



# **MANUAL ON CORPORATE GOVERNANCE**

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## Commitment to Good Corporate Governance

The Board of Trustees and Management of Insular Life hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of its Corporate goals.

## Objectives

This Manual is primarily intended to implement the objectives of the Code of Corporate Governance issued by the Insurance Commission (IC) for the enhancement of the corporate accountability of insurers and intermediaries and promote the interests of the stakeholders specifically those of the policyholders, claimants and clients.

This Manual also institutionalizes the principles of good corporate governance in the entire organization. It provides general guidelines that would ensure that the Corporation's Management continues to enhance the value of the Corporation as it competes in an increasingly global market place.

The Corporation's Board of Trustees and Management, employees, and policyholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management, and will therefore undertake every effort necessary to create awareness within the organization of the importance of good corporate governance.

## Definition of Terms

The following are working definitions of terms used in this Manual:

- **Board of Trustees** –the collegial body that exercises the corporate powers of the Corporation. It conducts all businesses and controls or holds all properties of the Corporation.
- **Control Environment** – The control environment is composed of : (a) the Board which ensures that the Corporation is appropriately and effectively managed and controlled; (b) a Management that actively manages and operates the corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by an effective management information system and risk management reporting system; and (d) the independent audit mechanisms to monitor the adequacy and effectiveness of the organization’s governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts.
- **Corporate Governance** – is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimized.
- **Corporation/Company** – as referred to in this Manual is Insular Life.
- **Executive Trustee** – refers to a Trustee who is at the same time appointed to head a department/unit within the corporate organization.
- **Independent Trustee** – refers to a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having any relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a Trustee. This means that apart from the Trustee’s fees and shareholdings, he should be independent of management and free from any business or other relationship which could materially interfere with the exercise of his independent judgment.
- **Internal Auditing** – refers to an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

- **Internal Control** – refers to the process effected by the Corporation’s Board of Trustees, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws, regulations, and internal policies.
- **Independence** – refers to the environment which allows the person to carry out his/her work freely and objectively.
- **Management** – refers to the body given the authority to implement the policies determined by the Board in directing the course/business activities of the Corporation.
- **Member** – Membership in the Corporation shall consist of its individual policyholders of life, health or accident insurance or annuity contracts and the master policyholder only of any group insurance policy or plan excluding individual certificate holders under such master policy.
- **Non-Executive Trustee** – refers to a Board Member with non-executive functions.
- **Objectivity** – refers to unbiased mental attitude that requires the person to carry out his/her work in such manner that he/she has an honest belief in his/her work, work product and that no significant quality compromises are made. Objectivity requires the person not to subordinate his/her judgment to that of others.
- **Officer** – The Chairman of the Board of Trustees, the Chairman of the Executive Committee, the Vice Chairman of the Executive Committee, the President, the Vice Presidents, the Treasurer, the Assistant Treasurer, the Secretary, the Assistant Vice Presidents and the Assistant Secretary are officers of the Corporation.
- **Quorum** – The presence in person or by proxy of five (5) percent of the Members entitled to vote at any meeting shall constitute a quorum for the transaction of business unless otherwise provided for by law.
- **Related interests** – shall mean individuals related to each other within the fourth consanguinity or affinity, legitimate or common law, and two or more companies owned or controlled by a single individual or by the same family group or the same group of persons.
- **Related Party** – Any party, individual, group or entity, as defined below:
  - a. A trustee of the Company and/or its subsidiaries and affiliates;
  - b. An Officer of the Company and/or its subsidiaries and affiliates;
  - c. A close family member of a trustee or Officer of the Company and/or its subsidiaries and affiliates;
  - d. An entity which is a subsidiary or affiliate of the Company;
  - e. An entity which has an existing contractual relations with the Company;

- f. An entity which, together with the Company, has a joint venture/strategic interest with the same third party;
- g. An entity which provides a post-employment benefit plan for the employees of either the Company and/or its subsidiaries and affiliates;
- h. An entity which is controlled, jointly-controlled or is significantly influenced by a person identified in a, b and c.; and
- i. Such other parties, individuals, groups etc. as may be determined by the Company as a Related Party.

- **Related Party Transactions (RPTs)** – Other than insurance contracts, RPTs include any transactions referring to transfer of resources, services or goods between the Company and a Related Party, regardless of whether a price is charged. RPTs do not include the purchase of a life insurance contract which is sold by the Company in the ordinary course of its business.

RPTs shall be interpreted broadly to include not only transactions that are entered into with Related Parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a Related Party.

- **Risk Management** – procedure to minimize the adverse effect of a financial loss by (a) identifying potential sources of loss; (b) measuring the financial consequences of loss occurring; and (c) using controls to minimize actual losses or their financial consequences.
- **Significant influence** – The power to participate in the financial and operating policy decisions of an entity but is not in control of those policies. Significant influence may be gained by share ownership, statute or agreement.
- **Stakeholders** – refers to the group of policyholders, officers, employees, agents, suppliers, creditors and the community.

# The Board

The Company is headed by a competent, working Board that fosters the long-term success and sustainability of the corporation in a manner consistent with its corporate objectives and the long-term best interests of its stakeholders.

## 1. Board Organization

- 1.1 The Board of Trustees shall consist of nine (9) Trustees.
- 1.2 Immediately after their election, the Trustees shall meet, and shall elect, from among themselves, a Chairman of the Board of Trustees, a Chairman of the Executive Committee, a President, and at least four members for the Executive Committee. They shall likewise appoint a Secretary and Treasurer who need not necessarily be members of the Board.
- 1.3 The Board of Trustees may elect a Trustee-member of the Executive Committee as Vice Chairman of the Executive Committee who shall exercise all the powers and prerogatives of the Chairman of the Executive Committee in the latter's absence or illness.
- 1.4 The Board of Trustees should be composed of a majority of non-executive trustees who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on company affairs and to substantiate proper checks and balances.

## 2. Members of the Board

### 2.1 Nomination

- a) Each year, the Nominations Committee shall deliver in writing to the Board of Trustees on or before the fourth Wednesday of January of such year for approval the names of persons as candidates for election as Trustees at the next Annual Members' Meeting. The number of candidates submitted shall be at least the same as the number of Trustees in the class to be elected at the next Annual Members' Meeting subject to the provisions of the Company By-laws.
- b) Members may nominate candidates for the Board of Trustees if made in writing by Seven Hundred Fifty (750) or more Members of the Corporation and such written nomination shall have been delivered to the Board of Trustees on or before the fourth Wednesday of January immediately preceding the Annual Regular Meeting, setting forth the name(s) of the nominees and his or their written acceptance of the nomination.
- c) The Nominations Committee undertakes the process of identifying the quality of Trustees aligned with the company's strategic directions and the possession of relevant experience for possible Board Committee memberships.



## 2.2 Election

- a) At each Regular Members' meeting, an election shall be held of one class of Trustees to serve for three (3) years or until the election and qualification of their successors.

## 2.3 Qualifications

- a) Any person who is a Member of the Corporation and a citizen and resident of the Philippines.
- b) Any person who is at least twenty-five (25) years old at the time of his appointment
- c) Any person possessed with the necessary, competence and experience, in terms of management capabilities and preferably in the field of insurance or insurance-related disciplines. In view of the fiduciary nature of insurance obligations, Trustees shall also be persons of integrity and credibility.

The members remain qualified for their positions individually.

## 2.4 Disqualification

The following are grounds for disqualification of members of the Board:

### *A. Permanent Disqualification*

- a) Any person who has been finally convicted by a competent judicial or administrative body of the following:
  - i. Any crime involving the purchase or sale of securities (e.g. proprietary or non-proprietary membership certificate, commodity futures contract, or interest in a common trust fund, pre-need plan, pension plan or life plan);
  - ii. Any crime arising out of the person's conduct as an underwriter, broker, dealer, investment company, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor and/or floor broker; and
  - iii. Any crime arising out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them.
- b) Any person who, by reason of any misconduct, after a hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the Securities and Exchange Commission (SEC) or any court or other administrative body of competent jurisdiction from:
  - i. Acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, and/or a floor broker;

- ii. Acting as a director, Trustee or officer of a bank, quasi-bank, trust company, investment house, investment company, or an affiliated person of any of them; and
- iii. Engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities, and banking activities.

Such disqualification shall also apply if such person is currently subject to an effective order of the SEC or any court or other administrative body denying, revoking or suspending any registration, license or permit issued under the Corporation Code, Securities Regulation Code, or any other law administered by the SEC or the Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation promulgated by the SEC or the BSP, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from associating with a member or participant of the organization.

- c) Any person who, by reason of any misconduct, after a hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the Insurance Commission (IC) or any court or other administrative body of competent jurisdiction from:
  - i. Acting as an agent, underwriter, broker, intermediary, actuary, or adjuster; and
  - ii. Acting as a director, Trustee or officer of an insurance company, re-insurance company or any IC Regulated Entity.

Such disqualification shall also apply if such person is currently subject to an effective order of the IC or any court or other administrative body denying, revoking or suspending any registration, license or permit issued under the Insurance Code, or any other law issued, administered by the IC. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from associating with a member or participant of the organization.

- d) Directors, trustees, officers or employees of closed insurance companies or any insurance intermediaries who were responsible for such institution's closure as determined by the insurance Commission.
- e) Any person finally convicted judicially or administratively of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false oath, perjury or other fraudulent act or transgressions.
- f) Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the SEC or the BSP, or any rule, regulation or order of the SEC or the BSP, or who has filed a materially false or misleading application, report or registration statement required by the SEC, or any rule, regulation or order of the SEC.
- g) Any person judicially declared to be insolvent, bankrupt, or unable to enter into a contract.

- h) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in paragraphs (a) to (g) hereof.
- i) Any affiliated person who is ineligible, by reason of paragraphs (a) to (g) hereof to serve or act in the capacities listed in those paragraphs.
- j) Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.
- k) Any person engaged in any business that competes or is antagonistic to that of the Corporation.
  - i. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged if he is a director, trustee, officer, stockholder, employee, agent or general agent, officer or employee of a general agent, of any corporation engaged in a business which the Board, by at least two-thirds (2/3) vote, determines to be competitive or antagonistic to that of the Corporation.
- l) Any person who is an agent or general agent of the Corporation, or an employee, officer, trustee, or stockholder of said agent or general agent.
- m) Any person who is an insurance broker or an employee, officer, trustee, or stockholder of such insurance broker.
- n) Any person who is determined by the Board of Trustees by at least two-thirds (2/3) vote to be the nominee of any person set forth in paragraphs (i) to (k).
  - i. In determining whether or not a person is a nominee of another, the Board may take into account such factors as business and family relationships.

### *B. Temporary Disqualification*

Meanwhile, any of the following shall be a ground for the temporary disqualification of a Trustee:

- a) Refusal to fully disclose the extent of their business interests when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the Insurance Commission, the Securities Regulation Code and its Implementing Rules and Regulations.
  - This disqualification shall be in effect as long as his refusal persists.
- b) Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Trustees during his incumbency, or any twelve (12) month period during said incumbency.
  - This disqualification applies for purposes of the succeeding election.
- c) Dismissal/termination from Trusteeship in another corporation for cause.
  - This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity.

- d) Being a Director, Trustee or Officer of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
- e) Being under preventive suspension by the Corporation. If the Trustee becomes an Officer or employee of the same Corporation, he shall be automatically disqualified from being a Trustee.
- f) Conviction that has not yet become final referred to in the grounds for the disqualification of Trustees.
- g) Failure to observe/dischage of duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification by the IC.
- h) Failure to attend the special seminar on corporate governance. This disqualification applies until attendance at such seminar or its equivalent.
- i) Having derogatory records with the NBI, court, and police involving violation of any law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of a Trustee. This disqualification applies involvement in the alleged irregularity has been cleared;
- j) Having delinquency in the payment of obligations as defined hereunder:
  - i. Delinquency in the payment of obligations means that obligations of a person with the insurance company or its related companies where he/she is a director, trustee or officer; or at least two obligations with other insurance companies, under different credit lines or loan contracts;
  - ii. Obligations shall include all borrowings from an insurance company, or its related companies obtained by:
    1. A director, trustee or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorser, or surety for loans from such institutions;
    2. The spouse or child under the parental authority of the Trustee;
    3. Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of Trustee or officer;
    4. A partnership of which the Trustee or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
    5. A corporation, association or firm wholly-owned or majority of the capital is contributed by any or a group of persons mentioned in the foregoing items 1, 2, and 4:

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

## 2.5 Independent Trustee

The Board shall be composed of at least two (2) Independent Trustees to ensure that strong independent element and sufficient check and balance exist. They shall serve for a maximum of nine (9) years.

An **Independent Trustee** shall refer to a person who –

1. is not or was not a regular director, officer or employee of the covered entity, its subsidiaries, affiliates or related companies during the past three (3) years counted from the date of his election/appointment;
2. is not or was not a regular director, officer, or employee of the covered entity's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;
3. is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the covered entity, or in any of its related companies or of its majority corporate shareholders;
4. is not a relative by affinity or consanguinity within the fourth (4th) degree of a director, officer, or stockholder holding shares of stock sufficient to elect one (1) seat in the board of the covered entity or any of its related companies or of any of its substantial stockholders;
5. is not acting as a nominee or representative of any director or substantial shareholder of the covered entity, any of its related companies or any of its substantial shareholders;
6. is not or was not retained as professional adviser, auditor, consultant, agent or counsel of the covered entity, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election/appointment;
7. is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
8. is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the covered entity or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;
9. was not appointed in the covered entity, its subsidiaries, affiliates or related companies as Chairman "Emeritus", "Ex-Officio", Regular Directors, Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his election/appointment;
10. is not affiliated with any non-profit organization that receives significant funding from the covered entity or any of its related companies or substantial shareholders; and
11. is not employed as an executive officer of another company where any of the covered entity's executives serve as regular directors. Related company refers to (a) the covered entity's holding/parent company; (b) its subsidiary or affiliate; (c) subsidiaries of its holding/parent company; or (d) a corporation where a covered entity or its majority stockholder own such number of shares that will allow/enable such person or group to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner.

Related company refers to (a) the covered entity's holding/parent company; (b) its subsidiary or affiliate; (c) subsidiaries of its holding/parent company; or (d) a corporation where a covered entity or its majority stockholder own such number of shares that will allow/enable such person or group to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner.

### 3. Duties and Responsibilities of the Board

A Trustee's office is one of confidence and reliance. He shall act in the best interest of the Corporation in a manner characterized by transparency, accountability, and fairness. He shall exercise leadership, prudence and integrity in directing the corporation towards sustained progress over the long term.

To ensure good governance of the Corporation, the Board shall establish the Corporation's vision and mission, strategic objectives, action plans, reporting process, policies and procedures that will guide and direct the activities of the Corporation. The Board shall also establish a systematic mechanism for monitoring and reviewing Management's performance towards the attainment of the Corporation's short-and long-term strategic objectives.

#### 3.1 General Duties and Functions

To ensure a high standard of best practice for good corporate governance for the Corporation and its stakeholders, the Board of Trustees shall strive to fulfill to its greatest ability the following powers, duties, and attributes, in addition to those assigned to it by the Corporation Code and other sections of the Corporation's By-Laws:

- a) Install a process of selection and training to ensure a mix of competent members of the Corporation's Board of Trustees and its Management, each of whom can add value and contribute independent judgment to the formulation of sound corporate objectives, strategies, action plans and policies, specifically:
  - i. Appoint or provide for the appointment of the Chief Executive Officer (CEO), the President (if different from the CEO), Vice Presidents and Assistant Vice Presidents, or such other positions who need not necessarily be members of the Board of Trustees, Attorneys in Fact, Managers, Assistant Managers, Assistant Secretaries and Legal Counsel for the Corporation, and fix their duties, responsibilities and powers;
  - ii. Provide the Trustees on-going or continuous professional education programs and the Board shall assess the adequacy of Trustee development and education for individual Trustees and for the Board as a team.
  - iii. Review performance of the Board and senior management, and succession planning including the replacement, appointment, training and remuneration of senior executive officers to ensure that there is balance of appropriate skills within the Board and the company

- The Non-executive Trustees, led by the independent Trustee, shall meet annually without the Chairman’s presence to appraise the chairman’s performance and on other such occasions deemed appropriate.
    - Performance evaluation of the Chairman is conducted by Non-executive Trustees.
  - iv. Appoint a Corporate Secretary;
  - v. Appoint qualified officers according to the “Fit and Proper” standards of the IC’s Code of Corporate Governance
  - vi. Adopt a professional development program for members of the Corporation’s management and general employee force, as well as a succession planning for senior management;
- b) Determine the Corporation’s purpose, its vision/mission and core values, its corporate objectives, its specific strategies and action plans to support the attainment of its objectives, and general policies that would ensure its survival and continued growth. Specific to this duty are the following:
  - i. Determine the forms and conditions of all types of insurance policies that may be issued and the time for the commencement of placing them in the insurance market;
  - ii. Determine the period, manner and conditions under which the Corporation shall engage in the kinds of business comprised in its Articles of Incorporation;
  - iii. Establish and adopt a schedule of matters and authorities specifically reserved for its decision as a safeguard against the risk of mis-judgment or deliberate illegal or irregular practices, which shall include the following matters:
    - Acquisition and disposal of assets or the Corporation or of its subsidiaries that are material in nature;
    - Related-party transactions of a material nature;
    - Authority levels for core functions of the Corporation;
    - Organizational structure job description and authority limits for the Chief Executive Officer, including any changes thereto.
    - Corporate policies on investments, underwriting, reinsurance, claims management;
    - Out-sourcing of core business functions.
    - Making major contributions to philanthropic organizations and NGOs.
- c) Determine the manner in which the corporate capital shall be invested, subject to the provisions of Article 2 of the Corporation’s By-Laws, a resolution being required for each investment or loan, except investments or loans of relatively small amounts, which the Board by resolution may authorize certain officers to approve subject to specified guidelines, and except insurance policy loans in accordance with policy provisions;
  - i. In instances when there would be mergers, acquisitions and/or takeover requiring Policyholder-members’ approval, the Board shall appoint an independent party to evaluate the fairness of all aspects of the transaction including its transaction price.

- d) Decide as to the safekeeping of the funds of the Corporation, open current accounts, fixed deposit accounts and savings account with any bank authorized to operate in the Philippines and/or abroad;
- e) Determine the creation of branches, agencies, and office departments of any class, under the conditions it may deem convenient;
- f) Approve the annual strategic plans, financial objectives, budgets and general expense accounts of the Corporation and monitors corporate performance;
  - i. Review and approve material transactions not in the course of the Company's business
  - ii. Submit annually to the regular meeting of members the Balance Sheet, Profit and Loss Statement and Annual Report on the condition of the Corporation;
  - iii. Determine and segregate the sum that the Board may deem sufficient to distribute as dividends or experience refunds to policyholders;
  - iv. Authorize any other person or persons it may deem fit, aside from the Chairman of the Executive Committee, to purchase, sell, or mortgage the real or personal properties of the Corporation; and
  - v. Authorize any other person or persons it may deem fit, aside from the Chairman of the Executive Committee, to cancel mortgages or pledges, executed as securities for loans and bonds when the mortgages have been repaid to the Corporation and when the bonds have been cancelled.
- g) Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices.
  - i. Provide for continuous learning and education for the Board and key officers to ensure that the Company is updated with regulations, industry news and is better able to identify and take timely advantage of strategic partnerships and opportunities;
  - ii. Provide for continuous learning and education for the Officers and Staff to ensure that they are updated with pertinent laws (i.e. Insurance, AMLA, CISA, DPA, others), rules, and regulations, and are better able to perform their roles, contribute and achieve corporate objectives; and
  - iii. Allocate funds therefor.
- h) Disclose non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.
  - a) Implements a globally recognized standard/framework in reporting sustainability and non-financial issues.
- i) Identify the Corporation's stakeholders and formulate a clear policy on communicating and relating with them, and protecting their interest.
  - i. The Board must formulate and maintain a policy that will allow the Board and management to communicate with the stakeholders through an effective Member relations program.
  - ii. The Board shall use the Annual Members' Meeting to communicate with members and encourage their participation.



- iii. The Chairman of the Board and the Chairmen of other Board Committees shall be present during the meeting to answer any questions by the members.
  - iv. The Board shall identify the Company's various stakeholders and promote cooperation between them and the Company in creating wealth, growth and sustainability.
  - v. The Board shall provide a mechanism on fair treatment, on stakeholders' interest protection, and on redress for violation of stakeholders' rights.
- j) Present a balanced and understandable assessment of the Corporation's position and prospects.
- i. The Board's responsibility to present a balanced and understandable assessment should extend to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.
- k) Make rules for the internal regulation of the Corporation which includes a regular review of the effectiveness of the internal checks and balances to ensure that the decision-making capability and the integrity of corporate operations and reporting systems are maintained at a high level at all times
- i. Maintain an adequate and effective sound system of internal control and management information systems to safeguard stakeholders' investments and the Corporation's assets.
  - ii. Identify key business risks, establish operational risk-taking limits commensurate with the financial capacity and technical capabilities for the Corporation's core activities, specifically underwriting, reinsurance and investment, taking into consideration the pertinent provisions of the Amended Insurance Code, and insuring the implementation of appropriate systems to manage risks within set limits.
    - Oversee the implementation of a corporate risk framework that is dynamic and responsive to the best interest and needs of the Organization; and
    - Oversee the creation, monitoring, and review of risk policies and procedures.
  - iii. Approve corporate policies on major areas of operations, including underwriting, investments, reinsurance and claims management.
- l) Determine the manner and conditions under which trustees and employees of the Corporation may be granted pension retirement, gratuity, life insurance and other benefits.
- m) Institute, maintain, defend, compromise or drop any litigation in which the Corporation or its officers may be interested as plaintiff or defendant, in connection with the business of the Corporation.
- n) Identify key performance indicators, and establish performance standards for the monitoring of the attainment of the corporate objectives.

- o) Properly discharge Board functions through regular and special meetings whereby independent views during Board meetings shall be given due consideration and all such meetings shall be duly documented.
  - i. Members of the Board should attend regular and special meetings of the Board of Trustees in person or through advances in technology (e.g. teleconferencing systems, remote communications or in absentia, etc.) that enable the Trustee to still actively participate in said meetings.
  - ii. Members of the Board may vote during regular and special meetings of the Board of Trustees held through advances in technology (e.g. teleconferencing systems, remote communications or in absentia, etc.).
  
- p) Settle any doubts that may arise relative to the interpretation of the Corporation's By-Laws and supply any omissions, reporting thereon to the Members' meeting for such action as it may see fit to make.
  
- q) Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation.
- r) 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.
- s) Assess its own effectiveness in fulfilling its responsibilities.
  - i. The Board conducts an annual assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment may be supported by an external facilitator.

### **3.2 Specific Duties and Responsibilities**

A Trustee shall have the following duties and responsibilities:

- a) Conduct fair business transactions with the Corporation ensure that personal interest does not compromise his impartiality does not bias Board decisions.
  - i. If an actual or potential conflict of interest should arise on the part of a member of the Board of Trustees, it should be fully disclosed to the Board and the concerned Trustee should not participate in the Board's decision making in relation to the conflict of interest.
  - ii. A Trustee who has, or is perceived to continue to have, a conflict of interest of a material nature with the Corporation should resign as member of the Board of Trustees.
  
- b) Devote time and attention necessary to properly discharge his duties and responsibilities.
- c) Act judiciously.
- d) Exercise independent judgment, keeping an objective view on each problem or situation presented.

- e) Have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Securities and Exchange Commission, the requirements of the Insurance Commission, and where applicable, the requirements of other regulatory agencies. A trustee shall also keep himself informed of industry developments and business trends to protect and enhance the company's competitiveness.
- f) Observe confidentiality of non-public information acquired by reason of his position as a member of the Corporation's Board of Trustees.
  - i. Any non-public information should not be disclosed to any other party without the authority of the Board.
- g) Ensure the continuing soundness, effectiveness and adequacy of the Corporation's Control Environment.
- h) Each trustee is provided with a copy of the specific duties and responsibilities of the Board of Trustees, and the responsibilities of each trustee at the time of election. Each trustee shall acknowledge receipt and certify their understanding of the same.
- i) Notify the Board before accepting a directorship or trusteeship in another company.

### **3.3 Powers and Duties of the Chairman of the Board**

The Chairman of the Board of Trustees shall have the following powers and duties:

- a) Preside at all of the Members' meetings and meetings of the Board of Trustees.
  - i. 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;
  - ii. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors/trustees;
  - iii. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- b) Cast the deciding vote in case of a tie in the Members' meetings or in the Board of Trustees' meetings.
- c) Ensure that the Board/Board committees have all the necessary information and resources in order for them to make sound decisions and fulfill their roles as such.
  - i. The Trustees should receive accurate, timely, relevant, insightful, concise, clear and complete information.
  - ii. The company has an orientation program for new Trustees and continuing training opportunities for all directors/trustees.
  - iii. All Trustees shall continually update their skills, knowledge and familiarity with the company's goals and objectives.
  - iv. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.
- d) Exercise such other powers and duties that are given him by the Corporation's By-Laws.

## 4. Board Diversity and Independence

4.1 The Board shall be composed of executive and non-executive Trustees, including independent non-executive Trustees, having a clear division of responsibilities such that no individual or small group of individuals can dominate the Board's decision-making.

a) The Company seeks to maintain a Board with a diverse mix of expertise, experience, skills and backgrounds. For purposes of Board composition, it includes, but is not limited to, business acumen, professional experience, skills and competencies, background, gender, age, knowledge and other regulatory requirements.

b) To achieve its diversity aspirations, the Board will:

- i. Set measurable objectives and criteria to achieve its diversity goal.
- ii. Ensure the board's composition considers the balance of skills, experience, knowledge, perspectives, independence and characteristics in alignment with the strategic needs and goals of InLife and the environment in which it operates.
- iii. Direct the search consultant or firm (if any) to deliver a gender-balanced slate of diverse and equally qualified potential candidates.
- iv. Maintain an ongoing list of potential candidates. The list will include equal numbers of both genders. Whenever the list is not gender balanced for each cycle of Board recruitment, will not rely on the list but will search beyond it to bring it back into balance.

4.2 The Non-executive Trustees shall be of sufficient qualification, stature and number to carry significant weight in the Board's decisions. Non-executive Trustees considered by the Board to be independent shall be identified in the annual report.

4.4 The optimum number of directorships a Trustee should hold outside of the Insular Group shall be generally related to the capacity of a Trustee in performing his duties diligently. For Independent Trustees, the number of directorships that they may simultaneously hold in Insurance Commission Regulated Entity (ICRE) and Publicly Listed Companies (PLCs) shall be limited to five (5).

4.5 Considering that the insurance business is imbued with public interest, the role of the Chairman and Chief Executive Officer shall be separate, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

Where the roles are combined, there shall be a strong independent element on the Board. Check and balance shall be clearly provided for, to help ensure that independent outside views, perspectives and judgments are given proper hearing on the Board.

## 5. Board Decisions

Board Decisions shall be made with minimum quorum requirement of two-thirds (2/3) of the Board of Trustees.

## 6. Performance Evaluation

- 6.1. The Board of Trustees conducts an annual evaluation of its performance through self-assessment by the individual Trustees of their respective individual performance, the performance of the Board Committee to which they belong and the Board as a whole through the accomplishment of Self-Assessment Forms (SAF).
- 6.2. The Chairman's performance is evaluated by non-executive Trustees, taking into consideration the views of the executive Trustees. Non-executive Trustees shall submit an accomplished Assessment Form of the Board Chairman (Annex A) to the Governance Committee. The Non-Executive Trustees may meet separately to conduct this assessment.
- 6.3. The conduct of an annual performance assessment of the CEO is the responsibility of the Personnel and Compensation Board Committee.
- 6.4. The SAFs are based on the Company By-Laws, IC Code of Corporate Governance and other criteria that the IC may prescribe.
  - a) The self-assessment shall be done at the end of the year. The accomplished SAFs shall be submitted to the Corporate Secretary on or before the first Board meeting of the ensuing year.
  - b) There shall be an assessment of the effectiveness of the Board and its Committee's processes and performance.
  - c) All performance evaluation results shall be disclosed in the Annual Report.

## 7. Remuneration

- 7.1. The levels of remuneration, which is commensurate to the responsibilities of the role, shall be sufficient to attract and retain the services of qualified and competent trustees and officers.
- 7.2. The remuneration of the Board members and key officers may be structured or be based on corporate and individual performance.
- 7.3. The corporation shall establish a formal and transparent procedure for the development of a policy on executive remuneration or determination of remuneration levels for individual trustees and key officers.
  - i. Remuneration of Board members and key officers should be aligned with the long-term interests of the Company.
  - ii. Remuneration pay-out schedules should be sensitive to risk outcomes over a multi-year horizon.

- iii. The Board shall provide for a mechanism to review the remuneration of Trustees and key officers.
  - iv. No trustee shall participate in discussions or deliberations involving his/her own remuneration.
- 7.4. The corporation's annual reports, information and proxy statements shall include a clear, concise, and understandable disclosure of all fixed and variable compensation that may be paid to its trustees and key officers during the preceding fiscal year. The corporation shall disclose such compensation of its Trustees and key officers in accordance with the provisions of the applicable laws.
- 7.5. 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.
- 7.6. Disclosure of remuneration shall be in accordance with the applicable laws, rules and regulations.

## 8. Vacancy of Office of Trustees

- 8.1. Death, legal incapacity, or resignation of a Trustee of any class shall create a vacancy in that class.
- 8.2. In case of any vacancy in any class, other than by removal or expiration of term, the remaining members of the Board, if constituting a quorum, may elect a new Trustee to hold office for the un-expired term of the vacancy that exists.
- 8.3. If the remaining members of the Board do not constitute a quorum, the vacancy or vacancies may be filled up by a special election, provided that if the vacancy occurs not more than ninety (90) days before the next regular meeting, it shall be filled up at that meeting.

## 9. Liability of Trustees for Unauthorized Acts

- 9.1. Trustees who willfully and knowingly vote for or assent to patently unlawful acts of the Corporation, or who are guilty of gross negligence or bad faith in directing the affairs of the Corporation, or acquire any personal or pecuniary interest in conflict with their duty as such Trustees, shall be liable jointly and severally for all damages resulting therefrom suffered by the Corporation, its Members and other persons.
- 9.2. When a Trustee or officer attempts to acquire or acquires, in violation of his duty, any interest adverse to the Corporation in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a Trustee for the Corporation and must account for the profits which otherwise would have accrued to the Corporation.

## Board Committees and Other Officers

To aid in complying with the principles of good corporate governance and to ensure the active participation of the members of the Board in the management of the company, the Corporation's Board of Trustees shall constitute the following Board Committees:

### **1. Executive Committee**

An Executive Committee composed of a Chairman, a Vice Chairman, and three (3) members elected and appointed to the same by the Board from among its Members shall be formed each year.

1.1 The Executive Committee shall have the following powers and duties:

- a) The Committee shall exercise any of the powers and attributes, allowable by law, of the Board of Trustees during the intervening period between the Board's meetings.
- b) The Committee shall report all resolutions adopted by it to the Board of Trustees at the first meeting that the latter may subsequently hold.

1.2 The Chairman of the Executive Committee is the Chief Executive Officer and legal representative of the Corporation and has the following powers:

- a) Execute the resolutions of general meetings of the Members, of the Board of Trustees, and of the executive Committee
- b) Sign, in accordance with said resolutions, such contracts, instruments and powers of attorney as may be necessary
- c) Represent the Corporation and vote at stockholders' meetings all stocks owned by the Corporation in other corporations or companies
- d) Prepare the annual budget of the Corporation
- e) Appoint and discharge employees occupying the positions authorized by the Board of Trustees or by the Executive Committee.
- f) Supervise the accounting and cash, and sign with the President and the Treasurer, the Balance Sheet, Profit and Loss Statement, and Annual Reports.
- g) Attend to the correspondence and sign receipts for incoming monies.
- h) With the consent of the Board of Trustees, the Chairman of the Executive Committee may delegate to any of the officers of the Corporation any and all powers granted him, provided, however, that such delegation shall not divest the Chairman of the authority to exercise the same powers

1.3 Three (3) members of the Executive Committee shall constitute a quorum. In any case, the affirmative votes of at least three (3) shall be required to pass resolutions which shall be valid as corporate acts.

- 1.4 During the absence or incapacity of both the Chairman and Vice Chairman of the Executive Committee, the Board of Trustees shall designate who among its members shall act as Acting Chairman of the Executive Committee.

## **2. Board Committees**

Other Board Committees have been formed namely, Audit Committee, Finance, Budget, and Investment Committee, Governance Committee, Information Technology & Innovation Committee, Nominations Committee, Personnel and Compensation Committee Related Party Transactions Policy Committee and Risk Committee to assist the board in the performance of its functions. The respective Charters of these board committees are shown in the Annexes section of this Manual.

Board committee meetings are attended only by its members. However, others may attend upon invitation.

## **3. Other Officers**

### **3.1 Corporate Secretary**

- a) The Board shall appoint a Corporate Secretary who shall be a Filipino citizen and an officer of the Company. He should possess administrative, interpersonal, legal skills, as well as some skills in finance, accounting or corporate secretarial practices. He shall be capable of carrying out the duties to which the post entails and his removal shall be a matter for the entire Board to decide.
- b) Aside from duties assigned to him as stated in the Corporation's By-laws, he shall work fairly and objectively with them on all relevant issues as they arise, and to ensure that they are informed on governance matters and compliant with board procedures. To effectively do this, the Corporate Secretary must keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- c) Advises on the establishment of board committees and their terms of reference;
- d) To ensure that the members of the Board have adequate and accurate information that will enable them to arrive at intelligent decisions during Board meetings, the Corporate Secretary shall inform them of Agenda items including relevant papers and other documents, five (5) business days in advance, and in case of additional items, two (2) days before the meeting.
- e) Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so.
- f) Aside from the preceding duties, he shall also work fairly and objectively with the Management and contribute to the flow of information between Board and Management, the Board and its Committees, and the Board and its stakeholders.
- g) Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;



- h) To assist a newly elected Trustee in the performance of his role and responsibilities as such, the Corporate Secretary shall ensure that said newly elected trustee shall have access to the necessary or vital corporate documents.
- i) Performs required administrative functions;
- j) Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- k) Performs such other duties and responsibilities as may be provided by the IC.

### 3.2 Compliance Officer

- a) To ensure the Corporation's adherence to the guidelines on corporate governance set herein, the Chairman of the Board shall designate a Compliance Officer. He shall have direct reporting responsibilities to the Board's Governance Committee. He has a rank of Vice President and is not a member of the Board.

He shall be tasked to perform the following duties:

- i. To assist a newly elected Trustee in the performance of his role and responsibilities as such, the Compliance Officer shall ensure that said newly elected trustee shall:
  - Attend the required seminar on corporate governance conducted by a duly recognized/accredited private or government institute.
  - be oriented on the company's structure, business information, regulatory environment, corporate governance policies and practices.
- ii. Ensures the attendance of board members and key officers to relevant trainings;
- iii. Coordinate, monitor and facilitate compliance of the Corporation with existing laws, rules and regulations;
- iv. Monitor compliance with the provisions and requirements of this Manual;
- v. Monitor, reviews, evaluates and ensures the compliance by the corporation , its officers and trustees with the relevant laws, the IC-issued Code of Governance, rules, regulations and company policies, and recommend appropriate sanctions and/or penalties therefor;
  - Identifies possible areas of compliance issues and works towards the resolution of the same;
  - Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
  - Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- i. Identify, monitor, and control compliance risks;
- vi. Ensures the integrity and accuracy of all documentary submissions to regulators;
- vii. Appears before the IC when summoned in relation to compliance with this Code;
- viii. Annually prepares and submits an Annual Corporate Governance Report (ACGR) or any successor report before the deadline set by the Insurance Commission (IC); and

- ix. Performs such other duties and responsibilities as may be provided by the IC.

# Miscellaneous

## 1. Responsibility for Good Governance

Good corporate governance is the responsibility and concern, not only of the Board of Trustees and management, but also of each and every employee of the Corporation. The Board of Trustees shall see to it that a system of rules and regulations is in place defining the duties and responsibilities of each and every officer and employee to accomplish this objective.

The Board is responsible for promoting and overseeing the implementation of the Anti-Corruption Policy of the company and to ensure that a culture of integrity is fostered and maintained by all employees.

## 2. Financial Reporting, Transparency and Internal Control

### 2.1 Financial Reporting

- a) The Board shall ensure timely and accurate disclosure on all material matters, including the financial condition, performance, ownership and governance of the Corporation.
- b) Fair timely and cost efficient access to relevant information shall be provided for all parties with a legitimate interest in the Corporation. Key financial information should be readily and easily accessible to shareholders, policyholders, creditors and claimants.
- c) The Board and Senior management shall receive regular reports on all key aspects of the operations of the insurance corporation, which shall include an analysis of premium growth, underwriting performance, investment results, claims management and credit control, to provide a sound basis for assessing financial performance and condition, identifying real and potential problems and formulating appropriate policies and strategies.
- d) The board shall ensure faithful compliance with the financial and other reportorial requirements under the Amended Insurance Code.

### 2.2 Transparency

- a) Disclosure shall include material information on the financial and operating results of the Corporation.
- b) It shall also include any material foreseeable risks for the Corporation.
- c) All transactions with the company, whether policy related or otherwise are disclosed to the Board. Likewise, Material related party transactions are disclosed fully to the Board and prior approval shall be obtained for such that are material in nature. In all cases, provisions of Title 20, Chapter III of the Amended Insurance Code shall be complied with.

- d) The company shall, in its annual report include a statement of how the Board operates, types of decisions to be followed by the board and those that are to be delegated to management.

### 2.3 Internal Control

- a) The Board shall oversee that an appropriate and effective internal control system and enterprise risk management framework is in place in the conduct of its business, taking into account its size, risk profile and complexity of operations. This includes setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and stakeholders, all for safeguarding the Corporation's assets.
- b) The Board shall ensure that reports accurately reflect the financial condition of the Corporation and the results of corporate operations.
- c) The Board shall regularly review the system for securing adherence to key internal policies as well as to significant laws and regulations that apply to it. An effective and comprehensive internal audit of the Corporation's internal control system shall be carried out by operationally independent and competent staff, and audit findings and recommendations shall be reported to the Board and the senior management of the Corporation.
  - i. The non-executive trustees should have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive trustees present to ensure that proper checks and balances are in place within the corporation. The meetings should be chaired by the lead independent trustee.
- d) One of the most important missions of the board is to protect stakeholder value through adequate financial controls. The Board shall foster and encourage a corporate environment of strong internal control, fiscal accountability, high ethical standards and compliance with the law and Code of Conduct.
- e) The Board shall establish the Audit Committee and an Internal Audit staff.
- f) The Board shall also establish a separate Risk Management Committee.

The Committee shall identify and address the major risks facing the Corporation which are likely to affect its performance and financial condition. They include underwriting risk, reinsurance risk, investment risk, geographical risk, operational risk and legal risk. The acts taken by the Committee in dealing with these risks shall be reported to the Board on a regular basis to enable the latter to effectively address said risks.

## 3. Dealings with the Corporation and Related Party Transactions

### 3.1 Dealings of Trustees or Officers with the Corporation

- a) A contract of the Corporation with one or more of its Trustees or officers is voidable, at the option of the Corporation, unless all of the following conditions are present:
  - i. That the presence of such Trustee in the Board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;

- ii. That the vote of such Trustee was not necessary for the approval of the contract;
  - iii. That the contract is fair, reasonable under the circumstances and complies with Section 5.4 of this Manual and the Company's Related Party Transactions policy; and
  - iv. That in the case of an officer, the contract of the officer has been previously authorized by the Board of Trustees.
- b) Where any of the first two (2) conditions set forth in the preceding paragraph is absent, in the case of a contract with a Trustee, such contract may be ratified by the vote of two-thirds (2/3) of the Members in a meeting called for the purpose, provided, that full disclosure of the adverse interest of the Trustees involved is made at such meeting; provided, however, that the contract is fair and reasonable under the circumstances.

### 3.2 Related Party Transactions

The Board of Trustees shall have the overall responsibility in ensuring that the transactions with Related Parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws, rules and regulations to protect the interest of the Company's stakeholders. Among its responsibilities are:

- a) Observe good governance and approve and overarching policy on the handling of Related Party Transactions (RPTs) to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged.
- b) In this relation, members of the Board shall disclose whether they directly, or indirectly, or on behalf of third parties, have a financial, personal or conflict of interest in any transaction affecting the Company. They shall likewise disclose the existence of relationship with Related Parties, if any.
- c) Such disclosure shall be made during on-boarding for new Trustees, annually during board assessment and whenever such disclosure is required by the Company's Related Party Transactions policy.
- d) A member of the Board who is a Related Party or has a conflict of interest with a particular agenda shall abstain from any discussion or approval of the same.
- e) Approve all material RPTs that is beyond the delegated limit of materiality of the RPT Board Committee, write off material exposures to related parties, and submit the same for confirmation of Policyholders during Annual Members' meetings. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the Board of Trustees.

All final decisions of the Board on material RPTs, including important facts about the terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow Members to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during the Members' meetings and duly reflected in the minutes of the Board and Members' meetings.

- f) To delegate to the RPT Management Committee the approval of RPTs below materiality threshold, as defined by Company policy, subject to the confirmation by the Board of Trustees.
- g) To establish an effective system to determine, identify and monitor Related Parties and RPTs and to measure and control risks arising from RPTs. It shall continuously review and evaluate existing relationships between and among businesses.

The system shall be able to define Related Parties' extent of relationship with the Company; assess situations in which a non-related Party (with whom the Company has entered into a transaction) subsequently becomes a Related Party and vice versa; and generate information on the type and amount of exposures to a particular Related Party. The said system will facilitate submission of accurate reports to the regulators.

The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance functions and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the Insurance Commission and audit functions for review. Any changes in the policies and procedures shall be approved the Board.

- h) To maintain adequate capital against risks associated with exposures to Related Parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/stress tests under the capital planning process shall also capture RPTs in order to determine whether the Company is well insulated from any going concern issue of Related Parties.
- i) To oversee the integrity, independence, and effectiveness of the policies and procedure for whistleblowing. The Board should ensure that senior management addresses legitimate issues on RPT that are raised. The Board should take responsibility for ensuring that staff who raise concerns are protected from detrimental treatment or reprisals.
- j) To constitute Related Party Transactions Board Committee who shall review Material RPTs until a specified delegated threshold limit to determine whether they are in the best interests of the company. They shall evaluate and ensure that all material RPTs (as defined by Company policy) are not undertaken in more favorable economic terms than similar transactions with non-related parties under similar circumstances.

The RPT Committee shall report all approved material RPTs to the Board for their confirmation. The RPT Board Committee's charter is disclosed in Annex B7.

The Compliance Officer or Head of Internal Audit may sit as resource persons in the said Committee.

## 4. Public Accountability

As custodian of public funds, insurance corporation shall ensure that their dealings with the public are always conducted in a fair, honest and equitable manner. Accordingly, officers of insurance corporation shall avoid conflicts of interest and not engage in any unfair or deceptive acts or conduct that constitute unfair trade practices to the detriment of policyholders and claimants, including but not limited to:

- a) Misrepresentations through false, deceptive or misleading statements, which include misrepresentations as to terms and benefits of insurance policies, the financial condition of the Corporation and information about competitors for the purpose of inducing a policyholder to lapse, forfeit or surrender his policy
- b) Entering into any agreement to commit act of boycott, coercion or intimidation in a market monopoly of insurance business.
- c) Knowingly committing or performing as a general business practice unfair claims settlement practices as defined in the Amended Insurance Code.

## 5. Sustainability

- a) The Board shall encourage Sustainability and Social Responsibility of the Company in all its dealings with the communities where it operates.
  - i. The Board shall ensure that Company interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.
  - ii. The Board must ensure that the company recognizes and places an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.

## 6. Encouraging Employee Participation

- a) The Board shall adopt a mechanism for employee participation to create a symbiotic environment, realize the company's goals, and participate in its corporate governance processes by:
  - i. Adopting appropriate policies, programs and procedures.
  - ii. Setting the tone and making a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct that is disseminated to employees across the organization through trainings.

## 7. Whistleblowing Policy

The Board shall ensure that the company provides an avenue for providing feedback about the corporation, its people, and its operations. It shall provide support for an improved and

easily accessible means and methods of reporting of any wrongdoing, whether planned, suspected or already committed.

It shall also ensure that any person, including members of the Board, who report in good faith of any suspected violation of law (including fraudulent acts, bribery or corruption), rule or regulation shall be protected from any form of Retaliatory Action provided he is not the most guilty. This Manual shall complement all anti-corruption programs and procedures and Corporate Governance policies of the Company.

The Board shall ensure the development and implementation of an Anti-Fraud program designed to detect, prevent and investigate suspected or actual fraud.

## 8. Indemnification of Trustees and Officers

- 8.1. The Company shall indemnify every trustee, officer or employee of the Corporation, his heirs, executors and administrators against all costs and expenses reasonably incurred by such person in connection with any civil, criminal, administrative or investigative action, suit or proceeding to which he may be, or is, made a party by reason of his being or having been a Trustee, officer or employee of the Company, except in relation to matters as to which he shall be finally adjudged in such action, suit or proceeding to be liable for negligence or misconduct.
- 8.2. In the event of a settlement or compromise, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Company is advised by counsel that the person to be indemnified did not commit such a breach of duty.
- 8.3. The amount payable by way of indemnity shall be determined and paid only pursuant to a resolution adopted by a majority of those members of the Board of Trustees who have not incurred expenses in connection with the action, suit or proceeding, for which indemnification has been or is to be sought, if there shall be at least three (3) such members of the Board of Trustees.
- 8.4. The costs and expenses incurred in defending the aforementioned action, suit or proceeding may be paid by the Company in advance of the final disposition of such action, suit, or proceeding as authorized in the manner provided for in the preceding paragraph upon receipt of an undertaking by or on behalf of the Trustee, officer or employee of the Company to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation.

## 9. Reportorial System

In compliance with the requirements of the Code of Corporate Governance, and Annual Corporate Governance Report as issued by the Insurance Commission and consistent with a disclosure-based approach to implementation and enforcement, the Company shall make a general disclosure of its corporate governance practices briefly describing the manner in which the various issues enumerated above have been addressed as well as other corporate governance best practices on :



- A. Board Composition
- B. Management Accountability
- C. Corporate Independence
- D. Internal Controls and Operational Risk Management
- E. Public Accountability
- F. Financial Reporting

## 10. Members' Rights

Membership in the Company shall consist of its individual policyholders of life, health or accident insurance or annuity contracts and the master policyholder only of any group insurance policy or plan excluding individual certificate holders under such master policy.

### A. Voting Rights

Each Member is entitled to one (1) vote regardless of the number of policies or amount of insurance he owns. Any Member entitled to vote may be present in person or through remote communication, in absentia or represented by a proxy at any regular or special meeting.

### B. Right of Inspection

Members shall be allowed to inspect corporate books and records in accordance with the Corporation Code and shall be provided with an annual report, including financial statements.

### C. Right to Information

Members are provided with corporate information which discloses personal and professional information about the trustees and officers and certain other matters such as policy values, relationships among trustees and key officers, and the aggregate compensation of trustees and officers. The Notice of Annual or Special Members Meeting/ Proxy Statements must be distributed to the Members at least 21 days before annual general meetings. Notice may also be sent to members through electronic mail, in any other similar manner allowed by law or regulations. The Notice of Annual or Special Members Meeting/Proxy Statements shall be posted on the company website. The Minutes of the Annual and Special Meeting and the results of the votes shall also be posted on the company website as part of the Company's regulatory disclosures within five (5) days from the end of the meeting.

### D. Right to Nominate Candidates to the Board

Members may nominate candidates for the Board of Trustees if made in writing by Seven Hundred Fifty (750) or more Members of the Corporation and such written nomination shall have been delivered to the Board of Trustees on or before the fourth Wednesday of January immediately preceding the Annual Regular Meeting, setting forth the name(s) of the nominees and his or their written acceptance of the nomination.

## 11. Communication Process

- 11.1. This Manual shall be available for inspection by any stakeholder of the Corporation at reasonable hours on business days.
- 11.2. All Trustees, officers, division, department and staff 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.
- 11.3. All Trustees, officers, division, department and staff heads shall be given a copy of this Manual.

## 12. Monitoring and Assessment

- 12.1. 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 the penalties provided in the succeeding section of this Manual.
- 12.2. This Manual shall be subject to an annual review unless the same frequency is amended by the Board.
- 12.3. All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

## 13. Penalties for Non-Compliance with the Manual

- 13.1. To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the members of the Corporation's Board of Trustees, officers, staff, subsidiaries and affiliates, and their respective Trustees, officers and staff in case of violation of any of the provisions of this Manual:
  - a) In case of first violation, the subject person shall be reprimanded.
  - b) In case of a second violation, the subject person shall be suspended from office. The duration of the suspension shall depend on the gravity of the violation.
- 13.2. The commission of a third violation of this Manual by any member of the Board of Trustees of the Corporation or its subsidiaries and affiliates shall be a sufficient cause for removal from Board membership.
- 13.3. The Compliance Officer shall be responsible for determining violations through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

# ANNEXES

## ANNEX A. ASSESSMENT OF THE PERFORMANCE OF THE BOARD CHAIRMAN

The Nonexecutive Trustees of the Board, led by the Lead Independent Trustee, shall evaluate the Chairman of the Board to ensure that he exercises an appropriate balance of power, increased accountability and greater independence in his decision-making. This two-part questionnaire shall take into account the objective and subjective opinions of the Nonexecutive Trustees.

1. This internal evaluation form shall be used to assess the performance of the Board Chairman in accordance with the criteria of the Corporate Governance Manual, the company by-Laws, and such other criteria that the Insurance Commission may provide. The views of the executive Trustees shall also be taken into account in evaluating the Chairman.
2. The implementation of such assessment, including the actions made by the Board Chairman based on the results of the evaluation made may be disclosed in the corporation's annual report.

This policy will be reviewed by the Governance Committee annually or more frequently as legal or regulatory requirements may dictate.

	Yes/No	Remarks
1. The Chairman presided the Annual Members' Meeting and meetings of the Board of Trustees in the previous fiscal year		
2. The Chairman has been responsible for ensuring that the Trustees receive accurate, timely, and complete information.		
3. There is an effective line of communication between the Chairman and the members of the Board.		
4. The Chairman has provided for an adequate orientation process for new Trustees.		
5. The Chairman has ensured that the Trustees continually update their skills, knowledge and familiarity with the company's goals and objectives and has provided the necessary resources to achieve this.		

**Please rate the subsequent questions using the rating system below:**

- 1- Highly effective
- 2- Effective
- 3-Neither effective nor ineffective
- 4- ineffective
- 5-Highly ineffective

		Rating	Remarks
1	How would you rate the performance of the Chairman in terms of focus, use of time, and overall efficiency of the Board Meetings?		
2	How do you rate the Chairman in terms of his/her ability to manage the Board's agenda, and in responding to changing circumstances?		
3	How would you rate the Chairman in terms of his/her communication of the necessary information that you need in order to effectively exercise your best judgment as a member of the Board?		
4	How would you rate the Chairman in terms of his/her time commitment to the Board, recognizing his other significant commitments outside the company?		
5	How would you rate the Chairman overall, in terms of his/her competence, enthusiasm, and contribution to the Board's work?		

## ANNEX B1. AUDIT COMMITTEE CHARTER

### 1. Introduction

The Audit Committee (Committee) plays a significant role in providing oversight of the Company's governance, audit and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The Committee performs its role by providing independent oversight to the Company.

### 2. Background

The Committee was established in accordance with the Company's Amended By-Laws. This Charter, which governs the work of the Committee, was reviewed and updated in 2018.

### 3. Purpose

The Committee provides a structured, systematic oversight responsibilities to ensure the quality and integrity of the Company's accounting and financial reporting, auditing practices and internal control systems.

### 4. Mandate

The mandate for the establishment of the Committee was derived in accordance with Company's amended By-Laws and applicable government regulations.

### 5. Structure and Composition:

The Committee shall be composed of at least three (3) Trustees, majority of whom shall be Independent Trustees and none of whom is an Executive Trustee. The Committee members shall collectively possess sufficient knowledge of audit, finance, insurance, IT, law, governance, risk and control. It is important to periodically re-evaluate members' competencies and the overall balance of skills on the Committee in response to emerging needs.

#### The Committee Chairman

The Board shall designate one Independent Trustee-member to serve as the Committee Chairman.

### 6. Term of Office

The term of office for a Committee member is one year. Continuance of Committee membership will be reviewed annually.

### 7. Quorum

The quorum for the Committee will be a majority of the members.

### 8. Meetings

The Committee shall meet quarterly or more frequently as the Committee deems necessary. The Chief Auditor, acting as Committee Secretary under the direction of the Committee Chairman, shall prepare the agenda and provide the Committee members notice of meetings and the agenda. Minutes of all meetings with the Committee will be done by the Committee Secretary and will be provided in draft format at least two weeks after the Committee meeting and approved by the members.

### 9. Remuneration of Committee Members

Each member of the Committee shall be entitled to a *Per Diem* for attendance in each of the Committee's Meetings. The Per Diem rates are set by the Board and shall require approval from Policyholder-Members during regular or special meeting called for the purpose.

#### 10. Authority

In discharging its responsibilities, the Committee shall have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The Committee also will have unrestricted access to records, data, and reports. If access to requested documents is denied due to legal or confidentiality reasons, the Committee and/or Chief Auditor will follow a prescribed, Board approved mechanism for resolution of the matter.

The Audit Committee is empowered to:

- Recommend to the Board the appointment of the Chief Auditor;
- Evaluate the performance of the Chief Auditor;
- Seek any information it requires from management, and all other employees;
- Access all records, documents, properties, assets and personnel within the Company;
- Obtain any external professional advice and expertise it deems necessary to carry out its duties;
- Provide oversight over the Insular Health Care, Inc. Audit Committee; and
- Investigate any activities within its scope of responsibilities, or as may be required by the Board.

#### 11. Roles and Responsibilities:

It is the responsibility of the Committee to provide the board with independent, objective advice on the adequacy of management's arrangements with respect to the following aspects of the management of the Company:

##### Financial Statement and Reporting

- Review the impact of significant accounting and reporting issues, including complex or unusual transactions and recent professional and regulatory pronouncements on the financial statements.
- Review with Management and external auditors the results of the audit, including any difficulties encountered.
- Review and endorse to the Board for approval the audited financial statements; consider their completeness and consistency with information known to the Committee and compliance with accounting principles and standards and regulatory requirements.

##### Internal Control

- Ensure the effectiveness of the Company's internal control system, including information technology security and control.
- Understand and review the scope of internal and external auditor's review of internal controls over financial reporting and obtain regular reports on significant findings and recommendations, together with Management's responses.
- Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to management and the Board.

##### Internal Audit

- Provide oversight of the performance of the Chief Auditor and Audit Division.
- Review with Management and the Chief Auditor the Internal Audit Charter, plans, activities, staffing and organizational structure of the internal audit function.

- Review the adequacy and effectiveness of the internal audit function, including adherence to mandatory elements of the Institute of Internal Auditors' International Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing.
- On a regular basis, meet separately with the Chief Auditor to discuss any matter that the Committee or the Audit Division believe should be discussed privately.
- Review internal audit reports and other communications to management.
- Review and track management's action plans to address the results of internal audit engagements or on the results of any special investigations.
- Advise the board about any recommendations for the continuous improvement of internal audit.

#### External Audit

To obtain reasonable assurance with respect to independence, integrity, work of the external assurance providers, the Committee will meet with the external assurance providers during the planning phase of the engagement, the presentation of the audited financial statements, and the discussion of the results of engagements, annual review, and recommendations for management.

- Primarily responsible for recommending the appointment, reappointment, removal, and fees of the external auditor.
- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit activities and their assessment of internal controls.
- Pre-approve audit services as well as any non-audit services to be engaged by the Company with the same external auditor.
- Obtain statements from the external auditors about the existence or non-existence of potential or actual Conflict of Interest or their Related Party relationships with the Company, including when they engage non-audit services and discuss the information with the external auditors to review and confirm their independence.
- Resolve any disagreement between Management and the external auditors regarding financial reporting and other matters.
- Monitor Management's progress on action plans related to external audit's findings, if any.
- On a regular basis, meet separately with the external auditors, and at times with non-executive trustees, to discuss any matter that the Committee or auditors believe should be discussed privately.

#### Fraud

To obtain reasonable assurance with respect to the Company's procedures for the prevention and detection of fraud, the Committee will:

- Oversee management's arrangements for the prevention and deterrence of fraud.
- Ensure that appropriate action is taken against known perpetrators of fraud.
- Challenge management and internal and external auditors to ensure that the Company has appropriate anti-fraud plans, programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

#### 12. Reporting Responsibilities

- Regularly submit and report to the Board the Committee's activities, findings, decisions, deliberations and recommendations;
- Give an annual report to the Board, summarizing the Committee's activities and recommendations from the previous year. The report should include:

- A summary of the work the Committee performed to fully discharge its responsibilities during the preceding year.
  - A summary of management's progress in addressing the results of internal and external audit engagement reports.
  - An overall assessment of management's risk, control, and compliance processes, including details of any significant emerging risks or legislative changes that impact the Company.
  - Details of meetings including the number of meetings held during the relevant period and the number of meetings each member attended.
  - Provide information required, if any, by new or emerging corporate governance developments.
- Review any other report the Company issues that relate to the Committee's responsibilities.

### 13. Other Responsibilities

- Review and assess the adequacy of the Committee Charter annually, requesting Board approval for any proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Obtain regular updates from management and from the Company's Legal Division regarding legal and compliance matters, as needed.
- Conduct an annual self-assessment of the Committee's performance and submit a report to the Board.
- Perform other activities related to this Charter as requested by the Board.



## ANNEX B2. FINANCE, BUDGET AND INVESTMENT COMMITTEE CHARTER

1. The Finance, Budget & Investment Committee (FBIC) assists the Board in the setting up of company policies and guidelines with respect to:

- Financial plan/budget of the Company
- Investment matters

1. Structure and Composition:

The Committee shall be composed of a Chairman, a Vice-Chairman, and up to three (3) members, with the majority being independent Trustees.

Members are preferred to have an adequate understanding of, or competence in, finance or investment matters.

2. Roles and Responsibilities:

- Reviews and recommends to the Board, the Company's Annual budget vis-à-vis three-year company goals and objectives.
- Reviews the company's compliance with laws, rules and regulations pertaining to finance and investment matters.
- Recommends to the Board the Company's investment plans.
- Reviews, monitors and evaluates annually the implementation of Investment Policy and Investment Strategy of the Company.
- The Committee Chairman shall regularly submit and present a report to the Board, providing a summary of the Committee's activities, confirmation of how the responsibilities in this Charter were discharged, and the results of the assessment of the effectiveness of its programs and initiatives, and recommendations for improvement, if any.
- Conducts an annual self-assessment of the Committee's performance and submits a report of the same to the Board.

## ANNEX B3. GOVERNANCE COMMITTEE CHARTER

1. The Governance Committee advises the Board on governance matters.
2. Structure and composition:
  - The Committee shall be composed of up to three (3) independent Trustees as members with a Chairman and Vice Chairman appointed by the Board.
3. The roles and responsibilities of the Governance Committee are:
  - Shapes the policy on the size and composition of the Board as well as its internal functioning.
  - Monitors and evaluates performance of the Board of Trustees and the various Board Committees.
  - Provides oversight to the Anti-Money Laundering and Counter-Terrorist Financing Prevention Program of the Company.
  - Ensures that Non- Executive Trustees conduct annual performance evaluation of the Chairman, taking into account the views of the Executive Trustees and that the Chairman acts on the results of the performance evaluation made. The committee shall report results of performance appraisal to the Board.
  - Initiates the conduct of review of all the relevant policies and processes of the company to comply with the requirements of the Code of Corporate Governance.
  - Ensures the implementation of the Manual on Corporate Governance.
  - Conducts an annual self-assessment of the Committee's performance and submits a report of the same to the Board.

## ANNEX B4. INFORMATION TECHNOLOGY & INNOVATION COMMITTEE CHARTER

2. The Committee assists the Board in fulfilling its oversight responsibilities in relation to the Company's formulation and execution of its information technology-related initiatives and innovation strategies.

### 3. Structure and Composition

The Committee shall be composed of at least three (3) Trustee members. The Board shall designate one member to serve as the Committee Chairman. At least one member must have a general knowledge or understanding of technologies relevant to the Company's line of business.

### 4. The Committee shall have the following duties and responsibilities:

- Assists the Board in:
  - Formulating the Company's information technology strategy and ensuring that its application is in pursuit of the Company's strategic objectives.
  - Determining the needed information technology investments in support of the Company's information technology strategy.
  - Reviewing the implementation of the Company's information technology initiatives and investments, including the expenditures compared to budget and the timelines of the implementation.
- Apprises the Board on technology-related issues, opportunities, risks and threats.
- Assists the Board in setting up and in the adoption of guidelines and policies regarding information technology security and disaster recovery capabilities.
- The Committee Chairman shall regularly submit and present a report to the Board, providing a summary of the Committee's activities, confirmation of how the responsibilities in this Charter were discharged, results of the assessment performed on the effectiveness of technology initiatives, and recommendations for improvement.
- Conducts an annual self-assessment of the Committee's performance and submits a report of the same to the Board.

## ANNEX B5. NOMINATIONS COMMITTEE CHARTER

1. The Nominations Committee assists the Board on the review of the candidates for Board membership of the Company subject to the provisions of the Company By-Laws.
2. Structure and Composition:
  - The committee shall be composed of up to three (3) Trustees who are not up for re-election, and one of whom must be an independent Trustee.
3. The Committee shall have the following duties and responsibilities:
  - Pre-screens and shortlists all candidates nominated to become a member of the Board of Trustees, keeping in mind the qualifications and disqualifications requirements and the number of Trusteeships to the Board as prescribed by the Insurance Commission and Company's By-Laws.
  - Undertakes the process of identifying the quality of Trustees aligned with the company's strategic directions and the possession of relevant experience for possible Board Committee memberships.
  - Ensures that the benefits of Board Diversity, such as competitive advantage, robust understanding of opportunities and risks, inclusion of different ideas and perspectives, enhanced decision-making and dialogue, and heightened capacity for oversight of the organization and its governance, are considered in nominating a candidate to become a member of the Board of Trustees.
  - Ensures that appointments are made on merit. Careful deliberation and consideration shall be done to ensure that appointees have enough time for the job.
  - Conduct an annual review of the structure, size and composition of the Board based on the principle of Board Diversity.
  - Delivers in writing to the Board of Trustees on or before the fourth Wednesday of January of such year for approval the names of persons as candidates for election as Trustees at the next Annual Members' Meeting. The number of candidates submitted shall be at least the same as the number of Trustees in the class to be elected at the next Annual Members' Meeting subject to the provisions of the Company By-laws.
  - The Committee prepares job specifications for the appointment of the Chairman.
  - Discloses to the Board other significant commitments of the Chairman of the Board and Non-Executive Trustees before appointments, indicating if they have sufficient time for the Company. Any change thereof shall likewise be reported.
  - Ensures that the independent Trustees have an opportunity to meet and do what is expected of them.

- Conducts an annual self-assessment of the Committee's performance and submits a report of the same to the Board.

## ANNEX B6. PERSONNEL AND COMPENSATION COMMITTEE CHARTER

1. The Personnel and Compensation Committee assists the Board in making decisions related to human resources management, manpower development, employee compensation, and succession planning.
2. Structure and Composition
  - The Committee shall be composed of a Chairman, a Vice-Chairman, and up to three (3) members, one of whom should be an independent Trustee.
3. Roles and Responsibilities of the Personnel and Compensation Committee:
  - Oversees the formulation and implementation/administration of the general compensation policy of the Company as well as the compensation and benefit structure of the Company.
  - Recommend to the Board, the general compensation structure and policy of the Company.
  - Ensures that the appropriate succession planning program is in place and is being implemented.
  - Ensures that the Company's compensation programs for all its employees are equitable, fair, and competitive with those of the top companies in the country.
  - Reviews and evaluates the performance of Chief Executive Officer, President, Chief Operating Officer and other senior management personnel consisting of the Heads of the various Operating Group and recommends their annual compensation package for Board approval.
  - Reviews and evaluates the employees' short-term and long-term incentive plans and the corresponding remuneration therefor.
  - The Committee Chairman shall regularly submit and present a report to the Board, providing a summary of the Committee's activities, confirmation of how the responsibilities in this Charter were discharged, and the results of the assessment of the effectiveness of its programs and initiatives, and recommendations for improvement, if any.
  - Conducts an annual self-assessment of the Committee's performance and submits a report of the same to the Board.

## ANNEX B7. RELATED PARTY TRANSACTION COMMITTEE CHARTER

1. The Related Party Transaction Committee assists the Board in its responsibilities in ensuring that all transactions with a Related Party are conducted at arm's length and in the best interest of the Company and its stakeholders. It provides oversight in the implementation of Company policy on Related Party Transactions (RPTs).

2. Structure and Composition:

The RPT Committee shall be composed of at least three (3) members, majority of whom shall be independent Trustees, including the chairperson. The Committee shall at all times be entirely composed of independent Trustees and Non-Executive Trustees. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction.

3. Roles and Responsibilities:

- Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.
- Continuously review and evaluate existing relationships between and among businesses and counterparties
- Reviews Material RPT amounting from over PHP 20 Million up to PHP50 Million.
  - For RPTs exceeding PHP 50Million, endorses said transaction to the Board for approval.
- Ensures that the Company maintains adequate capital against risks associated with exposures to Related Parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process.
- Submits to the Board a quarterly summary of all reviewed material RPTs for their confirmation. If no RPT has been discussed for the said period, submit a certification report documenting the same.
- Ensures that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
- The Committee Chairman shall regularly submit and present a report to the Board, providing a summary of the Committee's activities, confirmation of how the responsibilities in this Charter were discharged, and results of the assessment performed on the effectiveness of the RPT programs and initiatives, and recommendations for improvement.
- Conducts an annual self-assessment of the Committee's performance and submits a report of the same to the Board.

## ANNEX B8. RISK MANAGEMENT COMMITTEE CHARTER

1. The Committee assists and advises the Board of Trustees (Board) in fulfilling its oversight responsibilities on the Company's financial risk profile and risk management system.

2. Structure and Composition

The Committee shall be composed of at least three (3) Trustees, majority of whom shall be Independent Trustees. The Board shall designate one Independent Trustee-member to serve as the Committee Chairman. The Committee members shall have adequate and competent qualification or experience.

3. Meetings

The Committee shall meet quarterly but the Chairman may call for a special meeting of the Committee as and when it is necessary.

4. Authority

- Appoint and evaluate the performance of the Chief Risk Office;
  - Seek any information it requires from management, and all other employees;
  - Access all records, documents, properties, assets and personnel within the Company;
  - Evaluate the Company's enterprise risk management framework for the Board's approval;
- and
- Investigate any activities within its scope of responsibilities, or as may be required by the Board.

5. Roles and Responsibilities

- Review and advise the Board, the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks;
  - Ensure that Management identifies, appraises and addresses the risks exposures and their impacts to the Company. Risk exposures may include but not limited to, legal, information technology, strategic, credit, operational and financial risks;
  - Ensure that Management sufficiently and swiftly manages risks, especially those categorized as having high impact with high probability of occurring;
  - Review and advise the Board, in consultation with Management, on the overall risk management program of the Company as it relates to its risk appetite and strategic direction;
- and
- Opt to engage consultant/s for a more independent assessment of the risk management infrastructure;

6. Reporting Responsibilities

- Regularly submit and report to the Board the Committee's activities, findings, decisions, deliberations and recommendations;



- Review any other report the Company issues that relate to the Committee's responsibilities;
- Disclose in the Annual Report
  - How key risks are managed, and
  - Its review of the company's material controls and risk management system, including its comment thereon about their adequacy.

#### 7. Other Responsibilities

- Review and assess the adequacy of the Committee Charter annually, requesting Board approval for any proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Conducts an annual self-assessment of the Committee's performance and submits a report to the Board.
- Perform other activities related to this Charter as requested by the Board.