

MANUAL ON CORPORATE GOVERNANCE

**PHILIPPINE LIFE FINANCIAL ASSURANCE CORPORATION
2021 Edition**

MANUAL OF CORPORATE GOVERNANCE
Philippine Life Financial Assurance Corporation

The stockholders, directors, management, and other stakeholders of Philippine Life Financial Assurance Corporation (the “Company”) hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that these principles and practices are an indispensable guide towards the attainment of the Company’s goals and maintenance of its continued success.

1 OVERVIEW

1.1. General Principles

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

The stockholders, directors, management, and other stakeholders acknowledge that corporate governance is a necessary component of sound strategic business management. Every effort will be made to create an awareness throughout the organization, of corporate governance: those relationships between the Company’s management, its board, its shareholders and other stakeholders to ensure that:

- A. The Company is being diligently, efficiently and ethically managed;
- B. The leaders of the Company are held to high standards of performance and integrity, and provided with adequate opportunities to enhance their knowledge of corporate governance;
- C. The Company as a whole adopts and consistently practices good corporate governance, particularly in terms of compliance, risk management and audit;
- D. The Company provides fair opportunity for its employees and stakeholders to participate in good corporate governance; and
- E. The Company practices good corporate social responsibility and acts in a manner that benefits the community and demographic in which it operates.

1.2 Supplementary Policies and other Documents

In order to support the objectives of this Manual, the Company also maintains and updates the following documents, which shall form part of and be considered supplementary to the Manual:

- A. Audit and Risk Oversight Committee Charter
- B. Corporate Governance Committee Charter
- C. Code of Business Conduct and Ethics
- D. Corporate Disclosure Policy
- E. Related Party Transactions Policy
- F. Alternative Dispute Resolution Policy
- G. Whistleblower Policy
- H. Stakeholder Policy
- I. Employee Participation Policy
- J. Corporate Social Responsibility Program

Aspects of the foregoing documents may be replicated or referred to in this Manual for emphasis and easy reference. In the event of a conflict between the relevant document and this Manual, the Manual shall prevail unless otherwise specifically stated. Any provisions found in any of the foregoing documents that are not in the Manual shall be considered supplementary to the same and reconciled to the fullest possible extent to give effect to the principles of this Manual.

1.3 Supplementary Updates and Disclosures

In addition to the policies and documentation provided above, the Company may, as it deems necessary, provide updates of other relevant documents and other disclosures, in accordance with its Corporate Disclosure Policy, which shall be published on the Company website within ten (10) days from adoption of the same by the Board of Directors or senior management, as warranted by this Manual and existing policies.

2 BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

2.1 Role of the Board

The Board of Directors of the Company shall serve as the primary instigator and overseer of good corporate governance. The corporate governance framework should ensure the strategic guidance of the Company; the effective monitoring of management by the Board; the Board's accountability to the Company, its shareholders and other stakeholders; and the adherence by the Company to the highest standards of excellence and ethical conduct.

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

2.2 Duties and Functions of the Board

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

- a. Play an active role in selecting, compensating, monitoring and when necessary, replacing key executives and overseeing succession planning;
- b. Review key executive and board remuneration, and ensure a formal and transparent board nomination process that ensures a mix of competent directors and officers;
- c. Review and guide corporate strategy, major plans of action, risk policy, annual budgets and business plans; set performance objectives, monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions and divestitures, in line with the Company's determined purpose, its vision and mission;
- d. Ensure the integrity of the Company's accounting and financial reporting systems, including an independent audit framework and appropriate systems of control; and that systems for monitoring risk and the Company's compliance with all relevant laws, regulations and codes of best business practices are well-founded and operating smoothly;
- e. Identify the Company's major and other stakeholders and formulate and oversee a clear policy and process of disclosure and communication with all of them;
- f. Adopt a system of internal checks and balances, particularly one that enables effective monitoring and management of potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions;
- g. Identify key risk areas and key performance indicators and monitor these factors with due diligence;

- h. Monitor the effectiveness of the governance practices under which it operates and making changes as needed;
- i. Properly discharge Board functions by meeting regularly or as required by circumstances; and
- j. Preserve the integrity of Board authority within the Company as prescribed by the Articles of Incorporation and By-Laws, as well as relevant laws and regulations.

2.3 Specific Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- a. To ensure fairness in the conduct of all business transactions with the Company and to ensure that their own personal interests do not influence their decisions;
- b. To devote time and attention necessary to properly discharge their duties and responsibilities to the Company;
- c. To act judiciously and with integrity;
- d. To exercise independent judgment;
- e. To 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;
- f. To observe confidentiality of the Company's sensitive business processes, trade secrets and other competitive advantages;
- g. To ensure the continuing soundness, effectiveness and adequacy of the Company's control environment; and
- h. To refrain from participating in the deliberations of any transaction involving the Company in which the director has or maintains a material interest.

2.4 Board Diversity

It is acknowledged that the Board would benefit from a composition of highly qualified directors from varying backgrounds and relevant fields, in order to contribute a wealth of different perspectives to the Board's discussions and decisions. A diverse Board will more readily and capably adapt to the challenges the Company will face and contribute to a better corporate governance regime that is both current and flexible.

When identifying qualified candidates for nomination to the Board, the Corporate Governance Committee shall consider their appointment based on merit, taking into account their competencies, skills, expertise, background and other qualities that it may identify as being important to the objective of promoting diversity and minimizing or eliminating discrimination and prejudice.

The Corporate Governance Committee shall, in its annual assessment of Board performance and composition, identify any deficiencies in the same and provide recommendations for the appointment and election of future directors to address such deficiencies.

Of particular relevance are special interests that would benefit from representation on the Board, such as in relation to gender, ethnicity, economic demographic, educational attainment and other

factors. The Board shall aspire to a minimum of twenty percent (20%) of its directors being women, and endeavor to include experts in the major business areas of the Company among its membership. In determining what constitutes a major business area, the Board shall be guided and supported by senior management.

2.5 Commitment of Responsibility

It is acknowledged that the position of director is not merely a nominal or ceremonial function. All directors are expected to actively participate in the guidance of the Company's management and oversight of its strategies, policies and programs. It is likewise acknowledged that a director who serves as a member of the Board of numerous corporations may not be able to adequately devote time, effort and attention to their duties, particularly if they are tasked with one or more responsibilities in this Manual associated with corporate governance.

To this end, no director shall be permitted to hold a directorship in more than five (5) corporate entities under the regulation of the Insurance Commission and/or publicly-listed corporate entities, including the Company. All incumbent directors shall disclose to the Board, and specifically to the Corporate Governance Committee, details of directorships in all other corporate entities, and update the Board accordingly in the event of any changes. All directors shall duly advise the Board prior to their acceptance of any new directorship in any other corporate entity. If acceptance of said directorship shall cause the director to breach this provision, the director shall resign their directorship with the Company immediately or be considered terminated from the same.

2.6 Independent Directors

- (a) The Company recognizes that independent directors are considered integral to the adoption and sustainability of a corporate management framework, and shall endeavor to appoint a number of independent directors sufficient to support the various committees and corporate governance functions detailed in this Manual.
- (b) The Board shall, following its election, appoint one of its independent directors to be the Lead Independent Director, selecting said person in any manner that the Board deems most efficient and fair. If the Board cannot decide on the method, the Board shall select the Lead Independent Director via secret ballot, with the director receiving the most votes to be duly appointed as such. In the event of any ties, the CEO of the Company shall cast a deciding vote.
- (c) If the Chairman is an independent director, they shall automatically be appointed as the Lead Independent Director, and the provisions of 2.4(b) shall not apply.
- (d) No independent director shall be permitted to serve as such for a period longer than nine (9) years consecutively. For purposes of determining the tenure of an independent director, only the period following 2 January 2015 shall be counted, if the Company is a life insurance company, and only the period following 21 September 2016 shall be counted, if the Company is an HMO or Pre-Need company. Any independent director who continues to serve in excess of the limit indicated herein shall not be considered an independent director for compliance with the relevant provisions of this Manual, unless the Board submits to the Insurance Commission a formal written justification for retaining said director as an independent director, and seeks approval of the same at the annual stockholders' meeting.

2.7 Chairman of the Board

- (a) The Chairman is responsible for leading the Board and focusing it on strategic matters, overseeing the Company's business and setting high governance standards. They play a pivotal role in fostering the effectiveness of the Board and individual Directors, both inside and outside the board room. The Chairman is also responsible for ensuring that there is effective communication between the Board and the senior management team of the Company. With the support of the Corporate Secretary, they ensure that the Board receives accurate, timely and clear information in order to carry out their duties properly and effectively.
- (b) The Chairman is responsible for:
- Leading, chairing and overseeing the performance of the Board and playing a pivotal role in the creation of the conditions necessary for overall Board and individual director effectiveness, both inside and outside the boardroom;
 - Ensuring open channels of productive communication between the Board and the senior management team;
 - Promoting and overseeing the highest standards of corporate governance within the Board;
 - Leading the Board in discussions of proposals put forward by the executive team including on strategy, risk management, governance, capital, and financial reporting;
 - Setting the pace and agenda for the Board at its meetings;
 - Ensuring the Board complies with the schedule and matters for discussion;
 - Being a sounding board and mentor to the Chief Executive Officer;
 - Representing the Company with external parties; and
 - Fostering an open, inclusive discussion which challenges executives, where appropriate.
- (c) The Chairman may not hold the position of the Chief Executive Officer simultaneously, or any other executive position that would lead to conflicts of interest and overlaps of function.

2.8 Chief Executive Officer

- (a) The Chief Executive Officer (CEO) is responsible for the day-to-day leadership and management of the business, in line with the Company's strategic framework, risk appetite and annual and long-term objectives approved by the Board.
- (b) The CEO makes decisions in all matters affecting the operations, performance and implementation of strategy of the Company's businesses, except for those matters reserved for the Board or specifically delegated by the Board to its Committees, executive committees or subsidiary company boards. The CEO leads senior management in driving the performance of the business and setting the overall strategic agenda.
- (c) The CEO presents both short-term and multi-year strategic and operating plans, and once adopted is responsible for their implementation and delivery and reports on progress at frequent and regular intervals.

- (d) The CEO appraises the individual performance of the senior management team members, encouraging their development and further training, recruiting replacements and formulating remuneration proposals for approval by the Corporate Governance Committee as needed.
- (e) The CEO is one of the foremost representatives of the Company. They take lead responsibility for the maintenance and development of the Company's reputation and relationships with the media, regulators, governments, local communities, suppliers, customers, trade bodies and other stakeholders.

3 NOMINATION AND ELECTION OF DIRECTORS

3.1 Nomination

- a. All written nominations for directors shall be submitted to the Corporate Governance Committee not later than the date prescribed by law, rules and regulations or at such earlier or later date as the Board of Directors may fix before the date of the next annual meeting of the stockholders. All recommendations shall be signed by the nominating stockholders together with the written acceptance and conformity of the would-be nominees.
- b. All shareholders, regardless of shareholding volume or proportion, may recommend candidates for Board membership for consideration by the Corporate Governance Committee. Such recommendations should be sent to the Committee, care of the Office of the Corporate Secretary. Candidates recommended by shareholders shall be evaluated in the same manner as director candidates identified by any other means. The Committee itself may likewise identify and recommend qualified individuals for nomination and election to the board. For this purpose, the Committee may make use of professional search firms or other external sources of candidates to search for qualified candidates to the board.
- c. The Corporate Governance Committee shall pre-screen the qualifications and prepare a final list of all candidates prior to the annual stockholders' meeting. Only nominees whose names appear on the final list of candidates shall be eligible for election as director. No other nominations shall be entertained after the final list of candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
- d. The Corporate Governance Committee shall be guided by the Board Diversity Policy detailed in this Manual, the independent director requirement, the experience requirement of the various board Committees, and other Corporate Governance compliance requisites in its preparation of the list of candidates for the Board. The Corporate Governance Committee shall advise all shareholders of the parameters that must be met for the foregoing purposes, and to the extent necessary, shall structure the election of Directors to ensure that these requisites are achieved.
- e. The Corporate Governance Committee shall ensure that the Board majority is always composed of non-executive directors. To this end, the Committee shall strictly limit the number of candidates who hold executive positions within the Company, such that their successful election would not result in a breach of this provision. The Board shall be constantly updated on the ratio and identities of executive and non-executive directors.
- f. No incumbent director shall be appointed or hired in an executive capacity by the Company without the endorsement of the Corporate Governance Committee and the

approval of the Board. Any such appointment or hiring without the requisite endorsement or approval, or in breach of the restriction on executive directors as provided in the previous provision, shall be void.

g. All candidates shall disclose to the Corporate Governance Committee their currently held directorships in other corporate entities regulated by the Insurance Commission and other publicly-listed corporate entities. Any candidates who hold an aggregate total of directorships in either such type of entity that reaches or exceeds (5) directorships shall be disqualified from election.

3.2 Election

- a. Board members are elected by stockholders who are entitled to one vote per share at the Company's annual stockholders' meeting. The nominees receiving the highest number of votes are declared elected and hold office for one (1) year until their successors are elected and qualified in accordance with the By-Laws at the next annual stockholders' meeting.
- b. The election shall be held in the manner prescribed by the Corporate Governance Committee, and in the absence of any such recommendation, shall be held by default through a system of secret ballots. The election shall in all cases be presided over by the Corporate Secretary and the Chief Audit Executive, who shall exert all efforts to ensure the fairness and integrity of the elections, and announce the elected directors accordingly.
- c. The results of the election shall be posted on the website of the Company the next day, as a necessary disclosure for the benefit of all shareholders and stakeholders.
- d. In the event that any elected candidate is unable to discharge the duties of their position as director prior to the assumption of said office, a run-off election shall be held that shall be comprised of all nominated candidates who were not duly elected. All shares shall be considered eligible to vote solely for purposes of filling the vacancy, and shall not affect directors who have been successfully elected without any obstacles to their incumbency.

3.3 Filling of Vacancies

In the event that any position in the Board of Directors is vacant due to the death, incapacity or removal of any incumbent director, the Corporate Governance Committee shall, within thirty (30) days of said vacancy, convene to select a short list of at least three (3) candidates who qualify for all the requisites fulfilled by the departed director, and assemble a special meeting to be held among the shareholders for the election of the new director. The election shall be conducted in accordance with the procedures established in this Manual or by the Corporate Governance Committee.

4 BOARD COMMITTEES

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

- Audit and Risk Oversight Committee
- Corporate Governance Committee
- Related Party Transactions Committee

4.1 Audit and Risk Oversight Committee

4.1.a Overview

The Audit and Risk Oversight Committee is entrusted with two significant cornerstones of the corporate governance framework – audit infrastructure and risk management.

As the foremost authority for the implementation of an effective audit system, the Committee works closely with both the Chief Audit Executive and their team and the external auditor to ensure that the Company's systems and protocols are carried out consistently and efficiently.

Likewise, as the foremost authority for the Company's risk management program, the Committee has the responsibility of assisting the Board of Directors in ensuring that there is an effective and integrated risk management process in place to enable the Board and senior management to be in a confident position to make well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities.

The Audit and Risk Oversight Committee shall abide by the policies and principles of the Audit Committee Charter and the Risk Oversight Committee Charter, or the combined Audit and Risk Oversight Committee Charter, relying on the latest separate or integrated version of the same for general guidance and direction.

4.1.b Composition

The audit and risk oversight committee shall be composed of at least three members of the Board, majority of whom shall be independent directors. Each shall have adequate understanding of the company's financial management systems and environment.

4.1.c Duties and Responsibilities - Audit

- (1) Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.
- (2) Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management.
- (3) Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.
- (4) Perform direct interface functions with the internal and external auditors.
- (5) Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this form:

- a. A definite timetable within which the accounting system of the Company will be 100% International Accounting Standard (IAS) compliant.
 - b. An accountability statement that will specifically identify officers and /or personnel directly responsible for the accomplishment of such task.
- (6) Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company through a step-by-step procedures and policies handbook that will be used by the entire organization.

4.1.d Duties and Responsibilities - Risk Oversight

- (1) Develop a formal risk management plan which contains the following elements: (i) common language or register of risks, (ii) well- defined risk management goals, objectives and oversight, (iii) uniform processes of assessing risks and developing strategies to manage prioritized risks, (iv) design and implementation of risk management strategies, and (v) continuing assessments to improve risk strategies, processes and measures;
- (2) Oversee the implementation of the risk management plan through a management risk oversight committee or its equivalent, that shall be composed of various senior officers. The management risk oversight committee shall conduct regular discussions on the Company's prioritized and residual risk exposures based on regular risk management reports and shall assess how the concerned units or offices are addressing and managing these risks;
- (3) Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness, which involves: (i) revisiting defined risk management strategies, (ii) looking for emerging or changing material exposures, and (iii) staying abreast of significant developments that seriously impact the likelihood of harm or loss;
- (4) Advise the Board of Directors on its risk appetite levels and risk tolerance limits;
- (5) Review at least annually the Corporation'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;
- (6) Assess the probability of each identified risk becoming a reality and estimate 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 Corporation and its stakeholders;
- (7) Provide 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;
- (8) Guide and receive reports as needed from the Chief Risk Officer of the Company, and exercise approval and oversight over the risk management framework.
- (9) Report to the Board of Directors on a regular basis, or as deemed necessary, the Company's material risk exposures, the actions taken to reduce the risks, and recommend further action or plans, as appropriate.

4.2 Corporate Governance Committee

4.2.a Overview

The Board of Directors shall establish a Corporate Governance Committee that shall be tasked to assist the Board in the performance of its corporate governance responsibilities. The Corporate Governance Committee shall absorb the functions of the former Nomination and Remuneration Committees, in addition to its primary functions associated with corporate governance.

The Corporate Governance Committee shall abide by the policies and principles of the Corporate Governance Committee Charter.

4.2.b Composition

The Corporate Governance Committee shall be comprised solely of independent directors, and have at least three (3) members. The Chairman of the Committee shall be an Independent Director.

4.2.c General Duties and Responsibilities

The Corporate Governance Committee shall ensure compliance with and proper observance of corporate governance principles and practices. It shall have the following duties and functions, among others:

- (1) Oversee the implementation of the corporate governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- (2) Oversee the periodic performance evaluation of the Board of Directors and its committees as well as executive management, and conduct an annual self-evaluation of its performance;
- (3) Ensure that the results of the Board evaluation are shared and discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- (4) Recommend continuing education or training programs for directors, assignment of tasks and projects to Board committees, succession plan for the Board members and senior officers, and remuneration packages for corporate and individual performance;
- (5) Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;
- (6) Propose and plan relevant trainings for the members of the Board;
- (7) Determine the nomination and election process for the Corporation's directors in addition to what is detailed in this Manual and exercise the special duty of defining the general profile of Board members that the Corporation may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and

- (8) Establish a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Corporation's culture and strategy, as well as the business environment in which it operates.
- (9) In addition to the foregoing general duties and responsibilities, the Corporate Governance Committee shall be tasked with the pre-screening and shortlisting of all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications as provided in this CG Manual, including without limitation the following:
- (10) In consultation with the appropriate executive or management committee/s and with the supervision of the Board of Directors, it shall re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.
- (11) It shall consider the following guidelines in the determination of the number of directorships which a member of the Board may hold in accordance with the policy on holding multiple board seats under this Manual:

The nature of the business of the companies of which he is a director;

Age of the director;

Number of directorships/ active memberships and officerships in other companies or organizations; and

Possible conflict of interest.

The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

In accordance with the guidelines set by the Corporate Governance Committee on the number of directorships which a member of the Board may hold pursuant to the policy on multiple board seats under this Manual, the Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. Without prejudice to the said policy on multiple board seats, the same low limit shall apply to independent, non-executive directors who serve as full-time executives in other companies. In any case, the capacity of directors to serve with diligence shall not be compromised.

- (12) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment;
- (13) Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Corporation successfully;
- (14) Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others, compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;
- (15) Disallow any director to decide his or her own remuneration;

- (16) Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and senior executive officers for the previous fiscal year and the ensuing year;
- (17) Review the existing Company Rules and Regulations involving human resources or personnel to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts; and
- (18) In the absence of such personnel handbook, cause the development of such, covering the same parameters of governance stated above.

4.3 Related Party Transactions Committee

4.3.a Overview

The Board of Directors shall establish a Related Party Transactions Committee that shall evaluate and approve all related party transactions of the Company.

The Related Party Transactions Committee shall abide by the principles and policies of the Related Party Transactions Policy, which shall define what constitutes a related party, the parameters of material and non-material transactions, and other guidelines for the evaluation and management of such transactions.

4.3.b Composition

The Related Party Transactions Committee shall be comprised of a majority of Independent Directors as members and shall have at least two (2) independent directors. The Chairman of the Committee shall be an Independent Director.

4.2.c General Duties and Responsibilities

The Related Party Transactions Committee shall have the following duties and responsibilities:

- (1) Review of related party transactions of the Company in accordance with the standards of the Company's Related Party Transactions Policy;
- (2) Recommend updates and amendments to the Related Party Transactions Policy as necessary; and
- (3) Direct the senior management of the Company towards the proper handling of related party transactions, including for the disclosure of the same.

5 THE CORPORATE SECRETARY

5.1 The Corporate Secretary shall be a lawyer and either a solo practitioner or member of a firm duly recognized by the Board and the Company as being competent and sufficiently experienced in corporate law and corporate practice to satisfactorily discharge their duties.

5.2 The Corporate Secretary shall be a Filipino citizen.

5.3 The Corporate Secretary shall not concurrently hold or be appointed to the position of Chief Compliance Officer, Chief Risk Officer or Chief Audit Executive. No Board member shall be appointed to serve as Corporate Secretary.

5.4 Duties and Responsibilities

- (a) Gather and analyze all documents, records and other information essential to the conduct of their duties and responsibilities to the Corporation.
- (b) Provide notice to the Board of meetings and agendas at least twenty-one (21) calendar days before the scheduled meeting date.
- (c) Advise the Board for fundamental corporate law and corporate practice issues within their scope of knowledge and experience.
- (d) Attend all Board meetings and maintain records of the same.
- (e) Produce minutes of meetings and certifications of resolutions of the Board as needed by the Company.
- (f) Submit to the Insurance Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

6 EXTERNAL AUDITOR

6.1 An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the company, an external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit and Risk Oversight Committee.

6.2 The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter if accounting principles or practices, financial statement disclosure or auditing scope or procedure.

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

6.4 The company's external auditor shall be rotated or the handling partner shall be changed at least once every five (5) years.

6.5 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.

7 CORPORATE GOVERNANCE OFFICERS

7.1. Compliance Officer (Chief Compliance Officer)

(a) To ensure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer who shall hold a rank no lower than Vice President or its equivalent. They shall have direct reporting responsibilities to the Chairman of the Board and to the Audit and Risk Oversight Committee.

(b) They shall perform the following duties:

- (1) Monitor compliance with the provisions and requirements of this Manual;
- (2) Appear before the Insurance Commission to represent the Company for relevant matters that need to be clarified by the latter;
- (3) Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
- (4) Ensure that the Company, the Board and management observe the requirements of all relevant government agencies in relation to compliance, including the timely submission of all documentary requirements and filings.
- (5) Provide guidance and oversight towards the enactment and maintenance of a comprehensive compliance infrastructure throughout the Company that is pro-active, flexible and vigilantly enforced by all departments.
- (6) Identify, monitor, and control various compliance risks and advise how best to manage the same.

(c) The appointment of the Compliance Officer shall be immediately disclosed to the Insurance Commission as required. All correspondence relative to his functions as such shall be addressed to said Officer.

(d) The Compliance Officer shall attend regular training and other learning opportunities sufficient to maintain updated knowledge and comprehension of good corporate governance and latest practices.

7.2 Chief Risk Officer

- (a) The Board shall appoint a Chief Risk Officer who shall oversee the risk management infrastructure and programs of the Company.
- (b) As the primary officer entrusted with management of risk exposure and prevention in the Company, the Chief Risk Officer shall be appointed with the rank of at least Vice President, and be empowered with adequate authority, resources and support from the Company and the Board to fulfill their duties.
- (c) The Chief Risk Officer shall perform the following functions:
 - (1) Provide the overall leadership, vision and direction for risk management
 - (2) Establish an integrated risk management framework for all aspects of risk across the Company
 - (3) Develop risk management policies, including the quantification of the Company's risk appetite across various aspects of business, and set the specific risk limits for each
 - (4) Implement a set of risk metrics and reports, including losses and incidents, key risk exposures, and early warning indicators
 - (5) Allocate capital to exposures based on risk, and optimize the Company's risk portfolio through business activities and risk transfer strategies

- (6) Improve the Company's risk management readiness through communication and training programs, performance measurement and incentives, and other change management programs
 - (7) Develop the analytics and systems to effectively monitor and support the risk management programs of the Company
 - (8) Lead the risk management team and/or exercise oversight for all employees of the Company in relation to their functions and tasks related to risk management
- (d) The Chief Risk Officer shall provide periodic reports to the Audit and Risk Oversight Committee and attend all scheduled meetings of said Committee for this purpose.

7.3 Chief Audit Executive

- (a) The Corporation shall have in place an independent internal audit team, the head of which shall be designated as the Chief Audit Executive. The Chief Audit Executive shall have the following duties and responsibilities:
- (1) Set auditing strategies and goals for the Company, overseeing implementation and scheduling for the same.
 - (2) Identify and implement control initiatives across the Company, ensuring that established processes and checks are observed diligently.
 - (3) Conduct regular audits of the Company's divisions.
 - (4) Guide Company leaders towards consistent observance and protocols and proper justification of deviations and exceptional circumstances.
 - (5) Report regularly to the Audit and Risk Oversight Committee of the Company on audit results, findings and issues.
 - (6) Oversee and develop the internal audit team.
- (b) The Chief Audit Executive shall hold the rank of Vice President or its equivalent, and shall report directly and concurrently to the CEO and the Board through the Audit and Risk Oversight Committee. The Chief Audit Executive shall be granted sufficient autonomy, authority, support and resources to carry out their function effectively and without impediment.
- (c) In the event that an internal audit event or program needs to be outsourced for any reason, the Chief Audit Executive shall be designated as the point person for the Company and oversee the output of the third party to whom the event or program was outsourced.
- (d) The scope and particulars of a system of effective organizational and procedural controls, which the Chief Audit Executive shall be tasked with monitoring, shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

7.4 Exclusivity of Designation

- (a) The Company shall endeavor at all times to ensure that the Compliance Officer, the Chief Risk Officer, and the Chief Audit Executive are sufficiently focused on their respective roles and functions, and not concurrently serving another major function for the Company that would compromise the efficiency and attention of any of the above-mentioned roles.

- (b) If, due to reasonable economic and logistical limitations, the Compliance Officer, the Chief Risk Officer or the Chief Audit Executive must hold said office concurrently with another major function, the Company shall ensure that the office is sufficiently supported by one or more subordinates who are solely devoted to the functions of the office.
- (c) The Compliance Officer, the Chief Risk Officer and the Chief Audit Executive positions shall be held by three (3) separate individuals at all times to avoid conflicts of interest and confusion of functions.
- (d) The CEO of the Company shall not at any time hold any of the foregoing positions.

8 CORPORATE GOVERNANCE TRAINING

8.1 Orientation Program for Directors

All first-time Directors shall be required to undergo an orientation session on corporate governance, to be provided by the Company through its in-house employee training and orientation team and overseen by the Compliance Officer for sufficiency of content and topic coverage.

The orientation session shall be not less than four (4) hours, which may be attended in a single session or in instalments over a period of not longer than fourteen (14) calendar days, and cover the following topics:

1. Rights and responsibilities of a Director
2. Corporate Governance Manual and Associated Policies
3. Code of Business Ethics and Conduct

8.2 Continuing corporate governance education

- (a) All directors and senior officers of the Company shall be required to undergo corporate governance training by way of a seminar or refresher course at least once a year, to be held by a duly accredited public or private service provider. "Senior officer" shall refer to any executive holding the rank of vice president or above.
- (b) All corporate governance officers specifically named in this Manual and all subordinates of said officers engaged in corporate governance functions shall attend at least one training or seminar pertaining to the aspect of corporate governance in which they are presently engaged. For the named corporate governance officers, their training for this purpose shall be considered in compliance with and in satisfaction of 8.2(a) of this Manual.

9 REMUNERATION OF DIRECTORS AND OFFICERS

9.1 The remuneration of directors and key officers of the Company shall be aligned to market standards and shall be competitive to attract and retain qualified and competent individuals who will capably serve the best interests of the Company. The Corporate Governance Committee, working in conjunction with senior management, shall adopt policies and guidelines to ensure that initial remuneration packages are fair and reasonable in accordance with what the Company can afford.

9.2 Increases in remuneration and benefit improvements for Directors and key officers shall be based on the following factors:

- a. Merit – overall performance and achievement;

- b. Responsibilities and Scope; and
- c. Company performance, subject to the exception below.

9.3 Remuneration of officers and employees of the Company exercising control functions, such as risk management, compliance and internal audit, shall be determined independently of any business line. In order to preserve their independence, such persons shall be incentivized based on the achievement of their objectives.

9.4 No Director shall participate in determining their remuneration.

9.5 The Board shall, on an annual basis, review the remuneration of directors and all executives holding the rank of at least associate vice president within the Company to determine whether the same are in alignment with the Company's objectives and structured in a manner that is fair and proportionate to their contributions and rank as Company officers. The Board may, in its review, engage the assistance of third party experts or consultants to guide it in its deliberations.

9.6 The Board shall, in any event, respect labor laws and other regulations involving remuneration and benefit packages of the persons under review.

10 RETIREMENT AND SUCCESSION

10.1 Any Director or key officer of the Company may be retired upon reaching the retirement age set by the Board or embodied in the existing retirement plan and policy of the Company. However, the Board may retain a Director or key officer beyond retirement age if the same will redound to the benefit of the Company and is justifiably a superior alternative to the appointment or hiring of a new Director or officer to assume the position.

10.2 The Corporate Governance Committee shall identify the key knowledge, skills and abilities required of any vacancy left by a retiring director or key officer and use the same as a benchmark for the filling of the vacancy. The Committee shall apply this information as a guide, and shall not be restrained from selecting a different standard of qualities and attributes in accordance with the Company's needs.

10.3 The Corporate Governance Committee shall refrain from recommending a replacement candidate who will attain retirement age in two (2) years or less unless the same is with adequate explanation and justified by exceptional circumstances.

10.4 The Corporate Governance Committee shall, at every meeting, be provided with a list of all directors or key officers who are approaching retirement age within at least two (2) years, and initiate the process of finding suitable replacements for any such person who will be retiring in at least (1) year.

10.5 The Corporate Governance Committee shall, with the cooperation and assistance of Management, develop a comprehensive policy for succession planning that shall include the following priorities:

- a. Emphasis on internal talent development and career growth
- b. Prioritization of candidates with longevity and long-term potential
- c. Opportunity for shadowing and other mechanisms that would permit retiring persons to train and transfer knowledge and skill to their successors

11 MONITORING AND ASSESSMENT

The best measure of the Board's effectiveness is through an assessment process. The Board of Directors shall 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 of Directors shall conduct an annual self-assessment of its performance, including the performance of the Chairman, the President, individual members of the Board and Board committees, at least ninety (90) days prior to the schedule of the next annual shareholder's meeting for the election of Directors. Every three (3) years, the assessment shall be supported by an external facilitator, who shall be recommended by the management of the Company and approved by the Corporate Governance Committee.

11.2 The Board's self-assessment system shall provide, at the minimum, the criteria and process to determine the performance of the Board, the individual directors and the Board committees, and shall be disclosed in the Company's website as a mechanism to solicit and receive feedback from the stakeholders and the general public.

11.3 The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to penalties to be determined by existing Company policy, and in the absence thereof, the penalties prescribed elsewhere in this Manual.

11.4 The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's annual report or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.

11.5 This Manual shall be subject to annual review unless otherwise amended by the Board of Directors.

11.6 All business processes and practices being performed within any department or business unit of the Company that are not consistent with any portion of this Manual shall be revoked or upgraded to be compliant with this Manual within thirty (30) days from discovery of the same.

11.7 The non-executive directors shall, on a quarterly basis, meet with the Compliance Officer, the Chief Risk Officer and the Chief Audit Executive to review the corporate governance infrastructure and determine the sufficiency of checks and balances within the Company's processes and operations. The meeting shall be chaired by the Lead Independent Director with the guidance of the Compliance Officer. The Lead Independent Director may request the presence of one or more executives or other officers of the Company, or any other person that they deem fit to be a resource person, for purposes relevant to the objectives of this meeting. Any recommendations or action items resulting from this meeting shall be submitted to and noted by the Corporate Governance Committee, and presented to the Board for further action and approval.

12 DISCLOSURES

The Company shall abide by its requirement to disclose certain information to the Insurance Commission and other government agencies, and endeavor to make public and readily accessible information that would be considered beneficial to its stakeholders in understanding the policies, strategies and direction of the Company.

Disclosures shall be governed in accordance with the Company's Disclosure Policy.

13 SHAREHOLDERS

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

13.1 Shareholder Rights

The Board commits itself to the preservation and free and fair exercise by shareholders of the following shareholder rights:

13.1.a Voting Rights and Participation

- (1) meetings and should be informed of the rules, including voting procedures that govern general shareholder meetings.
- (2) Shareholders shall have the right to elect, remove and replace directors and vote in person or by proxy on certain corporate acts in accordance with the Corporation Code, and equal effect shall be given to votes whether cast in person or by proxy.
- (3) Cumulative voting may be used in the election of directors.
- (4) A director shall not be removed without cause if it will deny minority shareholders representation on the Board.
- (5) Within any class, all shareholders shall have the same voting rights. All investors shall have the right to obtain information about the voting rights attached to all classes of shares before they purchase. Any changes in voting rights shall only take place with the concurrence of a majority of the voting shares.
- (6) Processes and procedures for general shareholder meetings shall allow for equitable treatment of all shareholders. The Company shall organize the same to ensure that participation for any shareholder is not unduly expensive, cumbersome or otherwise inconvenient.
- (7) Shareholders shall be furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full timely information regarding the issues to be decided at the meeting.
- (8) Shareholders shall be granted opportunities to ask questions of the Board and to place items on the agenda at general meetings, subject to reasonable limitations.

13.1.b Pre-emptive Rights

All stockholders shall have pre-emptive rights, unless the same is denied in the Articles of Incorporation or an amendment thereto.

13.1.c Power of Inspection

All shareholders shall be allowed to inspect corporate books and records, including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without restriction.

13.1.d Right to Information

- (1) All shareholders shall have access to this Manual, the corporate governance policies of the Company, and other process documentation that would maximize their
- (2) All shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and other relevant official data, including holdings of the company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- (3) All 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 include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".
- (4) All shareholders shall have the right to information regarding any material transaction or other event that would substantially affect the assets, liabilities or general business enterprise of the Company. For purposes of this provision, such events shall include all occurrences

13.1.e Right to Dividends

- (1) Shareholders shall have the right to receive dividends subject to the discretion of the Board.
- (2) In accordance with relevant law, 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 or b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent and such consent has 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.

13.1.f Appraisal Right

Shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares under any of the following circumstances:

- (1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code ; and
- (3) In the event of merger or consolidation.

13.2 Duty of Directors

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 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. Lastly, directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions, within legal parameters.

14 STAKEHOLDER POLICY

14.1 Overview

The Company recognizes the importance of building a healthy and productive relationship with its community of stakeholders. As a business that promotes financial security and sound wealth management, it is incumbent on the Company to foster an environment for its stakeholders that would allow them to realize these ideals.

To this end, the Company also understands the need for a supporting framework that would allow stakeholders to cooperate with the Company, either as a collective towards their mutual socio-economic benefit, or as individuals to protect their rights and welfare.

14.2 Principles

The Company adopts the following principles, which are given effect through its operational policies and programs:

- (a) Customers are provided with multiple feedback channels through which they can ask questions, provide comments and seek redress for complaints or issues they may have due to the Company's products and services or interaction with the Company's employees. These include customer service and care hotlines and online conduits, agents and staff with whom customers may converse for general concerns, and specialized staff whose function is to guide customers and build customer networks within specific areas or regions.
- (b) The Company releases important announcements which may be of interest to customers through various conventional and social media channels of communication. These advisories may refer to new products of the Company or product features, the state of the Company and its intended strategic directions, or useful information that would be relevant to the Company's customer demographic.
- (c) The Company endeavors to design products that cater to the needs and requirements of the general public or make legal adjustments to existing products in order to suit the demands of a specific customer or customer base.
- (d) The Company adopts a compassionate and flexible approach to the management of customer concerns. Even in instances where a customer demand has no legal basis or is not supported by the terms of their contract with the Company, the Company may provide

gratuitous assistance to a customer or relax the application of its policies in the customer's favor, on an exceptional and case-to-case basis.

- (e) The Company shall organize programs whose objective is to uplift the social and economic status of the community of stakeholders, which may or may not include purchase of the Company's products and services. The welfare of the community identified shall be the foremost objective of any such program, for which those responsible for the program shall be obligated to provide periodic data and reports on the program's progress and measurable benefits to the community.

14.3 Supplementary Policy

The Company may, as the need arises, issue an updated Stakeholder Policy to detail further and operationalize the principles of the previous provision. Said policy shall be posted on the Company website and given force and effect by the Company through its management teams.

15 Employee Policy

15.1 Overview

The Company identifies its workforce as one of its foremost critical assets for its sustainability as a business and as representatives of its corporate governance practices to the general public. The Company likewise recognizes the role that its employees assume in ensuring that the Company acts always within the bounds of the law, and approaches all transactions with integrity, professionalism and efficiency.

15.2 Principles

The Company adopts the following principles, which are given effect through its operational policies and programs:

- (a) Employees are expected to adhere to the highest standards of honesty, integrity and fairness when acting on behalf of the Company and representing the latter to third parties. Employees are strictly prohibited from accepting gifts, bribes or other personal advantages in consideration of their functions for the Company, whether or not the same would lead to undue or undeserved preference for any third party, or for exceptions to standard processes to be made that would favor said third party. This is without prejudice to the receipt by employees of gifts of small value from third parties during the holiday season as a matter of tradition, provided that all such gifts shall be disclosed to top management, which may approve or disapprove the same, or require that the same be donated to the Company to be used in common by the employee body.

- (b) Employees shall be made aware of the various corporate governance policies of the Company and provided with periodic training, which will occur upon orientation following their hiring by the Company and at least once a year thereafter. The Company's Human Resource group shall cooperate with the Compliance Officer and their team to ensure that the training remains updated, comprehensive and keyed to corporate governance issues that are of special relevance to the Company and its employees.
- (c) Employees shall be empowered to report illegal, illicit or morally questionable practices and activities, as well as practices and activities that are in violation of one or more of the provisions of this Manual or other corporate governance policies, to the Board and to senior management without fear of retaliation or endangerment of their employment. To this end, the Company shall adopt a strong and effective Whistleblower Policy to establish the process by which employees can safely report their observations.
- (d) The Company shall ensure that its Employee Code of Conduct adheres to the objectives and principles of corporate governance as embodied in this Manual and elsewhere.
- (e) The Company shall adopt a policy of transparency and full access to information for its employees, permitting them to act and make informed decisions that align with good corporate governance practices. This policy shall include reasonable periodic disclosures by the Company and its senior management of the Company's performance, strategic direction, business activities and other relevant data.
- (f) The Company shall, whenever possible, provide opportunities for employees to participate in programs and activities that promote good corporate governance.

15.3 Supplementary Policy

The Company may, as the need arises, issue additional employee guidelines and employee-focused policies in order to support the objectives of this Manual. All updates shall be posted on the Company website and given force and effect by the Company through its management teams.

16 ALTERNATIVE DISPUTE RESOLUTION

The Company, acting through the Board and its management, shall endeavor at all times to resolve any disputes, whether arising out of the interpretation of the provisions of this Manual or in relation to exterior issues, in a reasonable, peaceful and organized manner. To this end, the Company shall adopt various alternative dispute resolution processes and the framework for implementing the same, which shall be reflected in a separate Alternate Dispute Resolution Policy (ADRP).

The ADRP shall be observed as the primary direction for the handling of all inter-corporate disputes, subject to regulations and restrictions provided by law and relevant government authority. The availability of other, more adversarial modes of dispute resolution shall not preclude resort to the ADRP unless the urgency and magnitude of the dispute is such that ADRP would not reasonably provide a timely and effective remedy to the aggrieved party or parties.

Any action taken for dispute resolution that does not fall within exceptional circumstances and bypasses the ADRP may be struck down as void by the Board or the management of the Company, who shall take the necessary remedial measures to undo and reversible actions and refer the dispute involved to the ADRP framework.

17 PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

17.1 In order to enforce compliance with this Manual and fulfillment of its objectives, the Corporate Governance Committee shall, with the guidance of the Compliance Officer, promulgate rules and regulations to provide for the following process and sanctions:

- (a) System of notification and hearing for evaluation and adjudication of alleged violations of the Insurance Commission;
- (b) Identification of proper parties to hear, evaluate and decide on allegations brought before it, and official appointment of the same as a panel;
- (c) Penalties imposed on directors and employees for violations of varying degrees;
- (d) System of appeal, if warranted, for any findings of liability by the hearing panel;
- (e) Other rules and regulations relevant to this section.

17.2 Said rules and regulations, once established, shall be included as an update to this Manual and published on the Company website.

18 PUBLICATION OF MANUAL

18.1 This Manual shall be available for inspection by any stockholder of the Company at reasonable hours on business days.

18.2 All directors, executives and division and department heads are tasked to ensure the thorough dissemination of the Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

18.3 An adequate number of printed copies of this Manual must be reproduced under the supervision of HRD, with a minimum of at least one (1) hard copy of the Manual per department.

18.4 This Manual shall be published on the website of the Company and made easily accessible to all interested parties.

18.5 Any updates to the Manual shall be published within (5) days on the website of the Company and a copy thereof provided in accordance with the previous sections within fifteen (15) days thereafter.