of assets, e.g., personnel handling cash receipts and disbursements;
 - iv. Risk management function, e.g., chief risk officer;
 - v. Compliance function, e.g., compliance officer; and
 - vi. Internal audit function, e.g., internal auditor.
- 2) Persons who are engaged in a business that is the same or similar to that of the insurance broker;
- 3) Persons who in any way possess a conflict of interest with the insurance brokerage; and
- 4) Owing to their official government responsibilities, any appointive or elective government official, whether full time or part time

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;
- 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;
- d. remuneration pay-out schedules should be sensitive to risk outcomes over a multi-year horizon.

In addition, the Board is entitled to receive bonuses and incentives, if warranted.

The remuneration scheme is subject to periodic review and adjustments can be made after considering several factors based on industry standards and best practices.

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.
- vii. Must have attended a seminar on corporate governance.
- viii. Must be fit and proper for the position of a director. In determining whether a person is fit and proper for the position of a director, the following matters must be considered:
 1. integrity/probity, physical/mental fitness;
 2. relevant education/financial literacy/training;
 3. possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind;
 4. sufficiency of time to fully carry out responsibilities;
 5. and concurrent positions in the same Company and interlocking positions in other entities that may pose conflict of interest.

b. **Specific Duties and Responsibilities of a Director**

A Director should observe the following norms of conduct:

- i. *Remain fit and proper for the position for the duration of his term.*

A Director 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 banking industry including regulatory changes through continuing education or training.

- ii. *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.

- iii. *Act honestly and in good faith, with loyalty and in the best interest of the institution, 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.

- iv. *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.

- v. *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.

vi. *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

vii. *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.

viii. *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.

ix. *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, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of Anti-Graft and Corrupt Practices Act and Prohibited Acts and Transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees);
- ii. Persons who have been convicted by final judgment of the court for violation of insurance laws;
- iii. Persons who have been convicted by final judgment of the court sentencing them to serve a maximum term of imprisonment of more than six (6) years;
- iv. Persons who have been judicially, declared insolvent, spendthrift or unable to enter into a contract; or
- v. 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;
- vi. Directors and officers or any person found by the Commission to be unfit for the position of director or officer because they were found administratively liable by another government agency for violation of insurance or other relevant laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.

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. Persons with cases pending before a court or other tribunal, or those convicted by said court or tribunal or those convicted by said court or tribunal but whose conviction has not become final and executory, for offenses involving: (a) dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering Act) and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees); or (b) violation of securities, banking or payment system laws, rules, and regulations;
- v. Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Commission;
- vi. 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;
- vii. Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;
- viii. Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- ix. Those under preventive suspension;
- x. Persons with derogatory records as certified by, or on the official files of, the judiciary, NBI, PNP, quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any law, rules and regulations that would adversely affect the integrity of the director/officer or the ability to effectively discharge his duties. This disqualification applies until they have cleared themselves of the alleged irregularities/violations or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated;
- xi. 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, endorsers, 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

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

1. AUDIT, COMPLIANCE AND CORPORATE GOVERNANCE COMMITTEE

The Audit, Compliance and Corporate Governance Committee shall be composed of at least three (3) members of the board of directors who shall all be non-executive directors, including the chairperson who shall be an independent director. The chairperson of the audit committee shall not be the chairperson of the board of directors or of any other board-level committee.

The Audit, Compliance and Corporate Governance Committee shall have expertise in payment system operations, internal control frameworks, accounting, auditing, or related financial management expertise or relevant experiences commensurate with the size, systemic importance, operational complexity, and risk profile. The committee shall have access to independent experts who can assist in carrying out the committee's responsibilities.

The Audit, Compliance and Corporate Governance Committee shall:

a. *Oversee the financial reporting framework.*

The committee shall oversee the financial reporting process, practices, and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.

b. *Monitor and evaluate the adequacy and effectiveness of the internal control system.*

The committee shall oversee the implementation of internal control policies and activities. It shall also ensure that periodic assessment of the internal control system is conducted to identify the weaknesses and evaluate its robustness considering the Company's risk profile and strategic direction.

c. *Oversee the internal audit function.*

The committee shall be responsible for the appointment/selection, remuneration, and dismissal of internal auditor. It shall review and approve the audit scope and frequency. The committee shall ensure that the scope covers the review of the effectiveness of the Company's internal controls, including financial, operational and compliance controls, and risk management system. The committee shall functionally meet with the head of internal audit and such meetings shall be duly minuted and adequately documented. In this regard, the audit committee shall review and approve the performance and compensation of the head of internal audit, and budget of the internal audit function.

d. *Oversee the external audit function.*

The committee shall be responsible for the appointment, fees, and replacement of external auditor. It shall review and approve the engagement contract and ensure that the scope of audit likewise cover areas specifically prescribed by the Commission and other regulators.

e. *Oversee the implementation of corrective actions.*

The committee shall receive key audit reports and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, noncompliance with policies, laws, and regulations and other issues identified by auditors and other control functions.

f. *Investigate significant issues/concerns raised.*

The committee shall have explicit authority to investigate any matter within its terms of reference, have full access to and cooperation by management, and have full discretion to invite any director or executive officer to attend its meetings.

g. *Oversee the nomination process for members of the board of directors and for positions appointed by the board of directors.*

The committee shall review and evaluate the qualifications of all persons nominated to the board of directors as well as those nominated to other positions requiring appointment by the board of directors. The committee shall recommend to the board of

directors matters pertaining to the assignment to board committees, as well as succession plan for the members of the board of directors and senior management.

h. *Oversee the continuing education program for the board of directors.*

The committee shall ensure allocation of sufficient time, budget and other resources for the continuing education of directors, and draw on external expertise as needed. The committee shall establish and ensure effective implementation of policy for on-boarding/orientation program for first time directors and annual continuing education for all directors.

For this purpose, the orientation program for first time directors shall be for at least eight (8) hours, while the annual continuing training shall be at least for four (4) hours. The training programs should cover topics relevant in carrying out their duties and responsibilities as directors.

i. *Oversee the performance evaluation process.*

The committee shall oversee the periodic evaluation of contribution and performance of the board of directors, board-level committees, and senior management. Internal guidelines shall be adopted that address the competing time commitments of directors serving on multiple boards.

j. *Oversee the design and operation of the remuneration and other incentives policy.*

The committee shall ensure that the remuneration and other incentives policy is aligned with operating and risk culture as well as with the strategic and financial interest of the Company, promotes good performance and conveys acceptable risk-taking behavior defined under its Code of Ethics, and complies with legal and regulatory requirements. It shall work closely with the Company's risk oversight committee in evaluating the incentives created by the remuneration system. In particular, the risk oversight committee shall examine whether incentives provided by the remuneration system take into consideration the risk, capital, and the likelihood and timing of earnings. Moreover, it shall monitor and review the remuneration and other incentives policy including plans, processes and outcomes to ensure that it operates and achieves the objectives as intended.

k. *Establish whistle blowing mechanism.*

The committee shall establish and maintain mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

l. *Evaluation of material Related Party Transactions (RPT)*

The committee shall evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following: (1) The related party's relationship to the company and interest in the transaction; (2) The material facts of the proposed RPT, including the proposed aggregate value of such transaction; (3) The benefits to the corporation of the proposed RPT; (4) The availability of other sources of comparable products or services; and (5) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.

2. RISK OVERSIGHT COMMITTEE

The Risk Oversight Committee shall advise the board of directors on the Company's overall current and future risk appetite, oversee senior management's adherence to the risk appetite statement, report on the state of risk culture of the Company, and assist the board of directors in fulfilling its corporate governance responsibilities. The Risk Oversight and IT Steering Committee shall:

a. *Oversee the risk management framework.*

The committee shall oversee the enterprise risk management framework and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns.

- b. *Oversee the adherence to risk appetite.*

The committee shall ensure that the current and emerging risk exposures are consistent with the Company's strategic direction and overall risk appetite. It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies, and procedures relating to risk management and control, and performance of management, among others.

- c. *Oversee the risk management function.*

The committee shall be responsible for the appointment/selection, remuneration, and dismissal of the chief risk officer (CRO). It shall also ensure that the risk management function has adequate resources and effectively oversees the risk taking activities of the Company.

3. **INFORMATION TECHNOLOGY (IT) STEERING COMMITTEE**

The IT Steering Committee (ITSC) shall be established to assist the Board of Directors in performing its corporate governance and oversight functions in relation to the Company's plans and operations involving the information technology systems. The ITSC, together with the Board, shall be responsible for understanding the IT risks confronted by the Company and ensuring that they are properly managed. The ITSC shall have as members a non-executive director who oversees the Company's IT function, the head of IT group/department, and the highest rank officer who oversees the business user groups. The head of control groups shall participate in ITSC meetings in advisory capacity only.

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 meetings of the Board of Directors may be conducted through modern technologies such as, but not limited to teleconferencing and 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: Provided, That every member of the Board of Directors shall physically or virtually participate in at least fifty percent (50%) of all meetings of the Board of Directors every year: Provided further, that attendance and participation of members in committee meetings shall be considered in the assessment of continuing fitness and propriety of each director as member of board-level committees and the board of directors and that the absence of a director in more than fifty percent (50%) of all meetings of the board of directors during his incumbency is a ground for disqualification in the succeeding election.

In Board meetings, the director shall review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations. Detailed record or minutes of the meeting shall be maintained by the corporate or board secretary to ensure all relevant issues were discussed during board meetings. Members of the board shall sign (physically or electronically) or approve the minutes of the meeting.

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 shareholder 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.

d. **Role of Independent Director**

The Role of an Independent Director is to ensure objective and impartial decision-making process in Board meetings, provide guidance and advice to the Board and Senior Management.

Key responsibilities of an Independent Director:

- a) Ensure good governance.
- b) Provide strategic guidance.
- c) Protect shareholders' interests, ensuring that their rights are protected.
- d) Monitor company's performance in accordance with strategies and programs approved by the Board.
- e) Protect the interest of all stakeholders.

e. **Protection from retribution of majority shareholders**

In cases where an Independent Director vote against the majority shareholders for the best interest of the Corporation, said Independent Director shall be protected from retribution of majority shareholders such as voting to remove him/her as Director of the Corporation.

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.

The risk management function shall be responsible for overseeing the risk-taking activities across the Company, as well as the evaluation on whether these remain consistent with the Company's risk appetite and strategic direction. It shall ensure that the risk governance framework remain appropriate relative to the complexity of risk taking activities of the Company.

The risk management function shall be responsible for identifying, measuring, monitoring and reporting risk on an enterprise-wide basis as part of the second line of defense. It shall directly report to the Risk Oversight Committee (ROC) or the Board of directors, as applicable. Personnel in the risk management function should collectively have knowledge and technical skills commensurate with business activities and risk exposures of the Company. 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. ALTERNATIVE DISPUTE RESOLUTION (ADR) MECHANISM

The Company is committed to resolving disputes with its stockholders, regulatory authorities and third parties through Alternative Dispute Resolution (ADR) methods:

- A. **Stockholders** – The Company is committed to comply with all relevant laws and government rules and regulations aimed at safeguarding the rights of its stockholders and maintaining a harmonious relationship with them;
- B. **Third Parties** – If the Company is a Plaintiff or Defendant in legal actions, the Company will participate in mediation proceedings, judicial dispute resolution and formal pre-trial procedures in compliance with the Rules of Court and relevant laws. Furthermore, when contractual agreements stipulate the option of alternative dispute resolution to resolve disputes, the Company will adhere to these provisions; and
- C. **Regulatory Authorities** – The Company engages in alternative dispute resolution to efficiently and fairly resolve disputes with government regulatory agencies such as the Securities and Exchange Commission, Insurance Commission, etc., in compliance with applicable laws and government rules and regulations.

This policy ensures efficient and fair conflict resolution of disputes while upholding transparency and legality. The Company considers the following ADR methods to resolve disputes:

1. Mutual Consultation or Negotiation – Parties will initially engage in consultation or negotiation.
2. Mediation – If negotiation fails, mediation will be considered, with a neutral third-party mediator.
3. Arbitration – If an agreement contains an arbitration clause, arbitration is the primary ADR method. In which case, the Company appoints the Securities and Exchange Commission, as independent third party which shall appoint one (1) arbitrator within a period of sixty (60) days from receipt of the written referral of the dispute to Arbitration. The seat of Arbitration shall be in Makati City.

If ADR fails, then the dispute will be submitted to court litigation in compliance with relevant laws, Rules of Court and Supreme Court guidelines. In disputes involving regulatory authorities, the Company will comply with their prescribed ADR methods, following the requirements of Republic Act No. 9285."

Intra-Corporate Disputes are limited to the following:

1. Dividend Dispute – Disagreement of the Shareholders with the company's decision regarding the distribution of dividends, such as the amount or timing.
2. Mergers and Acquisition - Shareholders may object to a proposed merger or acquisition, believing it is not in their best interests.
3. Oppression of the Rights of Minority Shareholders – Unfair treatment of minority shareholders by majority shareholders or Management.
4. Financial Mismanagement – misallocation of funds or financial irregularities.
5. Information Disclosure – Shareholder believes the company is not providing adequate information about the Company's operations and financial performance.
6. Shareholder Derivative Actions on behalf of the Company against Officers or Directors for alleged misconduct or breach of fiduciary duties.
7. Dissolution and Liquidation – Disagreement by the Shareholders on the dissolution and liquidation of the Company.

VIII. DUTIES OF STAKEHOLDERS

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.

D. CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

The Company as a matter of policy supports the United Nations (UN) Sustainable Development Goals. This Corporate Social Responsibility (CSR) Policy outlines our commitments and strategies in the areas of environmental stewardship, social responsibility, governance, stakeholder engagement, and supply chain sustainability. It reflects our dedication to conducting business ethically and sustainably, ensuring long-term environmental and social benefits, and maintaining accountability to our stakeholders.

1. Environment

Objective: To minimize the Company's environmental impact through sustainable practices and resource management.

Strategies:

- **Renewable Energy Utilization:** Increase the use of renewable energy sources in the Company's operations to reduce carbon emissions.
- **Energy Management:** Implement energy-efficient practices and technologies, aiming for reduced energy consumption across all facilities.
- **Paperless Initiatives:** Adopt digital workflows to minimize paper use. Where paper is necessary, use of recycled materials and ensures responsible sourcing.
- **Waste Management:** Enforce strict waste segregation practices and promote recycling and proper disposal of waste to minimize environmental impact.

2. Social Responsibility

Objective: To foster a supportive and inclusive workplace and contribute positively to our communities.

Strategies:

- **Employee Development:** Provide comprehensive training and development programs to enhance skills and support career advancement.
- **Health and Wellness:** Develop and maintain programs that promote the physical and mental health and safety of our employees.
- **Community Engagement:** Collaborate with the Cebuana Lhuillier Foundation Inc. (CLFI) to actively participate in community initiatives that align with our corporate values and social responsibility goals.

3. Governance and Stakeholder Engagement

Objective: To uphold the highest standards of ethics and transparency in the Company's operations.

Strategies:

- **Ethics and Compliance:** Strengthen ethics and compliance programs to ensure all business practices conform to legal standards and ethical principles.

- **Transparency in Reporting:** Commit to regular and transparent disclosure of its efforts related to the Environment, Social, and Governance (ESG) performance to the board and stakeholders.
- **Stakeholder Engagement:** Establish effective channels for communication with customers, and employees to discuss and address issues related to the environment and corporate governance and gather feedback.

4. **Supply Chain Sustainability**

Objective: To ensure that the Company's supply chain operates in a manner that is ethical, responsible, and consistent with its sustainability values.

Strategies:

- **Supplier Assessments:** Conduct periodic assessments of suppliers to evaluate their risks and performance in areas related to ethical operations and environmental impact.
- **Supplier Code of Conduct:** Implement and enforce a supplier code of conduct that mandates compliance with ethical sourcing and responsible environmental practices.

Implementation and Monitoring

Responsibility: The CSR Committee, consisting of members from various groups, divisions and departments, will oversee the implementation of this policy. Regular training will be provided to ensure that all employees are familiar with the policy and its implications for their day-to-day work.

Monitoring and Reporting: The CSR Committee will also be responsible for monitoring the effectiveness of CSR initiatives and reporting on progress to the Board of Directors annually.

Review: This policy will be reviewed and updated biennially or as needed to adapt to new challenges and opportunities in corporate responsibility.

Through the implementation of this CSR policy, the Company reaffirms its commitment to responsible business practices that benefit its stakeholders, the environment, and the communities in which the Company operates. The Company recognizes that its corporate responsibilities are integral to its success and are committed to continuously improving its efforts in these areas.

ANNEX A

CEBUANA LHUILLIER INSURANCE BROKERS INC.

DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS:

Specific duties and responsibilities of the Board of Directors. The Board of Directors is primarily responsible for defining the Corporation's vision and mission. The Board of Directors has the fiduciary responsibility to the Corporation and all its shareholders including minority shareholders. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework. The Board of Directors shall approve the selection of the CEO and key members of Senior Management and control functions and oversee their performance.

- a. *The Board of Directors shall define the Corporation's corporate culture and values.* It shall establish a code of conduct and ethical standards in the Corporation and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body. In the regard, the Board of Directors shall:
- (1) Approve a code of conduct code ethics, which shall 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 Corporation as well as the corresponding disciplinary actions and sanctions. The code of conduct shall explicitly provide the directors, officers, and all personnel are expected to conduct themselves ethically and perform their job with skill, due care, and diligence in addition to complying with laws, regulations and company policies.
 - (2) Consistently conduct the affairs of the Corporation with a high degree of integrity and play a lead role in establishing the Corporation's corporate culture and values. The Board of Directors shall establish, actively promote and communicate a culture of strong governance in the Corporation, through adopted policies and displayed practices. The Board of Directors shall ensure that the CEO and executives team champion the desired values and conduct, and that they face material consequences if there are persistent or high profile conduct value breaches.
 - (3) Oversee the integrity, independence and effectiveness of Corporation's policies and procedures for whistleblowing, It shall 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 of Directors itself. It shall prevent the use of the facilities of the Corporation's in the future of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.
- b. *The Board of Directors shall be responsible for approving Corporation's objectives and strategies and in overseeing management's implementation thereof.* In this regard, the Board of Directors shall:
- (1) Ensure that the Corporation's has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.
 - (2) Approve the Corporation's strategic objectives and business plans. These shall take into account the Corporation's long term financial interests, its level of risk tolerance, and ability to manage risks effectively. In this respect, the Board of Directors shall establish a system for measuring performance against plans.
 - (3) Actively engage in the affairs of the Corporation and keep-up with material changes in the Corporation's business and regulatory environment as well as act in a timely manner to protect the long-term interests of the Corporation.
 - (4) Approve and oversee the implementation of policies governing major areas of the Corporation's operations. The Board of Directors shall regularly review these policies, as well as evaluate control functions (e.g. internal audit, risk management and compliance) with Senior Management to determine areas for improvement as well as promptly identify and address significant risk and issues.
- c. *The Board of the Directors shall be responsible for the opportunities /selection of key member of Senior Management and heads of control functions and for approval of a sound remuneration and other incentives policy for personnel.* In this regard, the Board of Directors shall:
- (1) Oversee selection of the CEO and other key personnel, including members of the Senior Management and heads of control functions based on the application of fit and proper standards, integrity, technical expertise and experience in the Corporation's

business, either current or planned, shall be the key consideration in the selection process. Moreover, since mutual trust and a close working relationship are important, the members of Senior Management shall uphold the general operating philosophy, vision and core values of the Corporation.

- (2) Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy. The policy should be consistent with the long-term strategic objectives and financial soundness of the Corporation's and should promote good performance, convey acceptable risk-taking behaviour, and reinforce the Corporation's operating and risk culture.
 - (3) Oversee the performance of senior management and heads and control functions:
 - a) The Board of Directors shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards.
 - b) The Board of Directors shall hold members of Senior Management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the Board of Directors' performance expectations. These expectations shall include adherence to the Corporation's values, risk appetite and risk culture under all circumstances.
 - c) The Board of Directors shall regularly meet with Senior Management to engage in discussion, question, and critically review the reports and information provided by the latter.
 - d) Non-executive board members shall meet regularly, other than in meeting of the audit committee or other board-level committees that may be formed thereafter in the absence of Senior Management with the external auditor and heads of the internal audit, compliance and risk management functions.
 - (4) Engage in succession planning for the CEO and other critical positions, as appropriate. In this respect, the Board of Directors shall establish an effective succession planning program. The program should include a system for identifying and developing potential succession for the CEO and other critical positions.
 - (5) Ensure that personnel's expertise and knowledge remain relevant. The Board of Directors shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of developments relevant to their areas of responsibility.
 - (6) Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Corporation at all times, and that all transactions involving the pension fund are conducted at arm's length term.
- d. *The Board of Directors shall be responsible for approving and overseeing implementation of the Corporation's corporate governance framework.* In this regard the Board of Directors shall:
- (1) Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed:
 - a) The Board of Directors shall structure itself in a way, including in terms of size and frequency of meetings, so as to promote efficiency, critical discussions of issues, and thorough review of matters. The Board of Directors shall meet regularly to properly discharge its functions and likewise have discussion on values, conduct, and behaviors.
 - b) The Board of Directors shall create committees to increase efficiency and allow deeper focus in specific areas. The number and nature of board-level committees would depend on the size of the Corporation's complexity of operations, as well as the Board of Directors' long-term strategies and risk tolerance.
 - c) The Board of Directors shall regularly review the structure, size and composition of the Board of Directors and Board-level committees with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation of the structure, size and composition of the board of directors, and board-level committees shall be adopted which shall include, but not limited to, benchmark and peer group analysis. The results of assessment shall form part of the ongoing improvement efforts and completely of the Board of Directors.
 - d) The Board of Directors shall adopt policies aimed at ensuring that the members of the Board of Directors are able to commit to effectively discharge their responsibilities, which shall include a policy on the number of directorship position and/ or other internal/external professional commitments that a director may have, commensurate with responsibilities placed on the director, as well as the nature, scale, and complexity of the Corporation's operations.

- e) The Board of Directors shall ensure that individual members of the Board of Directors and the Shareholders are accurately and timely informed of a comprehensive and understandable assessment of the Corporation's performance, financial condition, and risk exposures. All members of the Board of Directors shall have reasonable access to any information about the Corporation at all times. The Board of Directors shall also ensure that adequate and appropriate information flows internally and to the public.
 - f) The Board of Directors shall assess at least annually its performance and effectiveness as a body as well as its various committees, the CEO, the individual directors, and the Corporation itself, which may be facilitated by the Compliance Officer or external facilitators. This exercise shall cover the assessment of the ongoing suitability of each board member taking into account his or her performance in the Board of Directors and Board-level committees.
 - g) The Board of Directors shall maintain appropriate records (e.g. meeting minutes or summaries of matters reviewed, recommendations made, decisions taken and dissenting opinions) of its deliberations and decisions. The Board of Directors shall ensure that independent views in meeting of the Board of Directors shall be given full consideration and all such meetings shall be duly minuted.
- (2) Develop remuneration and other incentives policy for Directors shall be submitted for approval of the Stockholders. The Board of Directors shall ensure that the policy is consistent with the long-term interest of the Corporation does not encourage excessive risk-taking and is not in conflict with the Director's fiduciary responsibilities.
 - (3) Adopt a policy on retirement for Directors and Officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power.
 - (4) Conduct and maintain the affairs of the Corporation within the scope of as its authority as prescribed in its charter and existing laws, rules and regulation. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe or unsound corporate practice.
 - (5) Maintain and periodically update, organizational rules, by laws, or other similar documents setting out its organization, rights, responsibilities and key activities. The Board of Directors shall ensure that the Corporation's organizational structure facilitates effective decision-making and good governance. This includes clear definition and delineations of the lines of responsibility and accountability.
 - (6) Oversee the development, approve and monitor implementation of corporate governance policies. The Board of Directors shall ensure that corporate governance policies are followed and periodically reviewed for ongoing improvement.
 - (7) Approve an overarching policy on the handling of RPT's to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholders is unduly disadvantaged. In this regard:
 - a) The Board of Directors shall approve all material RPTs, those that cross the materiality threshold, and write off material exposures to related parties, and submit the same for confirmation by majority vote of the Stockholders in the Annual Stockholders' Meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the Board of Directors. All final decisions of the Board of Directors on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make informed judgement as to reasonableness of the transaction, must be clearly disclosed during stockholders meetings and duly reflected in the minutes of Board of Directors and Stockholders' meetings.
 - b) The Board of Directors shall delegate to appropriate Management Committee the approval of RPTs that are below the materiality threshold subject to confirmation by the Board of Directors. This shall, however, exclude DOSRI transactions, which are required to be approved by the Board of Directors. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.
 - c) The board of directors shall establish an effective system to:
 - (i) Determine, Identify and monitor related parties and RPT's;
 - (ii) Continuously review and evaluate existing relationship between and among businesses and counterparties; and

- (iii) Identify, measure, monitor and control risk arising from RPT's. The system should be able to define related parties' extent of relationship with the Corporation; assess situations in which a non-related party (with whom a Corporation has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the type and amount of exposures to a particular related party. The said system will facilitate submission of accurate reports to the regulators/supervisors. The system as well as the overarching policies shall be subject periodic assessment by the internal audit and compliance functions and shall be updated regularly for their sound implementation. The overarching policy and system shall be made available to the Bangko Sentral and audit functions for review. Any changes in the policies and procedure shall be approved by the Board of Directors.
 - d) The Board of Directors shall maintain adequate capital against risk associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/stress tests under the capital planning process shall also capture RPTs in order to determine whether the Corporation is well insulated from any going concern issue related parties.
 - e) The Board of Directors shall oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The Board of Directors should ensure that Senior Management addresses legitimate issue on RPT that are raised. The Board of Directors should take responsibility for ensuring that staff who raise concerns are protected from detrimental treatment or reprisals.
- (8) Define an appropriate corporate governance policies, practices and structure that will enable effective oversight over entities in the group. The Board of Directors of the parent company shall ensure consistent adoption of corporate governance policies and systems across the group. In this regard:
- (a) The Board of Directors shall define and approve appropriate governance policies, practices and structure that will enable effective oversight of the entire group, taking into account the nature and complexity of operations, size and the types of risk to which the Corporation and its subsidiaries are exposed. The Board of Directors shall also establish means to ensure that such policies, practices and systems remain appropriate in light of the growth, increased complexity and geographical expansion of the group. Further, it shall ensure that the policies include the committees from the entities in the group to meet all governance requirements.
 - (b) The Board of Directors shall define the risk appetite for the group, which shall be linked to the process of determining the adequacy of capital of the group.
 - (c) The Board of Directors shall ensure the adequate resources are available for all entities in the group to effectively implement and meet governance policies, practices and systems
 - (d) The Board of Directors shall define and approve policies and clear strategies for the establishment of new structures.
 - (e) The Board of Directors shall understand the roles, the relationships or interactions of each entity in the group with one another and with the parent company. The Board of Directors shall understand the legal operational implications of the group structure and how the various types of the risk exposures affect the capital, risk profile and funding under normal and contingent circumstances. The Board of Directors shall ensure that the group's corporate governance framework includes appropriate process and controls to identify and address potential intragroup conflicts of interest, such as those arising from intragroup transactions.
 - (f) The Board of Directors shall develop sound and effective systems for generations and sharing of information within the group, management of risks and effective supervision of the group.
 - (g) The Board of Directors shall require the risk management, compliance function and internal audit group to conduct a periodic formal review of the group structure, their controls and activities to assess consistency with the Board of Directors approved policies, practices and strategies and to require said groups to report the results if their assessment directly to the Board of Directors.

In case where the Corporation is subsidiary/Affiliate of non-Bangko Sentral regulated parent company:

- (i) The Board of Directors shall define and approve policies and clear strategies for the establishment of new structure (e.g. subsidiaries/affiliates of the Corporation). The Board of Directors shall also report to the Bangko Sentral any plan to create additional group structures.

- (ii) The Board of Directors shall understand the roles, relationships or interactions of each entity in the group with one another and with the parent company. The Board of Directors shall understand the legal and operational implications of the group structure and how the various types of risk exposures affect the Corporation's capital, risk profile and funding under normal and contingent circumstances.
- e. *The Board of Directors shall be responsible for approving Corporation's risk governance framework and overseeing management's implementation thereof.* In this regard, the Board of Directors shall:
- (1) Define the Corporation's risk appetite. In setting the risk appetite, the Board of Directors shall take into account the business environment, regulatory landscape, and the Corporation's long term interest and ability to manage risk.
 - (2) Approve and oversee adherence to the risk appetite statement (RAS), risk, policy, and risk limits.
 - (3) Oversee the development of, approve and oversee the implementation of policies and procedures relating to the management of risks throughout the Corporation.
 - (4) Define organizational responsibilities following the three lines defense framework. The business line function will represent the first line of defense, the risk management and compliance functions for the second line of defence, and internal audit function for the third line of defence. In this regard:
 - (a) The Board of Directors shall ensure that the risk management compliance and internal audit functions have proper stature in the organization, have adequate staff and resources, and carry out their responsibilities independently, objectively and effectively.
 - (b) The Board of Directors shall ensure that non-executive board members meet regularly, with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit and risk, oversight committees, in the absence of Senior Management.

ANNEX B

Approval of the Board of Directors to adopt Corporate Governance Manual

Board Resolution 2023-01-20-002

“WHEREAS, the Corporation is mandated by Insurance Commission to adopt a Manual of Corporate Governance;

WHEREAS, pursuant to such instruction, the Corporation’s Manual of Corporate Governance was presented before the Board for approval;

WHEREFORE, the Board hereby resolves to approve the Corporation’s Manual of Corporate Governance as presented.”

Board Resolution 2023-12-07-002

“WHEREAS, the Insurance Commission (IC) mandates the Corporation to have an alternative dispute resolution mechanism for intra-corporate disputes;

WHEREAS, in compliance with such directive, the Audit, Compliance and Corporate Governance Committee of the Corporation has proposed to amend the Corporation’s Corporate Governance Manual to include provisions on alternative dispute resolution mechanism for intra-corporate disputes;

WHEREFORE, it is hereby RESOLVED, that after going over the proposed alternative dispute resolution mechanism in the Corporate Governance Manual, the Board hereby approves the Corporate Governance Manual, as amended, and that the same shall remain valid, subsisting and enforceable upon the Corporation unless subsequently modified, or superseded by a resolution of the Board of Directors.”