



**Fortune General Insurance Corporation**

**Corporate Governance Manual**

**2020**

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## **FORTUNE GENERAL INSURANCE CORPORATION**

### **CORPORATE GOVERNANCE MANUAL**

(Revised in compliance with IC Circular Letter No. 2020-71, 13 June 2020)

We, the Board of Directors and Management, i.e, officers and staff, of FORTUNE GENERAL INSURANCE CORPORATION (the "Corporation") hereby commit ourselves to the principles and best practices contained in this Manual, and acknowledge that the same way guide the attainment of our corporate goals.

#### **I. INTRODUCTION**

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

The Board of Directors and Management, employees and shareholders of Fortune General Insurance Corporation hereby commit to the highest principles of good corporate governance. We are guided by the core values of PROFESSIONALISM, RESPONSIBILITY, COMPETENCE, DEDICATION, PROMPTNESS and a SENSE OF URGENCY, EXCELLENCE, and ENTREPRENEURSHIP.

The Board of Directors, Officers, and Employees hereby commit themselves to follow the principles and practices contained in this Manual which shall serve as the guide in reaching our goals and our guide in the day to day conduct of business activities of the Company.

#### **II. CORPORATE GOVERNANCE STRUCTURE**

##### **A. BOARD OF DIRECTORS**

Compliance with the principles of good corporate governance shall start with the Board of Directors (the "Board"). Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

The Board shall be composed of fifteen (15) directors who are elected by the stockholders at the regular meeting and shall hold office for one (1) year or until their successors are elected and qualified as provided for in the Articles of Incorporation and By Laws.

At least twenty percent (20%) of the members of the Board shall be Independent Directors who shall not be part of management of the corporation, free from any business or other relationship which could or could reasonably be perceived to materially interfere with the exercise of independent judgment in carrying out the responsibilities as a director. The Independent Directors shall not serve a cumulative term of nine (9) years reckoned from 2015. The Corporation through its Board of Directors shall aspire to have more than the minimum required number of independent directors or as may be required by law or rules duly issued pursuant to laws which may subsequently be enacted.<sup>1</sup>

The Board with the assistance of the Compliance Officer and the Corporate Secretary shall ensure that the independent directors possess the necessary qualifications and none of the

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<sup>1</sup>Recommendation 5.1, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

disqualifications.<sup>2</sup> The Board shall further ensure that independent directors comply with all requirements set by regulators including, but not limited to term limitations.<sup>3</sup>

The membership of the Board shall have an optimum mix of competence and expertise.<sup>4</sup> The membership of the Board may be a combination of executive and non-executive directors, provided that, majority of the members of the Board shall be non-executive directors to ensure objectivity in the consideration of issues involving the operations of the company.<sup>5</sup>

The non-executive directors should possess such qualifications and stature that would enable them to participate in the deliberations of the Board.

## **B. GENERAL RESPONSIBILITIES OF THE BOARD**

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness and profitability 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.

It shall formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor the performance of the Management. It shall act on full informed basis with due diligence and care.<sup>6</sup> The Board shall further, oversee development of approved business objectives and strategies.<sup>7</sup>

## **C. DUTIES AND FUNCTIONS OF THE BOARD**

To ensure a high standard of best practice for the Corporation and to promote and protect the interest of the Corporation, its stockholders and other stakeholders, the Board shall:

1. Implement a process of selection of the members of the board to ensure a mix of competent Directors and Officers<sup>8</sup>, each of whom can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly-motivated management officers. Adopt an effective succession plan for Management.<sup>9</sup>
2. Ensure that the Corporation faithfully complies with all relevant laws, regulations and codes of best business practices.
3. Provide sound strategic policies and guidelines to the Corporation on major capital expenditures.
4. Establish programs that can sustain its long-term viability and strength.
5. Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely and effective

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<sup>2</sup>Recommendation 5.2, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>3</sup>Recommendation 5.3, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>4</sup>Recommendation 1.1, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>5</sup>Recommendation 1.2, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>6</sup>Recommendation 2.1, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>7</sup>Recommendation 2.2, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>8</sup>Recommendation 1.4, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>9</sup>Recommendation 2.4, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

communication with them, promoting cooperation for creation of wealth, growth and sustainability.<sup>10</sup>

6. Establish a mechanism for fair treatment and protection of rights of stakeholders,<sup>11</sup> with a transparent framework for communication and obtaining redress for violation of rights.<sup>12</sup>
7. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
8. Adopt a system of internal checks and balances. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision making and reporting process at all times. A continuing review of the Corporation's internal control system shall also be conducted in order to maintain its adequacy and effectiveness.
9. Endeavor to provide appropriate technology systems rating to account for available resources to ensure a position of a strong and meaningful competitor and to identify key risk areas and key performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operation and financial viability.
10. Define the role, duties and responsibilities of the Chief Executive Officer as necessary, integrating the dynamic requirements of business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.
11. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
12. Constitute and Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities<sup>13</sup>.
13. Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities.<sup>14</sup>
14. Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded wherein independent views during Board meetings should be encouraged and given due consideration.
15. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and existing laws, rules and regulation.
16. Appoint a Compliance Officer. In the absence of such appointment, the Corporate Secretary, preferably a lawyer shall act as Compliance Officer. The Compliance Officer should not be member of the Board, shall have the rank of Vice President or an equivalent

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<sup>10</sup>Recommendation 14.1, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>11</sup>Recommendation 14.2, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>12</sup>Recommendation 14.3, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>13</sup>Recommendation 3.2, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>14</sup>Recommendation 13.4, and Principle 14, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

position with adequate stature and authority in the company, and shall annually undergo corporate governance training.<sup>15</sup>

17. Adopt a Code of Business Conduct and Ethics for the Board, Key Officers, as well as the employees of the company, and ensure the proper and efficient monitoring and implementation of the same.<sup>16</sup>
18. Recognizing the invaluable support of the Corporation's employees, the Board commits to establishing a program to encourage employee participation, setting also the tone against corrupt practices, which shall include among others, an effective whistle blowing framework.<sup>17</sup>
19. In addition to the foregoing, the Board takes it upon itself to keep in mind the welfare of all stakeholders, recognizing interdependence of business and society, it shall promote a mutually beneficial relationship that allows the Corporation to grow while contributing to society.<sup>18</sup>

#### **D. SPECIFIC DUTIES AND RESPONSIBILITIES OF A DIRECTOR**

A Director's office is one of trust and confidence. A director should act in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Corporation toward sustained progress.

A director shall have the following duties and responsibilities:

1. To conduct fair business transactions with the Corporation and ensure that personal interest does not conflict with the interests of the Corporation.

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

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

2. To devote time and attention necessary to properly discharge his duties and responsibilities;
3. To attend and actively participate in all meetings and perform other functions as necessary;<sup>19</sup>
4. To act judiciously;
5. To exercise independent judgment;

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<sup>15</sup>Recommendation 1.6, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>16</sup>Recommendation 7.1 and 7.2, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>17</sup>Recommendation 15.1, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>18</sup>Principle 16 and Recommendation 16.1, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>19</sup>Recommendation 4.1, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

6. To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including its Articles of Incorporation and By-Laws, the rules and regulations of the Commission, and where applicable, the requirements of relevant regulatory agencies;
7. To observe confidentiality;
8. To inhibit one's self in participating in deliberations of the board concerning transactions or issues where the director has a material interest in;<sup>20</sup>
9. To ensure that they are compliant with limits or restrictions set by law or rules issued by the regulators with regard to their directorships and notify the company in writing before accepting additional directorships in other companies;<sup>21</sup>
10. To ensure the Continuing soundness, effectiveness and adequacy of the Corporation's control environment;

#### **E. INTERNAL CONTROL AND RISK MANAGEMENT RESPONSIBILITIES OF THE BOARD**

The company shall have an adequate and effective internal control system and enterprise risk management framework.<sup>22</sup>

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

1. The Board shall ensure and oversee that the appropriate internal control system is in place;<sup>23</sup>
2. The minimum internal control mechanisms for the performance of the Board's oversight responsibility shall include:
  - a. Defining the duties and responsibilities of the CEO who is ultimately accountable for the Corporation's organizational and operational controls;
  - b. Approving and selection of the person who possesses the ability, integrity and expertise essential for the position of CEO, and overseeing the performance of the same;<sup>24</sup>
  - c. Evaluation of proposed senior management appointments;
  - d. Selection and appointment of qualified and competent management officers;

<sup>20</sup>Recommendation 5.6, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>21</sup>Recommendations 4.2, 4.3, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>22</sup>Recommendation 12.1, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>23</sup>Recommendation 2.10, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>24</sup>Recommendation 2.8, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

- e. Establish an effective performance management framework that is at par with standards set by the Board;<sup>25</sup>
  - f. Assure continuous quality and improvement in management by adopting an effective succession plan for the members of the Board as well as the key officers; and
  - g. Review of the Corporation's human resource policies, conflict of interest situations, compensation program for employees and management succession plan.
3. The scope and particulars of the systems of effective organizational and operational controls of the Corporation shall depend on, among other, the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.
  4. The Board shall also develop and establish a sound enterprise risk management framework based on the recommendations of the Executive Committee, to determine the company's risk tolerance.<sup>26</sup>

#### **F. QUALIFICATIONS OF DIRECTORS**

1. Shall be the holder of at least one (1) share of stock of the Corporation;
2. Shall be at least twenty five (25) years of age at the time of election/appointment
3. Shall possess the necessary skills, competence and experience in terms of management capabilities preferably in the field of insurance.
4. Shall possess integrity, probity, and be diligent and assiduous in the performance of functions.
5. Physically and mentally healthy and morally upright.
6. No conflict of interest; no competing officership, directorships, memberships position in other companies having the same business.
7. Possesses all the qualifications and none of the disqualifications as provided by law or rules/circulars as issued by regulators of the industry.
8. In addition to the above, Independent Directors shall be:
  - a. Not an officer or employee of the company during the past three (3) years from the date of election;
  - b. Not a director, officer, or employee of a related company of the company's majority stockholder;
  - c. Not a stockholder with shares of stock sufficient to elect one seat in the Board, or in any of the related companies or of its majority corporate shareholders.
  - d. Not a relative, legitimate or common-law of any director, officer or majority shareholder of the company or any of its related companies. Relatives refer to the

<sup>25</sup>Recommendation 2.9, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>26</sup>Recommendation 2.11, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.



spouse, parent, child, brother, sister, parent-in-law, son/daughter-in-law, brother/sister-in-law.

- e. Compliant with all the requirements including the term limitation of nine (9) cumulative years reckoned from 2015 as provided for in IC CL 2018-36 or any other applicable law or rule that may be subsequently issued by competent authority.

## G. DISQUALIFICATIONS OF DIRECTORS

### 1. Any of the following shall be a ground for the **permanent disqualification** of a director:

- a. Conviction of a crime involving moral turpitude or fraudulent act or transgressions.
- b. Directors, officers, or employees of closed insurance companies or intermediaries who were responsible for such closure as determined by the Insurance Commission or any authority.
- c. Any person judicially declared insolvent, spendthrift and incapable to enter into a contract.
- d. If within five (5) years prior to the date of election/appointment was convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or for violation of the Revised Corporation Code, Amended Insurance Code, or the Securities Regulation Code.
- e. If found administratively liable for any offense involving fraudulent acts.
- f. If found by a foreign court or equivalent regulatory authority for acts, violations or misconduct similar to those enumerated above.

### 2. Any of the following shall be a ground for the **temporary disqualification** of a director:

- a. Conviction for offenses involving moral turpitude but whose conviction is not yet final and executor.
- b. Refusal to fully disclose the extent of his business interest as required under applicable laws and rules. This disqualification shall be in effect as long as his refusal persists;
- c. Absence or non-participation without justifiable causes for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency. This disqualification applies for justifiable causes may only include absence due to grave illness or death of immediate family and serious accidents or any other analogous or similar events;<sup>27</sup>
- d. Dismissal/termination from directorship in another corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity.

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<sup>27</sup>Recommendation 4.1, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

e. Those under preventive suspension or persons dismissed/terminated from employment for just cause until they have cleared themselves in the involvement in the alleged irregularity.

f. If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.

g. If the independent director becomes an officer or employee of the Corporation, he shall be automatically disqualified from being an independent director;

h. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

#### **H. BOARD MEETING AND QUORUM REQUIREMENT**

The members of the Board should attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Securities and Exchange Commission, the Insurance Commission or any competent authority.

A majority of the directors shall be necessary at all meetings to constitute quorum for the transaction of any business and every decision of a majority of the quorum assemble as a Board shall be valid as a corporate act unless otherwise provided by law.

The provisions of the Revised Corporation Code or any other applicable subsequent law enacted shall govern the actions of the Board as to questions of quorum or any other matter that may adversely affect the operations of the corporation.

Independent directors shall always attend Board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement.

#### **I. SPECIFIC DUTIES AND RESPONSIBILITIES OF THE CHAIRMAN OF THE BOARD**

The Board should be headed by a competent and qualified Chairperson.<sup>28</sup>

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

1. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
2. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
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. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;

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<sup>28</sup>Recommendation 2.3, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

5. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
6. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

## **J. REMUNERATION OF DIRECTORS AND OFFICERS**

The Board should align the remuneration of key officers and board members with the long-term interests of the company. In doing so, it shall, upon the recommendation of the Corporate Governance Committee, formulate and adopt a policy specifying the relationship between remuneration and performance. Further, no director should participate in discussions or deliberations involving his own remuneration.

*Key considerations in determining proper compensation shall include the following: (1) the level of remuneration is commensurate to the responsibilities of the role; (2) no director should participate in deciding on his remuneration; and (3) remuneration pay-out schedules should be sensitive to risk outcomes over a multi-year horizon.*

For employees in control functions (e.g., risk, compliance and internal audit), their remuneration is determined independent of any business line being overseen, and performance measures are based principally on the achievement of their objectives so as not to compromise their independence.<sup>29</sup>

## **K. BOARD COMMITTEES**

The Board shall establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities. The objective of establishing the committees is to have a better management of the Board's workload. The types of committees may vary later on depending on the company's size, risk profile, and complexity of operations.<sup>30</sup>

### **1. Audit Committee<sup>31</sup>**

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 (3) 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 shall be 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.

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<sup>29</sup>Recommendation 2.5, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>30</sup>Recommendation 3.1, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>31</sup>Recommendation 3.2, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

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

- a. Recommends the approval 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;
- b. Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the corporation'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, protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
- c. 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;
- d. 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 corporation'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 corporation's Annual Report and Annual Corporate Governance Report;
- e. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters: Any change/s in accounting policies and practices Areas where a significant amount of judgment has been exercised Significant adjustments resulting from the audit Going concern assumptions Compliance with accounting standards Compliance with tax, legal and regulatory requirements
- f. Reviews the disposition of the recommendations in the External Auditor's management letter;
- g. Performs oversight functions over the corporation'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;
- h. Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- i. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, *duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and*
- j. In case the company has not yet established a Board Risk Oversight Committee and/or Related Party Transactions Committee, performs the functions of said committees as provided under Recommendations 3.4 and 3.5 of the Revised Code of Corporate Governance.

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.

## 2. Corporate Governance Committee<sup>32</sup>

The Board shall establish a Corporate Governance 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, all of whom should be independent directors, including the Chairman.

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<sup>32</sup>Recommendation 3.3, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71

The Corporate Governance Committee (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:

- a. 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 corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- b. 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;
- c. 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;
- d. 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;
- e. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Proposes and plans relevant trainings for the members of the Board;
- g. 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
- h. Establishes 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.

### 3. Board Risk Oversight Committee<sup>33</sup>

Subject to a corporation's size, risk profile and complexity of operations, the Board shall establish a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.

The BROC should be composed of at least three (3) members, the majority of whom should be independent directors, including the Chairman. The Chairman should 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 a 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:

- a. 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)

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<sup>33</sup>Recommendation 3.4, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71

designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;

b. Oversees the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The BROC 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;

c. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROC 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;

d. Advises the Board on its risk appetite levels and risk tolerance limits;

e. 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;

f. 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 corporation and its stakeholders;

g. Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and

h. 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. Related Party Transaction (RPT) Committee<sup>34</sup>

The RPT Committee shall be composed of at least three (3) non-executive members of the Board, majority of whom, including the Chairman shall be and independent directors.

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

a. 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;

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

1. The related party's relationship to the company and interest in the transaction;
2. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
3. The benefits to the corporation of the proposed RPT;
4. The availability of other sources of comparable products or services; and

<sup>34</sup>Recommendations 2.7, 3.5, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71

5. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
- c. 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;
- d. 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;
- e. Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
- f. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

## **L. KEY OFFICERS AND THEIR RESPONSIBILITIES**

### **1. The President and Chief Executive Officer (CEO)**

The roles of the Chair and the CEO should, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chair and the CEO upon their elections. As far as practicable, the said positions shall be held by separate individuals.<sup>35</sup>

If the positions of the Chair and the CEO are unified or held by the same person, the proper procedures to ensure check and balances have been laid down to ensure that the Board gets the benefit of independent reviews and perspectives, furthermore, a Lead Director, who shall be an independent director, shall be appointed in this case.<sup>36</sup>

The CEO shall have the following roles and responsibilities, among others:

- a. Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;
- b. Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- c. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
- d. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
- e. Directs, evaluates and guides the work of the key officers of the corporation;
- f. Manages prudently the corporation's resources and ensures a proper balance of the same;

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<sup>35</sup>Recommendation 5.4, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>36</sup>Recommendation 5.5, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

- g. Provides the board with timely information and interfaces between the board and the employees;
- h. Builds the corporate culture and motivates the employees of the corporation; and
- i. Serves as the link between internal operations and external stakeholders.

## 2. The Chief Operations Officer (COO)

The COO is one of the highest –ranking executive and is primarily responsible for the daily operations of the Company. Subject to the policies adopted by the Board or the Executive Committee, the COO shall manage the business of the corporation under the general supervision of the CEO and shall have the following powers and duties:

- a. Shall be the legal representative of the corporation in all transactions both with private or with all government branches or instrumentalities;
- b. Shall have general administrative supervision of the business of the corporation and shall be the head of all the personnel of the corporation;
- c. Prepare and submit to the Board a semi-annual budget covering the salaries of the personnel and other operating expenses of the firm;
- d. Shall have the power to appoint, subject to the approval of the President, any employee or agent of the corporation and to dismiss any of them for cause;
- e. Prepare and submit to the President, for approval, a complete report of business operations of the corporation at the close of each fiscal year;
- f. Sign the release of mortgage covering properties, mortgaged to the corporation as security either for losses or for funds or other accommodations granted by the corporation;
- g. Shall have ample discretion and power to issue any bond and insurance policy in any amount which is expeditious of the business requires, provided, however, that any and all building insurance policies so issued amounting to more than P50,000 shall be submitted to the Board of Directors or the Executive Committee for confirmation;
- h. Perform such other duties as may be prescribed by the Board of Directors or the Executive Committee of which may properly pertain to his office and which in his judgment, will serve the best interest of the corporation, provided that they are in conformity with the provision of statutory laws and of the By Laws;
- i. In the absence of the COO, the President or in his default, the Executive Vice President, shall assume the office and perform the duties of the COO.

## 3. The Corporate Secretary

The Board shall be assisted by the Corporate Secretary in its operations and must faithfully perform the duties of the office to the best of his ability.<sup>37</sup> Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity comes with his duties.

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<sup>37</sup>Recommendation 1.5, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.



Considering his varied functions and duties, he must possess administrative and interpersonal skills, and have a deep knowledge about insurance and working knowledge of the operations of the company. If he is not the general counsel, then he must have some legal skills and must also have some financial and accounting skills.

The Corporate Secretary shall be a Filipino Citizen and a resident of the Philippines, and must be a member of the Philippine Bar.

#### Duties and Responsibilities

- a. Responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other records of the Corporation;
- b. Be loyal to the mission, vision and objectives of the Corporation.
- c. Work fairly and objectively with the Board, Management, stockholders and other stakeholders.
- d. Responsible in notifying all the parties concerned in any stockholders and board meetings in accordance with the by laws. e) Ensure that the members of the Board have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- e. Have a working knowledge of the operations of the Corporation. Furthermore, he should assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- f. Attend all Board meetings, except when justifiable causes prevent him from doing so, and maintain record of the same.
- g. Ensure that all Board procedures, rules and regulations are strictly followed by the members.
- h. Prepare the agenda for Board and Executive Committee meetings and assist the directors in attending relevant seminars and trainings.

#### 4. The Compliance Officer<sup>38</sup>

The Board shall appoint a Compliance Officer who shall report directly to the Chairman of the Board.

The Compliance Officer, who should have a rank of Vice President or an equivalent position with adequate stature and authority in the corporation, shall be a member of the company's management team in charge of compliance function. He shall have the following duties and responsibilities:

- a. Ensure proper on-boarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
- b. Monitor, review and evaluate compliance by the corporation with this Code and the rules and regulations of regulatory agencies;

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<sup>38</sup>Recommendation 1.6, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

- c. If violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action;
- d. Ensure integrity and accuracy of all documentary submissions to regulators;
- e. Appear before the SEC, IC, AMLC and such other regulatory agencies when summoned in relation to compliance with this Code or rules and regulations;
- f. Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
- g. Identify possible areas of compliance issues and works towards the resolution of the same; and
- h. Ensure attendance of members of the Board and key officers to relevant trainings and performance assessment of key officers.
- h. Issue a certification every January 30<sup>th</sup> of the year on the extent of the Corporation's compliance with the Code for the completed year and, if there are any deviations, explain the reasons for such deviations.

#### 5. The External Auditor

The external auditor, through his designated role and responsibility, shall contribute to the enablement of good corporate governance as reflected in the financial records and reports of the Corporation. The external auditor shall undertake an independent audit which provides reasonable and objective assurance on the way the Corporation's financial statements have been prepared and presented. The external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee duly endorsed by the Board of Directors. The external auditor shall be required to stipulate his duties and responsibilities to the Corporation.

- a) The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.
- b) The external auditor of the Corporation shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that the other non-audit work shall not be in conflict with the functions of the external auditor.
- c) The Corporation's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier as the Audit Committee may recommend to the stockholders.
- d) If an external auditor believes that the statements made in the Corporation's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

e) The external auditor shall disclose non-audit work if any in the Annual Report to avoid and conflict of interest.<sup>39</sup>

f) Non-executive directors shall have a separate meeting with the external auditor without the executive directors to ensure an objective review of the Corporation's operations.<sup>40</sup>

#### 6. The Chief Audit Executive (CAE)/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.<sup>41</sup>The function shall be performed by the CAE/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.<sup>42</sup>

The company shall have in place an effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the company for the benefit of all stockholders and stakeholders.

The Corporate Governance Committee shall be responsible for the endorsement to the Board the approval of the appointment of the Internal Auditor as recommended by the Board Audit and Compliance Committee.

The CAE/Internal Auditor shall render to the Board and its Audit and Compliance Committee and senior management an annual report on the internal audit department's, purpose, authority, responsibility and performance relative to audit and Compliance Committee.

The minimum internal control mechanisms for management's operational responsibility shall center on the COO, being ultimately accountable for the Company's organizational and procedural control; and

The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of 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.

### **III. SHAREHOLDERS' BENEFITS, RIGHTS AND PROTECTION**

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

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<sup>39</sup>Recommendation 9.3, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>40</sup>Recommendation 5.7, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>41</sup>Recommendation 12.2, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>42</sup>Recommendation 12.3, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

## A. INVESTORS' RIGHTS AND PROTECTION<sup>43</sup>

### Rights of Investors/Minority Interests

The Board shall be committed to respect the following rights of the shareholders:<sup>44</sup>

#### 1. Pre-emptive Right

Shareholders shall enjoy preemptive right to subscribe to all issues or disposition of shares of any class, in proportion to their respective shareholdings, subject to limitations or exceptions as may be provided for by law.

#### 2. Voting Right

a) Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Revised Corporation Code.

b) Cumulative voting shall be used in the election of directors.

c) A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

#### 3. 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 Revised Corporation Code and shall be furnished annual reports, including financial statements, without cost or restrictions.

#### 4. Right to Information

a) The shareholders shall be provided upon requests, periodic reports filed with the SEC, IC or other regulatory agencies, which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the relationships among directors and key officers, and the aggregate compensation of directors and officers.

b) The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda in accordance with the articles of incorporation and by-laws of the Corporation, provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and the best practice.

c) The minority shareholders shall have access to any and all information relating to matters for which the management is accountable, subject only to confidentiality restrictions, and to those relating to matters for which the management shall include such information and, if not included such matters in the agenda of the shareholders' meeting, being within the definition of "legitimate purposes", and in accordance with law, jurisprudence and best practice.

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<sup>43</sup>Principle 13, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>44</sup>Recommendation 13.1, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

d) In promoting a comprehensive cost effective access to relevant information, the company shall include all media and analyst's briefings as channels of communication to ensure timely and accurate dissemination of public, material and relevant information to shareholders and other investors.<sup>45</sup>

#### 5. Right to Dividends

a) Shareholders shall have the right to receive dividends subject to the discretion of the Board.

b) The Corporation shall be compelled to declare dividends when its distributable 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's prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without consent, and such consent has not been secured; or (c) when it can be clearly shown that such retention is necessary under special circumstances obtaining reserve for probable contingencies.

#### 6. Appraisal Right

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

a) In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any shareholders or class of shares, or of authoring 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 Corporation Code; and

c) In case of merger or consolidation.

7. It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholder 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.

8. The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders shall be encouraged to

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<sup>45</sup>Principle 11 and Recommendation 11.1, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint proxy. Subject to the requirements of the by-laws, the exercise of that right should not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

9. The Board should take appropriate steps to remove excessive or unnecessary costs and other administrative impediment to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make sound judgment on all matters brought to their attention for consideration or approval.

B. Although all stockholders should be treated equally or without discrimination, the Board shall give the minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation.

1. The Board shall encourage active participation in Annual Shareholders' Meetings (ASM) and Special Shareholders Meetings. Notices of the same shall be given at least 21 days prior to the scheduled meeting.<sup>46</sup>

2. *The Results of votes in ASM and Special Shareholders meeting shall be publicly available next working day and posted at website within 5 days.*<sup>47</sup>

3. The Board shall make available, at the option of the shareholder, an alternative dispute mechanism to resolve intra corporate disputes in case there is any.<sup>48</sup>

#### **IV. DISCLOSURE AND TRANSPARENCY**

The essence of corporate governance is transparency. The more transparent the internal workings of the Corporation are, the more difficult it will be for management and dominant stockholders to mismanage the Corporation or misappropriate its assets.

It is therefore essential that all material information about the corporation which could adversely affect its viability of interest of the stockholders and other stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off-balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management.

A. The Board shall establish a Corporate Disclosure Policy and Procedure to ensure the comprehensive, accurate, reliable and timely report to shareholders and stakeholders that gives a fair and complete picture of the company's financial condition, results and business operations.<sup>49</sup>

B. The Board shall fully disclose all relevant and material info on members and key officers to evaluate experience and qualifications and assess any potential conflict in interest that may affect judgment.<sup>50</sup>

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<sup>46</sup>Recommendation 13.2, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>47</sup>Recommendation 13.3, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>48</sup>Recommendation 13.4, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>49</sup>Recommendation 8.1, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>50</sup>Recommendation 8.3, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

C. The Company shall provide a clear disclosure of its policies and procedure in setting Board and executive remunerations, as well as the level and mix of the same in the Annual Corporate Governance Report (ACGR) consistent with the ASEAN Corporate Governance Scorecard (ACGS) and the Revised Corporation Code.<sup>51</sup>

D. The Board shall fully disclose policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions. The material or significant RPTs shall be reviewed and approved by the Board and submitted for confirmation by the majority vote of the stockholders in the annual stockholders' meeting. All material or significant RPTs for the year shall be disclosed in the Company's ACGR.<sup>52</sup>

E. Corporate governance policies, programs and procedures shall be established, deemed included in the Manual and posted at the company's website.<sup>53</sup>

## **V. COMMUNICATION PROCESS**

This Manual shall be available for inspection by any stockholder of the Corporation at reasonable times on business days.

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

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

## **VI. TRAINING PROCESS**

A. If necessary, funds shall be allocated by the Board, upon recommendation of the CFO or its equivalent officer for the purposes of conducting an orientation program or workshop to operationalize this Manual.

B. A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute, likewise, an incumbent director shall be required to undergo the relevant continuing training/education on matters pertaining to management and governance.<sup>54</sup>

C. The Board shall undergo an annual self-assessment of their performance and every three (3) years, the same shall be conducted with an external facilitator to ensure objectivity.<sup>55</sup>

D. A system shall be established to provide for a minimum criteria for individual directors and a mechanism for feedback from shareholders.<sup>56</sup>

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<sup>51</sup>Recommendation 8.4, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>52</sup>Recommendation 8.5, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>53</sup>Recommendation 8.6, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>54</sup>Recommendation 1.3, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>55</sup>Recommendation 6.1, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

<sup>56</sup>Recommendation 6.2, Revised Code of Corporate Governance for ICRCs, IC CL 2020-71.

## VII. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

To strictly observe and implement the provisions of this Manual, the Board of Directors may impose other penalties in addition to those provided in the Revised Code of Corporate Governance, after notice and hearing, on the individual directors, officers and employees, such as censure, suspension and removal from office depending on the gravity of the offense as well as the frequency of the violation.

The commission of a grave violation of this Manual by any member of the Board of the Corporation shall be sufficient cause for removal from directorship.

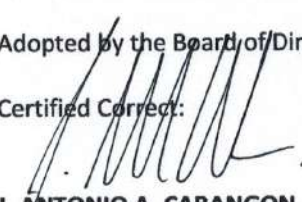
## VIII. EFFECTIVITY

The Revised Manual on Corporate Governance shall take effect fifteen (15) days upon approval of the Board of Directors.

This Manual shall be posted in the Corporation's website and shall be available for inspections by any stockholder of the Corporation at reasonable times on business days.

Adopted by the Board of Directors, \_\_\_\_\_

Certified Correct:

  
**J. ANTONIO A. CABANGON, JR.**  
Chairman of the Board

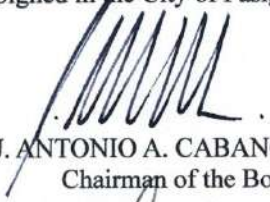
  
**CENON ANTONIO GERARD M. LUKBAN**  
Compliance Officer

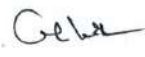


**CERTIFICATION**

The undersigned certify that the responses and explanations set forth in the above company's Annual Corporate Governance Report are true, complete and correct of our own personal knowledge and/or based on authentic records.

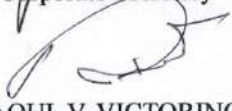
Signed in the City of Pasig on the 27<sup>th</sup> day of July 2021.

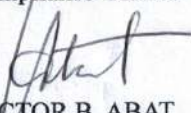
  
J. ANTONIO A. CABANGON, JR.  
Chairman of the Board

  
MANUEL M. MALOLES  
President/CEO


  
SOCRATES M. AREVALO  
Corporate Secretary

  
CENON ANTONIO GERARD M. LUKBAN  
Compliance Officer

  
RAOUL V. VICTORINO  
Independent Director

  
VICTOR B. ABAT  
Independent Director

  
HERMINIA S. JACINTO  
Independent Director

  
JOSE G. BANZON, JR.  
Independent Director

SUBSCRIBED AND SWORN to before me this 29 JUL 2021 day of PASIG CITY 2021, by the following who are all personally known to me (or whom I have identified through competent evidence of identity) and who exhibited to me their respective identification documents as follows:

Name	ID No.	Date and Place Issued
J. ANTONIO A. CABANGON, JR.		
MANUEL M. MALOLES	Passport# P2384854B	01 July 2019 / DFA NCR South
SOCRATES M. AREVALO		
CENON ANTONIO GERARD M. LUKBAN	Passport# P0977545A	21 Nov. 2016 / DFA Manila
RAOUL V. VICTORINO		
VICTOR B. ABAT		
HERMINIA S. JACINTO		
JOSE G. BANZON, JR.		

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Book No. CCCXXVI  
Series of 20 21

  
DOMINGO B. TEJERO  
NOTARY PUBLIC - Pasig City  
Appl. No. 103-018 dated 03/31/2021  
Unit 103-C18, MN Square Building  
678 Shaw Blvd., Kapitolyo, Pasig City  
PTR No. S242658 Pasig City 1-4-21  
IBP OR No. 141020 for 2021 Muzal 1-4-21  
Roll No. 28963 Tel. No. 635-47-02  
MCLE VI-Compliance No. VI-0004652, 12-7-17  
TIN: 135-064-700