



PGA Sampo Insurance Corporation

MANUAL ON CORPORATE GOVERNANCE

V2020.1

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MANUAL ON CORPORATE GOVERNANCE

The Board of Directors, Management, Officers and Employees of PGA Sampo Insurance Corporation (the "Company"), hereby commit themselves to the principles and best practices contained in this Revised Corporate Governance Manual (the "CG Manual"), and acknowledge that the same may guide the attainment of the Company's corporate goals.

1. OBJECTIVE

This CG Manual shall institutionalize the principles of good corporate governance in the Company.

The Board of Directors, the Management, Officers, Employees and Shareholders believed that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness in the Company as soon as possible.

2. DEFINITION OF TERMS

2.1. **Corporate Governance** - the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders.

Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board of Directors 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.

2.2. **Board of Directors** - the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.

2.3. **Director** - elected or appointed member of the Company's Board of Directors whose responsibilities include monitoring the Company's activities and shaping its strategy to protect shareholder interests.

2.4. **Management** - a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation.

2.5. **Independent Director** - a person who is independent of management and the controlling shareholder, and is free from any business or other relationship which

could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

- 2.6. **Executive Director** - a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
- 2.7. **Non-Executive Director** - a director who has no executive responsibility and does not perform any work related to the operations of the corporation.
- 2.8. **Related Party** - shall cover the Company's subsidiaries, as well as affiliates and any party (including its subsidiaries, affiliates and special purpose entities), that the Company exerts direct or indirect control over or that exerts direct or indirect control over the Company; the Company's Directors; Officers; Shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the Company.
- 2.9. **Related Party Transactions** - a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.
- 2.10. **Shareholder** - refers to an owner of a share of stock in a Company. For the purpose of this Code, the term shareholder shall also refer to a member of a non-stock non-profit entity.
- 2.11. **Stakeholders** - any individual, organization or society at large who can either affect and/or be affected by the Company's strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

3. COMPLIANCE SYSTEM

3.1. Compliance Officer

To ensure adherence to corporate principles and best practices, the Board of Directors (the "Board") of the Company shall designate a Compliance Officer who shall assist in the performance of its duties. The Compliance Officer shall have a rank of Vice-President or an equivalent position with adequate stature and authority in the Company. The Compliance Officer shall not be a member of the Board and shall annually attend a training on corporate governance.

The Compliance Officer is a member of the Company's Management Team in charge of the compliance function. He is primarily liable to the Company and its shareholders, and not to the Chairman or President of the Company. He has, among others, the following duties and responsibilities:

- 3.1.1. Ensures proper onboarding of new directors (i.e., orientation on the Company's business, charter, articles of incorporation and by-laws, among others);
- 3.1.2. Monitors, reviews, evaluates and ensures the compliance by the Company, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- 3.1.3. Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- 3.1.4. Ensures the integrity and accuracy of all documentary submissions to regulators;
- 3.1.5. Appears before the Insurance Commission (IC) when summoned in relation to compliance with this Code;
- 3.1.6. Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- 3.1.7. Identifies possible areas of compliance issues and works towards the resolution of the same;
- 3.1.8. Ensures the attendance of board members and key officers to relevant trainings;
- 3.1.9. Prepare a document containing the Company's compliance with this CG Manual for the completed year, explaining the reasons of any deviation from the same; and
- 3.1.10. Performs such other duties and responsibilities as may be provided by the IC.

4. PLAN OF COMPLIANCE

4.1. Board of Directors

Compliance with the principles of good corporate governance shall start with the Board.

It 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 Company based on the evolving business environment and strategic direction.

It 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 the Company's affairs and to substantiate proper checks and balances.

It shall be the Board's responsibility to foster long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Company, its

shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

4.1.1. **General Responsibility**

A Director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness.

4.1.2. **Specific Duties and Functions**

To ensure a high standard of best practice for the Company and its stakeholders, the Board shall:

- 4.1.2.1. Install a process of selection to ensure a mix of competent Directors and Officers;
- 4.1.2.2. Determine the Company's purpose, its vision and mission and strategies to carry out its objectives;
- 4.1.2.3. Ensure that the Company complies with all relevant laws, regulations and codes of best business practices;
- 4.1.2.4. Identify the Company's major and other stakeholders and formulate a clear policy communicating or relating with them through an effective investor relations program;
- 4.1.2.5. Adopt a system of internal checks and balances;
- 4.1.2.6. Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- 4.1.2.7. Properly discharge Board functions by meeting regularly. Independent views during the Board meetings shall be given due consideration and all such meetings shall be duly minuted;
- 4.1.2.8. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation;
- 4.1.2.9. Ensure that it is assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer;
- 4.1.2.10. Ensure that it is assisted in its duties by a Compliance Officer, who should have a rank of Vice-President or an equivalent position with adequate stature and authority in the Company;
- 4.1.2.11. 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;
- 4.1.2.12. Ensure that it is headed by a competent and qualified Chairperson;
- 4.1.2.13. Responsible for ensuring and adopting an effective succession planning program for Directors, Key Officers and Management to ensure growth and a continued increase in the shareholders' value. This should include adopting a policy on the retirement

- age for Directors and Key Officers as part of Management succession and to promote dynamism in the Company;
- 4.1.2.14. 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;
 - 4.1.2.15. Ensure that there is a group-wide policy and system governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality;
 - 4.1.2.16. Responsible for approving the selection and assessing the performance of the Management;
 - 4.1.2.17. 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;
 - 4.1.2.18. 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. It also approve the Internal Audit Charter;
 - 4.1.2.19. Oversee that a sound Enterprise Risk Management framework is in place to effectively identify, monitor, assess and manage key business risks;
 - 4.1.2.20. Establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities;
 - 4.1.2.21. Establish an Audit Committee to enhance its oversight capability over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations;
 - 4.1.2.22. Establish a Corporate Governance Committee that shall be tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee;
 - 4.1.2.23. Subject to the Company's size, risk profile and complexity of operations, establish a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of the Company's Enterprise Risk Management System to ensure its functionality and effectiveness;
 - 4.1.2.24. Subject to the Company's size, risk profile and complexity of operations, establish a Related Party Transaction Committee, which should be tasked with reviewing all material related party transactions of the Company;
 - 4.1.2.25. Ensure that the Independent Directors possess the necessary qualifications and none of the disqualifications;

- 4.1.2.26. Conduct an annual assessment of its performance including the performance of the Chairman, individual members and committees;
- 4.1.2.27. Establish a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders;
- 4.1.2.28. Adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings;
- 4.1.2.29. Establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of the Company's financial condition, results and business operations;
- 4.1.2.30. Provide and encourage the use of an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner;
- 4.1.2.31. Adopt a transparent framework and process that allow stakeholders to communicate with the Company and to obtain redress for the violation of their rights;
- 4.1.2.32. Establish policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and in its governance.

4.1.3. **Duties and Responsibilities of a Director**

A Director shall have the following duties and responsibilities:

- 4.1.3.1. 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;
- 4.1.3.2. Notify the Board where he is an incumbent director before accepting a directorship in another company;
- 4.1.3.3. Conduct fair business transactions with the Company and ensure that personal interest does not bias Board decisions;
- 4.1.3.4. Devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the Company's business;
- 4.1.3.5. Act judiciously;
- 4.1.3.6. Exercise independent judgment;
- 4.1.3.7. Have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Insurance Commission, and where applicable, the requirements of other regulatory agencies.

- 4.1.3.8. To observe confidentiality
- 4.1.3.9. To ensure the continuing soundness, effectiveness and adequacy of the Company's control environment.

4.1.4. **Independent Directors**

The Board shall endeavor to exercise an objective and independent judgment on all corporate affairs. It shall be composed of at least twenty percent (20%) Independent Directors to ensure the exercise of independent judgment on corporate affairs and proper oversight of managerial performance, including prevention of conflict of interests and balancing of competing demands of the Company.

The Company shall have an Independent Director who:

- 4.1.4.1. is not or was not a regular director, officer or employee of the Company, its subsidiaries, affiliates or related companies during the past three (3) years counted from the date of his election/appointment;
- 4.1.4.2. is not or was not a regular director, officer, or employee of the Company's substantial stockholders and its related companies during the past three (3) years counted from the date of his election/appointment;
- 4.1.4.3. is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the Board of Directors of the Company, or in any of its related companies or of its majority corporate shareholders;
- 4.1.4.4. is not a relative by affinity or consanguinity within the fourth (4th) degree of a director, officer, or stockholder holding shares of stock sufficient to elect one (1) seat in the board of the Company or any of its related companies or of any of its substantial stockholders;
- 4.1.4.5. is not acting as a nominee or representative of any director or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders;
- 4.1.4.6. is not or was not retained as professional adviser, auditor, consultant, agent or counsel of the Company, 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;
- 4.1.4.7. is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the Company or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial

shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;

- 4.1.4.8. was not appointed in Company, 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 in the performance of its duties and responsibilities during the past three (3) years counted from the date of his election/appointment;
- 4.1.4.9. is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and
- 4.1.4.10. is not employed as an executive officer of another Company where any of the Company's executives serve as regular directors.

Related company refers to (a) the Company's holding/parent company; (b) its subsidiary or affiliate; (c) subsidiaries of its holding/parent company; or (d) a corporation where the Company 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.

4.1.5. **Chairman of the Board**

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

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

- 4.1.5.1. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- 4.1.5.2. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- 4.1.5.3. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;

- 4.1.5.4. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- 4.1.5.5. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- 4.1.5.6. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

4.1.6. Chief Executive Officer (“CEO”)

The Chief Executive Officer has the following roles and responsibilities, among others:

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

4.1.7. Lead Director among the Independent Directors

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:

- 4.1.7.1. Serves as an intermediary between the Chairman and the other Directors when necessary;
- 4.1.7.2. Convenes and chairs meetings of the Non-Executive Directors; and

- 4.1.7.3. Contributes to the performance evaluation of the Chairman, as required.

4.1.8. **Corporate Secretary**

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

The Corporate Secretary is an officer of the Company and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the Company come with his duties.

The Corporate Secretary shall be a Filipino citizen.

Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills.

He is primarily responsible to the Company and its shareholders, and not to the Chairman or President of the Company and has, among others, the following duties and responsibilities:

- 4.1.8.1. 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 Company;
- 4.1.8.2. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Company, and advises the Board and the Chairman on all relevant issues as they arise;
- 4.1.8.3. 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;
- 4.1.8.4. Advises on the establishment of board committees and their terms of reference;
- 4.1.8.5. Informs members of the Board, in accordance with the By-Laws, of the agenda of their meetings at least five (5) 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;
- 4.1.8.6. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- 4.1.8.7. Performs required administrative functions;

- 4.1.8.8. Oversees the drafting of the By-Laws and ensures that they conform with regulatory requirements; and
- 4.1.8.9. Performs such other duties and responsibilities as may be provided by the IC.

4.2. Nomination and Election of Directors

4.2.1. Nomination of Directors

Any shareholder, including minority shareholders, shall have the right to nominate candidates to the Board which shall be submitted to the Corporate Governance Committee through the Office of the Corporate Secretary within sixty (60) days prior to the Annual Stockholders' Meeting. The Corporate Governance Committee shall review all the nomination for shortlisting which shall be aligned with the strategic direction of the Company. Shortlisting of the candidates shall include review of whether they:

- 4.2.1.1. Possess the knowledge, skills, experience, and particularly in the case of Non-Executive Directors, independence of mind given their responsibilities to the Board and in light of the Company's business and risk profile;
- 4.2.1.2. Have a record of integrity and good repute;
- 4.2.1.3. Have sufficient time to carry out their responsibilities; and
- 4.2.1.4. Have the ability to promote a smooth interaction between board members.

The following shall be the qualifications and grounds for disqualification.

4.2.2. Qualification of a Director

In addition to the qualifications for membership in the Board provided for under the Revised Corporation Code, the Insurance Code and other relevant laws, the members of the Board of Directors shall further have the following qualifications:

- 4.2.2.1. Holder of at least one (1) share of stock of the Company;
- 4.2.2.2. He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- 4.2.2.3. He shall be at least twenty-one (21) years old;
- 4.2.2.4. He shall have proven to possess integrity and probity; and
- 4.2.2.5. He shall be assiduous.

4.2.3. Disqualification of a Director

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

4.2.3.1. Permanent Disqualification

- a. Persons who have been convicted by final judgment of the court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft;
- b. Persons who have been convicted by final judgment of the court for violation of insurance laws;
- c. Persons who have been judicially, declared insolvent, spendthrift or unable to enter into a contract; or
- d. Directors, officers or employees of closed insurance companies or any insurance intermediaries who were responsible for such institution's closure as determined by the IC.

4.2.3.2. Temporary Disqualification

- a. Persons who refuse to fully disclose the extent of their business interests when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the IC. This disqualification shall be in effect as long as the refusal persists;
- b. Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special of the Board of Directors during their incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding elections;
- c. Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- d. Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the IC;
- e. Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification of the IC;
- f. Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;
- g. Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- h. Those under preventive suspension;

- i. Persons with derogatory records with the National Bureau of Investigation, court, police, Interpol and insurance authorities of other countries (for foreign directors) involving violation of any law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of an insurance director. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity;
- j. Persons who are delinquent in the payment of their obligations as defined hereunder:
 - 1. 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;
 - 2. 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.

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

4.2.4. **Required Votes**

For election of Directors, it is required that a majority of the outstanding shares of stock entitled to vote, to be present or represented in the Annual Stockholders' Meeting ("ASM"). The Directors shall then be elected by a plurality vote of the stockholders entitled to vote at the ASM.

4.2.5. **Term of Office of Directors**

Directors shall hold office for a term of one (1) year and until their successors have been duly elected and qualified in accordance with the Company's By-Laws and the CG Manual.

4.2.6. **Term Limits for Independent Directors**

The Board's Independent Directors shall serve for a maximum cumulative term of nine (9) years. After which, the Independent Director should be perpetually barred from re-election as such in the Company but may continue to qualify for nomination and election as a Non-Independent Director.

4.2.7. **Re-election of Independent Directors**

Any term beyond nine (9) years for an Independent Director is subjected to particularly rigorous review, taking into account the need for progressive change in the Board to ensure an appropriate balance of skills and experience. In the instance that the Company wants to retain an Independent Director who has served for nine (9) years, the Board shall provide meritorious justification/s and seek Shareholders' approval during the Annual Shareholders' Meeting.

In addition, the Board must submit to the Insurance Commission a formal written justification and the Shareholders' approval.

4.3. **Multiple Board Seats for Non-Executive Directors**

To show full commitment to the Company, the Directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the Company's business.

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

Policy

A Director should notify the Board where he/she is an incumbent Director before accepting a directorship in another company.

4.4. **Board Diversity**

The Board recognizes the benefits of having a diverse Board in terms of age, ethnicity, culture, skills, competence, and knowledge of its members to contribute to the effectiveness of the performance of the Board and to ensure that optimal decision-making is achieved.

To ensure diversity, the Board shall:

- 4.4.1. Ensure that the Board composition considers the balance of skills, experience, knowledge, perspectives, independence, and other characteristics which aligned with the strategic needs of the Company and the environment in which it operates;
- 4.4.2. If necessary, utilize a search consultant to deliver a gender-balanced slate of diverse and equally qualified potential candidates to the Board.

4.5. **Board Committees**

The Board shall establish Committees to the extent possible to support the effective performance of its functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration.

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

4.5.1. **Audit Committee**

The Board shall establish an Audit Committee to enhance its oversight capability over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The committee shall be composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman, should be independent. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairman of the Audit Committee shall not be the chairman of the Board or of any other committees.

The Audit Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

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

- 4.5.1.1. Recommends the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and

- the audit plan as well as oversees the implementation of the IA Charter;
- 4.5.1.2. Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the Company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the Company's financial data, and (d) ensure compliance with applicable laws and regulations;
- 4.5.1.3. Prior to the commencement of the audit, discusses with the External Auditor the nature, Scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- 4.5.1.4. Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Company's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's Annual Report and Annual Corporate Governance Report;
- 4.5.1.5. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
- a. Any change/s in accounting policies and practices
 - b. Areas where a significant amount of judgment has been exercised
 - c. Significant adjustments resulting from the audit
 - d. Going concern assumptions
 - e. Compliance with accounting standards
 - f. Compliance with tax, legal and regulatory requirements
- 4.5.1.6. Reviews the disposition of the recommendations in the External Auditor's management letter;
- 4.5.1.7. Performs oversight functions over the Company's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

- 4.5.1.8. Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- 4.5.1.9. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, who undertakes an independent audit of the Company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders;
- 4.5.1.10. In case the Company does not have a Board Risk Oversight Committee and/or Related Party Transactions Committee, performs the functions of said committees as provided under item 4.4.4.

The Audit Committee meets with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meets with the head of the internal audit.

4.5.2. **Corporate Governance Committee**

The Board shall establish a Corporate Governance Committee (“CG Committee”) that should be tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee. It should be composed of at least three (3) members, majority of whom should be independent directors, including the Chairman.

The CG Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices.

It has the following duties and functions, among others:

- 4.5.2.1. Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the Company's size, complexity and business strategy, as well as its business and regulatory environments;
- 4.5.2.2. Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- 4.5.2.3. Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- 4.5.2.4. Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;

- 4.5.2.5. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- 4.5.2.6. Proposes and plans relevant trainings for the members of the Board;
- 4.5.2.7. Determines the nomination and election process for the Company's directors and has the special duty of defining the general profile of Board members that the Company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- 4.5.2.8. Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates;

The establishment of a Corporate Governance Committee does not preclude the Company from establishing a separate Remuneration or Nomination Committee, if it deems necessary.

4.5.3. **Board Risk Oversight Committee**

Subject to a Company's size, risk profile and complexity of operations, the Board shall establish a separate Board Risk Oversight Committee (BROC) that shall be responsible for the oversight of the Company's Enterprise Risk Management System to ensure its functionality and effectiveness. The BROC shall be composed of at least three (3) members, the majority of whom shall be Independent Directors, including the Chairman. The Chairman shall not be the Chairman of the Board or of any other committee. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

Enterprise Risk Management is integral to an effective corporate governance process and the achievement of the Company's value creation objectives. Thus, the BROC has the responsibility to assist the Board in ensuring that there is an effective and integrated risk management process in place. With an integrated approach, the Board and top management will be in a confident position to make well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities.

The BROC has the following duties and responsibilities, among others:

- 4.5.3.1. Develops a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;

- 4.5.3.2. Oversees the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The BROCC conducts regular discussions on the Company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- 4.5.3.3. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROCC revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
- 4.5.3.4. Advises the Board on its risk appetite levels and risk tolerance limits;
- 4.5.3.5. Reviews at least annually the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the company;
- 4.5.3.6. Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Company and its stakeholders;
- 4.5.3.7. Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Company. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- 4.5.3.8. Reports to the Board on a regular basis, or as deemed necessary, the Company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

4.5.4. **Related Party Transaction Committee**

The Board shall establish a Related Party Transaction Committee (RPT Committee), which shall be tasked with reviewing all material related party transactions of the Company and shall be composed of at least three (3) Non-Executive Directors, majority of whom should be independent, including the Chairman.

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

- 4.5.4.1. Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties,

RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;

4.5.4.2. Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:

- a. The related party's relationship to the Company and interest in the transaction;
- b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- c. The benefits to the Company of the proposed RPT;
- d. The availability of other sources of comparable products or services; and
- e. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.

4.5.4.3. Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Company's affiliation or transactions with other related parties;

4.5.4.4. Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;

4.5.4.5. Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and

4.5.4.6. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

5. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK

To ensure the integrity, transparency and proper governance in the conduct of its affairs, the Company shall have a strong and effective internal control system and enterprise risk management framework.

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

5.1. Internal Control System

Internal Control is a process designed and effected by the Board of Directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures.

5.1.1. Internal Auditor

The Company shall have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the Company's operations. The internal audit function shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, Senior Management, and Stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.

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

- 5.1.1.1. 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 (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- 5.1.1.2. Performs regular and special audit as contained in the annual audit plan and/or based on the Company's risk assessment;
- 5.1.1.3. Performs consulting and advisory services related to governance and control as appropriate for the organization;
- 5.1.1.4. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- 5.1.1.5. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Company;
- 5.1.1.6. 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;

- 5.1.1.7. Evaluates specific operations at the request of the Board or Management, as appropriate; and
- 5.1.1.8. Monitors and evaluates governance processes.

The Company's internal audit activity may be a fully resourced activity housed within the Company or may be outsourced to qualified independent third-party service providers.

5.1.2. **Chief Audit Executive**

Subject to the Company's size, risk profile and complexity of operations, it shall have a qualified Chief Audit Executive (CAE) appointed by the Board. The CAE shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third-party service provider. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel should be assigned the responsibility for managing the fully outsourced internal audit activity.

In order to achieve the necessary independence to fulfill his responsibilities, the CAE shall directly reports functionally to the Audit Committee and administratively to the CEO.

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

- 5.1.2.1. Periodically reviews the IA Charter and presents it to the senior management and the Board Audit Committee for approval;
- 5.1.2.2. Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the Company's goals;
- 5.1.2.3. Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
- 5.1.2.4. Spearheads the performance of the internal audit activity to ensure it adds value to the Company;
- 5.1.2.5. Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- 5.1.2.6. Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

5.1.3. **External Auditor**

- 5.1.3.1. The External Auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Company;

- 5.1.3.2. The Audit Committee shall establish a robust process for approving and recommending the appointment, reappointment, removal, and fees of the External Auditor. The appointment, reappointment, removal, and fees of the external auditor shall be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. For removal of the External Auditor, the reasons for removal or change should be disclosed to the regulators and the public through the Company website and required disclosures;
- 5.1.3.3. The Audit Committee Charter shall include the Audit Committee's responsibility on assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Charter should also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.
- 5.1.3.4. 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 Audit Committee shall be alerted 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.
- 5.1.3.5. The Company's External Auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.
- 5.1.3.6. If the External Auditor believes that the statements made in the Company's Annual Report, Information Statement or Proxy Statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

5.2. **Enterprise Risk Management**

Enterprise Risk Management ("ERM") is a process, effected by the Company'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.

5.2.1. **Risk Management Function**

Subject to the size, risk profile and complexity of operations, the Company shall have a separate risk management function to identify, assess and monitor key risk exposures.

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

- 5.2.1.1. Defining a risk management strategy;

- 5.2.1.2. Identifying and analyzing key risks exposure relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization's strategic objectives;
- 5.2.1.3. Evaluating and categorizing each identified risk using the Company's predefined risk categories and parameters;
- 5.2.1.4. Establishing a risk register with clearly defined, prioritized and residual risks;
- 5.2.1.5. Developing a risk mitigation plan for the most important risks to the Company, as defined by the risk management strategy;
- 5.2.1.6. 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 BROC; and
- 5.2.1.7. Monitoring and evaluating the effectiveness of the Company's risk management processes.

5.2.2. Chief Risk Officer

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

The CRO has the following functions, among others:

- 5.2.2.1. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentations;
- 5.2.2.2. Communicates the top risks and the status of implementation of risk management strategies and action plans to the BROC;
- 5.2.2.3. Collaborates with the CEO in updating and making recommendations to the Board Risk Oversight Committee;
- 5.2.2.4. Suggests ERM policies and related guidance, as may be needed; and
- 5.2.2.5. 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.

There should be clear communication between the BROC and the CRO.

6. CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS

The Company shall treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights. It also recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its shareholders. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the Company and all its shareholders:

6.1. Shareholders' Rights and Protections

Shareholders' rights relate to the following, among others:

6.1.1. Voting Right

- 6.1.1.1. Shareholders shall have the right to elect, remove and replace Directors and vote on certain corporate acts in accordance with the Revised Corporation Code;
- 6.1.1.2. Cumulative voting shall be used in the election of Directors.
- 6.1.1.3. A Director shall not be removed without cause if it will deny minority shareholders representation in the Board.

6.1.2. Pre-emptive Right

- 6.1.2.1. All shareholders shall have pre-emptive rights, unless the same is denied in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Company. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Revised Corporation Code.

6.1.3. Power of Inspection

- 6.1.3.1. All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Revised Corporation Code and shall be furnished with Annual Reports, including financial statements, without costs or restrictions.

6.1.4. Right to Information

- 6.1.4.1. Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the Directors and Officers and certain other matters such as their holdings of the Company's shares, dealings with the

Company, relationships among Directors and Key Officers, and the aggregate compensation of Directors and Officers.

- 6.1.4.2. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purpose."

6.1.5. **Right to Dividends**

- 6.1.5.1. Shareholders shall have the right to receive dividends subject to the discretion of the Board;
- 6.1.5.2. The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: (a) when justified by definite corporate expansion projects or programs approved by the Board of Directors; or (b) when the Company is prohibited under any loan agreement with financial institutions or creditors, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or (c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

6.1.6. **Appraisal Rights**

- 6.1.6.1. Shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Revised Corporation Code of the Philippines, under any of the following circumstances:
- a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
 - b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code; and
 - c. In case of merger or consolidation.

6.1.7. Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting

6.1.7.1. The right to propose the holding of meetings and items for inclusion in the agenda is given to all shareholders, including minority and foreign shareholders. Shareholders who, alone or together with other shareholders, hold at least five percent (5%) of the outstanding capital stock of the Company shall have the right to propose the holding of meeting and to include items on the agenda prior to the Annual and Special Shareholders' Meeting.

6.1.8. Right to nominate candidates to the Board of Directors and Nomination Process

6.1.8.1. All shareholders shall be given the opportunity to nominate candidates to the Board in accordance with the existing laws. The procedures of the nomination process shall be clearly discussed by the Board in relation to item 4.2 of this CG Manual. The Company shall fully and promptly disclose all information regarding the experience and background of the candidates to enable the shareholders to study and conduct their own background check as to the candidates' qualification and credibility.

6.1.9. Voting procedures that would govern the Annual and Special Shareholders' Meeting

6.1.9.1. Shareholders are also encouraged to participate when given sufficient information prior to voting on fundamental corporate changes such as: (1) amendments to the Articles of Incorporation and By-Laws of the Company; (2) the authorization on the increase in authorized capital stock; and (3) 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. Poll voting is highly encouraged as opposed to the show of hands. Proxy voting is also a good practice, including the electronic distribution of proxy materials.

6.2. Promotion of Shareholders' Rights

It shall be the duty of the Directors to promote shareholders rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek

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

6.3. Alternative Dispute Mechanism for Intra-corporate disputes

An intra-corporate dispute is one which arises between a shareholder and the Company or among the shareholders involving internal affairs of the Company.

All intra-corporate disputes shall be resolved in an amicable and effective manner. The Office of the Corporate Secretary shall primarily be responsible for addressing all the stockholders' concerns and any potential intra-corporate disputes. It shall adopt suitable remedies for the infringement of shareholders' rights to prevent excessive litigation.

7. DUTIES TO STAKEHOLDERS

7.1. Respect the Rights of Stakeholders and provide an Effective Redress for Violation of their Rights

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

- 7.1.1. Identify the Company's various stakeholders and promote cooperation between them and the Company in creating wealth, growth and sustainability;
- 7.1.2. Establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders;
- 7.1.3. Adopt a transparent framework and process that allow stakeholders to communicate with the Company and to obtain redress for the violation of their rights.

7.2. Encourage Employees' Participation

A mechanism for employee participation shall be developed to create a symbiotic environment, realize the Company's goals and participate in its corporate governance processes. The Board shall:

- 7.2.1. Establish policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and in its governance;

- 7.2.2. Set a tone and make a stand against corrupt practices by adopting an Anti-Corruption Policy and Program in its Code of Conduct. Further, the Board shall disseminate the policy and program to employees across the organization through trainings to embed them in the Company's culture;
- 7.2.3. Establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board should be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

7.3. Encourage Sustainability and Social Responsibility

The Company shall be socially responsible in all its dealings with the communities where it operates. It shall ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development. The Company shall:

- 7.3.1. Recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Company to grow its business, while contributing to the advancement of the society where it operates.

8. COMMUNICATION PROCESS

- 8.1. This CG Manual shall be available for inspection by any stockholder of the Company at reasonable hours and business days;
- 8.2. All Directors, Executives, Division and Department Heads are tasked to ensure the thorough dissemination of the CG Manual to all employees and related third parties, and to likewise enjoin compliance in the process;
- 8.3. An adequate number of printed copies of this CG Manual must be reproduced under the supervision of the Human Resources Department, with a minimum of at least one (1) hard copy of the Manual per Department.

9. ORIENTATION, TRAINING AND CONTINUING EDUCATION PROGRAMS

The Company shall provide training for all its Directors, including an orientation program for first-time Directors and relevant annual continuing training for all Directors.

The orientation program for first-time Directors and relevant annual continuing training for all Directors aim to promote effective board performance and continuing qualification of the Directors in carrying out their duties and responsibilities. The orientation program for first-time Directors shall be at least eight (8) hours, while the annual continuing training shall be at least four (4) hours.

Upon joining the Board, all Directors shall be properly oriented. This ensures that new members are appropriately apprised of their duties and responsibilities, before beginning their

directorships. The orientation program covers the IC-mandated topics on corporate governance and an introduction to the Company's business, Articles of Incorporation, and Code of Conduct. 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.

All Directors and key Officers, including the Corporate Secretary and the Compliance Officer, shall be required to attend an annual continuing training program. This program makes certain that they are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Company. It involves courses on corporate governance matters relevant to the Company, including audit, internal controls, risk management, sustainability and strategy.

In addition, the Company shall assess its own training and development needs to determine the coverage of its continuing training program.

10. DISCLOSURE AND TRANSPARENCY

The Company shall establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

- 10.1. The reports or disclosures required under this Manual shall be prepared and submitted to the regulators by the responsible Committee or Officer through the Company's Compliance Officer;
- 10.2. The Board shall commit at all times to fully disclose material information dealings. All directors and officers shall disclose to the Company any dealings in the Company's shares within three (3) business days;
- 10.3. All material information, i.e, anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of Directors and changes to ownership;
- 10.4. The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of the Company's financial condition, results and business operations;
- 10.5. The Board shall fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment;
- 10.6. The Company shall provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report consistent with ASEAN Corporate Governance Scorecard and the Revised Corporation Code. Also, the Company shall disclose the remuneration, including termination and retirement provisions;
- 10.7. The Company shall disclose its policies governing 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 at the ASM. All material or significant RPTs for the year shall be disclosed in the Annual Company Report or Annual Corporate Governance Report;

- 10.8. The Company's corporate governance policies, programs and procedures shall be contained in the CG Manual, which shall be submitted to the regulators and posted on the Company's website;
- 10.9. The Board shall have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance issues of its business, which underpin sustainability. It shall adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.

11. MONITORING AND ASSESSMENT

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

- 11.1. The Board shall conduct an annual assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment may be supported by an external facilitator;
- 11.2. The Board shall have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual Directors, Committees and such system should allow for a feedback mechanism from the shareholders;
- 11.3. The office of the Corporate Secretary shall provide assistance in the annual performance assessment of the Board, the individual Directors and Committees;
- 11.4. Each Committee shall report regularly to the Board;
- 11.5. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this CG Manual. Any violation thereof shall subject the responsible officer or employee to penalty provided under Item 11 of this CG Manual;
- 11.6. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Company's Annual Report or in such form of report that is applicable to the Company. The adoption of such performance evaluation system must be covered by a Board approval;
- 11.7. This CG Manual shall be subject to quarterly review unless the same frequency is amended by the Board;
- 11.8. All business processes and practices being performed within any department or business unit or model Corporation that are not consistent with any portion of the CG Manual shall be revoked unless upgraded to the compliant extent.

12. PENALTIES FOR NON-COMPLIANCE WITH THE CG MANUAL

- 12.1. To strictly observe and implement the provisions of the CG Manual, the following penalties shall be imposed, after notice and hearing, on the Company's Directors, Officers, Staff, Subsidiaries and Affiliates and their respective Directors, Officers and Staff in case of violation of any of the provision of the CG Manual:
 - a. In case of first violation, the subject person shall be reprimanded;

- b. Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation;
 - c. For third violation, the maximum penalty of removal from office shall be imposed.
- 12.2. The commission of a third violation of the CG Manual by any member of the Board of the Company or its subsidiaries and affiliates shall be a sufficient case for removal from Directorship;
- 12.3. The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

This Revised CG Manual was approved by the Board of Directors on May 28, 2020.