

CODE OF CORPORATE GOVERNANCE PNX- UDENNA INSURANCE BROKERS, INC.

The Board of Directors, officers, management, executives and employees of **PNX-Udenna Insurance Brokers, Inc.** (the “Insurance Company”) hereby commit themselves to comply and observe the fundamental principles of sound corporate governance and best practices contained in this Code of Corporate Governance (“CCG”) which are necessary components in the attainment of its corporate goals and enhancing the value of the Company to all its stakeholders.

This CCG is adopted pursuant to Insurance Commission’s (IC) Circular Letter 2020-71 issued on 13 June 2020.

DEFINITION OF TERMS

Board of Directors - the governing body elected by the members/members that exercises the corporate powers of a company, conducts all its business and controls its properties. For purposes of this Code, reference to Board of Directors and/or Directors shall also include reference to Board of Trustees and/or Trustees, respectively, in applicable cases.

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

Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the board of directors and Senior Management accountable for ensuring ethical behavior and reconciling long term customer satisfaction with member/member value to the benefit of all stakeholders and society. Its purpose is to maximize the organization's long-term success, thereby creating sustainable value for its members/members, other stakeholders and the nation.

Enterprise Risk Management - a process, effected by an entity's Board of Directors, Management and other personnel, applied in strategy setting and across the enterprise

that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

Executive Director - a director who has executive responsibility of day-to-day operations of a part or the whole of the company.

Independent director - a person who is independent of Management and the controlling member and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

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

Management - a group of executives given the authority by the Board of Directors/ Board of Trustees to implement the policies it has laid down in the conduct of the business of the company.

Non-executive director - a director who has no executive responsibility and does not perform any work related to the day-to-day operations of the company.

Non-Proprietary Right - an interest, participation or privilege over a specific property of a company that allows the holder to use such property under certain terms and conditions. The holder, however, shall not be entitled to dividends from the company or to its assets upon its liquidation.

Proprietary Right - an interest, participation or privilege in a company which gives the holder the right to use the facilities and to receive dividends or earnings from the company. Upon the liquidation of the company, the holder shall have proportionate ownership rights over its assets.

Related parties - covers the covered entity's directors, officers, substantial members and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, and other persons if these persons have control, joint control or significant influence over the covered entity. It also covers the covered

entity's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.

Related Party Transactions - a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

Significant Influence - The power to participate in the financial and operating policy decisions of the company but has no control or joint control of those policies.

Stakeholders - any individual, organization or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions and operations, in general. This includes, among others, non-proprietary certificate holders, customers, creditors, employees, suppliers, investors, as well as the government and the community in which the company operates.

DECLARATION OF CORPORATE PRINCIPLES

The company adheres to the highest standards and principles of Integrity and Innovation, Respect, Professional, Dedicated and Excellence to serve the best interest of its stakeholders.

This Code of Corporate Governance reflects that commitment of the Board of Directors ("the Board") of the company to guide and assist them including management in effectively performing of its duties and responsibilities in order to achieve and enhance long-term success of the company and member value.

As the company progresses, the CCG shall be kept under constant review and revision to keep up with the recent and emerging standards of good corporate governance.

THE BOARD OF GOVERNANCE RESPONSIBILITIES

PRINCIPLE 1: THE COMPANY SHALL BE GOVERNED BY A WORKING, COMPETENT, AND EFFECTIVE BOARD OF DIRECTORS

The Company shall be headed by a competent, working Board of Directors (“the Board”) to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objective and the long-term best interest of its members and other stakeholders.

1.1 The Board of Directors (the "Board") of the Company shall be primarily responsible for the governance of the Company. It shall independently act and make its decision with full knowledge of the facts on the objective of enhancing member value. It shall be composed of directors possessing expertise and/or experience in their respective fields or sectors that may be relevant to the industry of the Company in order to properly fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

1.2 The Board shall be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on company affairs and to substantiate proper checks and balances.

1.3 The Company shall ensure to formulate a policy on regular training of its directors, including orientation program for first time directors particularly on corporate governance to ensure compliance and adherence to standards.

1.4 The company shall be composed of a Board with diverse expertise, professional experience, skills and competencies, backgrounds, gender, knowledge and other regulatory requirements that shall help the company achieve its strategic directions.

1.5 The Board shall be assisted by its duly elected or appointed, as the case may be, Corporate Secretary who should be a separate individual from the Compliance Officer. The Corporate Secretary shall not be a member of the Board and shall likewise comply with the trainings for corporate governance.

1.6 The Board shall be assisted in its duties by a Compliance Officer, who shall have the rank of a Vice President or an equivalent position with adequate stature and authority on the Board. The Compliance Officer shall not be a member of the Board and shall attend annual training related to corporate governance.

PRINCIPLE 2: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Company's articles and by-laws and other legal pronouncements and guidelines should be clearly made known to all directors as well as to members and other stakeholders.

2.1 It is imperative that each of the director or member of the Board shall observe two key elements of the fiduciary duty: ***the duty of care*** and ***duty of loyalty***.

2.1.a ***Duty of Care*** - each director shall be required to act on a fully informed basis, in good faith, with due diligence and care.

2.1.b ***Duty of Loyalty*** - each director is expected to act in the interest of the Company and all its members. Hence, it is imperative that directors shall have no conflicting businesses or interest inimical to the interest of the Company.

2.2 The Board shall oversee, monitor and approve the development of the Company's business objectives, plans of action, policies and procedures, annual budgets and business strategies and monitor their implementation and corporate performance, capital expenditures in order to sustain the Company's viability and strength.

2.3 The Board shall be headed by a competent and qualified Chairperson who shall be elected among the members of the Board in accordance with the Company's By-laws. The Chairperson's role and responsibilities shall include among others:

2.3.a Ensures that agendas during regular and special meetings involve strategic matters which shall include and discuss risks, governance concerns, issues, environmental effects.

2.3.b Ensures that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions.

2.3.c Facilitates healthy, relevant and constructive discussion on key issues to aid the Board in reaching a sound decision.

2.3.d Ensures periodic or regular evaluation of the performance of the Board.

2.4 The Board shall be responsible in adopting a reasonable and viable succession plan program for the directors, key officers and management to ensure growth, continuous and smooth operation of business at the same enhance members' value. To maintain dynamism and adaptability to change and development, the Board shall likewise adopt a policy on retirement for directors and key officers as part of the management succession.

2.5 The Board shall set and approve remuneration or compensation plan of key officers including directors based on performance. However, no director should

participate in discussions or deliberations involving his own remuneration.

2.6 The Board shall have sufficient disclosure on the procedure or process of nomination as well as election policy which shall include nominations from minority members. The policy should include an assessment of the effectiveness of the Board's processes and procedures in nominations, elections and replacement of a director as well as process of identifying quality directors who should be aligned with strategic direction of the Company.

The Corporate Governance Committee which assumes the role of the Nomination Committee shall review and evaluate the qualifications of all candidates to the board whether they are aligned with the company's strategic directions. The Committee must evaluate whether the candidates possess the following:

2.6.a. Knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and in relation to the company's business and risk profile.

2.6.b. Record of integrity and good reputation.

2.6.c. Sufficient time to carry out their responsibilities. They shall not hold directorships in more than five (5) Publicly Listed Companies and Insurance Commission Regulated Entities.

2.6.d. Ability to promote a smooth interaction between board members.

The company considers the use of professional search firms or external sources when searching for candidates to the board. In addition, the Committee monitors the compliance of the directors with these qualifications and recommends them to attend relevant trainings in case of nonobservance.

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

1 . Permanently Disqualified

- Persons who have been convicted by final judgment of the court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft;
- Persons who have been convicted by final judgment of the court for violation of insurance laws;
- Persons who have been judicially, declared insolvent, spendthrift or unable to enter into a contract; or
- Directors, 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.

2. Temporarily Disqualified

- Persons who refuse to fully disclose the extent of their business interests when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as the refusal persists;
- Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special of the Board of Directors during their incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding elections;
- Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
- Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification of the Insurance Commission;
- Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;
- Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- Those under preventive suspension;
- Persons with derogatory records with the NBI, court, police, Interpol and insurance authorities of other countries (for foreign directors) involving violation of any law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of an insurance director. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity;
- Persons who are delinquent in the payment of their obligations as defined hereunder:
 - a. Delinquency in the payment of obligations means that obligations of a person with the insurance company or its related companies where he/she is a director or officer; or at least two obligations with other insurance companies, under different credit lines or loan contracts;
 - b. Obligations shall include all borrowings from an insurance company, or its related companies obtained by:
 - i. A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorsers, or surety for loans from such institutions;

- ii. The spouse or child under the parental authority of the director or officer;
- iii. Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
- iv. A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
- v. A company, 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.

The disqualification shall be in effect so long as the delinquency persists.

2.7 The Board shall be responsible for ensuring an approved group-wide policy and system governing Related-Party Transactions (RPT) and other unusual and infrequently occurring transactions, particularly those which pass certain thresholds of materiality. It shall be imperative that a potential RPT must at all times guarantee fairness valuation and transparency of transaction such a risk profile, complexity of operations and structure.

2.8 The Board shall be primarily responsible for approving the selection and performance of management led by the Chief Executive Officer (CEO) and other control function such as Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive.

2.9 The Board shall establish an effective performance management framework to ensure that management including its key officers such as the CEO is at par with the standards set by the Board. They shall evaluate the performance of the CEO in an annual basis.

2.10 The Board shall set in place, oversee and establish the appropriate internal control system in the Company in order to monitor and manage potential conflicts of interest of management, the Board and members. It shall approve upon recommendation of the audit committee an Internal Audit Charter.

2.11 The Board shall set in place, establish and oversee a sound Enterprise Risk Management (ERM) framework to effectively identify, monitor, assess and manage key business risks.

2.12 The Board shall likewise establish and formulate a Board Charter that will state, formalize and define its roles, responsibilities and accountabilities in carrying out fiduciary duties. The Board Charter shall guide the directors in the performance of their functions and should be publicly available and posted on the Company's website.

PRINCIPLE 3: ESTABLISHING BOARD COMMITTEES

Board Committees are set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns. Each committee shall have its respective Committee Charter.

3.1 There shall establish committees within the Board such as (a) Audit Committee (AC), (b) Corporate Governance Committee (CGC), (c) Board Risk Oversight Committee (BROC) and (d) Related Party Transaction Committee (RPTC) to support the Board in the effective performance of its functions. The establishment of the BROC and RPTC shall be duly assessed and evaluated by the Board depending on the Company's size, risk profile, complexity of operations and its necessity.

3.2 **The Audit Committee** shall have oversight capability over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. It shall be responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It shall ensure that the systems and processes provide assurance in reporting, monitoring, compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Committee shall be composed of at least three (3) appropriately qualified non-executive directors, preferably majority of whom are independent. All members must have relevant background, knowledge and experience in areas of accounting, finance and audit. The Chairman of the Audit Committee shall not be chairman of any other committees or the Board.

The Committee shall have the following duties and responsibilities:

- a. Recommends the approval the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- b. Recommends to the Board the appointment, reappointment, and removal of the head of Internal Audit (IA) Department.
- c. Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the company's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a)

safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;

- d. Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- e. Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the company's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence.
- f. The non-audit work, if allowed, should be disclosed in the company's Annual Report and Annual Corporate Governance Report;
- g. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
 - Any change/s in accounting policies and practices
 - Areas where a significant amount of judgment has been exercised
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements
- h. Reviews the disposition of the recommendations in the External Auditor's management letter;
- i. Performs oversight functions over the company's Internal and External Auditors. It shall ensure the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions
- j. Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- k. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and
- l. In case the company does not have a Board Risk Oversight Committee and/or Related Party Transactions Committee, performs the functions of said committees as provided under Recommendations 3.4 and 3.5.

The Audit Committee shall meet at least four times in a year. It shall meet with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meets with the head of the internal audit.

3.3 The Corporate Governance Committee shall have the responsibility in assisting the Board in the performance of and compliance with corporate governance responsibilities including the functions that formerly belongs to Nominations and Remuneration Committees. It shall ensure the compliance with and proper observance of corporate governance principles and practices. The Committee shall be composed of at least three (3) members, majority of whom shall be independent directors, including the Chairman.

The Committee shall have the following duties and responsibilities:

- a. Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the company's size, complexity and business strategy, as well as its business and regulatory environments;
- b. Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- c. Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d. Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- e. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Proposes and plans relevant trainings for the members of the Board;
- g. Determines the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- h. Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the company's culture and strategy as well as the business environment in which it operates.

The company may establish Nomination and Remuneration Committees

separate from the Corporate Governance Committee when necessary.

3.4 Subject to the assessment and approval of the Board on its establishment depending on Company's size, risk profile and complexity of operations, the **Board Risk Oversight Committee (BROC)** shall be responsible for the oversight of the Company's Enterprise Risk Management system to ensure its functionality and effectiveness. The BROC shall be composed of at least three (3) members, majority of whom shall be independent directors, including the Chairman. The Chairman shall not be a Chairman of the Board or of any other committee. At least one member of the committee must have relevant knowledge and/or experience on risk and risk management.

The Committee shall have the following duties and responsibilities:

- a. Develops a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
- b. Oversees the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The BROC conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- c. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROC revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
- d. Advises the Board on its risk appetite levels and risk tolerance limits;
- e. Reviews at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the company;
- f. Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the company and its stakeholders;
- g. Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the company.

function includes regularly receiving information on risk exposures and risk management activities from Management; and

- h. Reports to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

3.5 Subject to the assessment and approval of the Board on its establishment depending on Company's size, risk profile and complexity of operations, the **Related Party Transaction (RPT) Committee** shall be primarily tasked to review all material related party transactions of the Company. The RPTC shall be composed of at least three (3) non-executive directors, one of whom shall be independent directors including the Chairman.

The Committee shall have the following functions:

- a. Evaluates on an ongoing basis existing relation between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;
- b. Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non- related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee considers, among others, the following:
 - 1. The related party's relationship to the company and interest in the transaction;
 - 2. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - 3. The benefits to the company of the proposed RPT;
 - 4. The availability of other sources of comparable products or services; and
 - 5. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
- c. Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT

exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;

- d. Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- e. Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
- f. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

3.6 All established committees shall have their respective Committee Charters stating in plain terms their purpose, memberships, structures, operations, reporting processes, resources and other relevant information. Each Charter shall include and provide standards for evaluating the performance of the Committees and shall be fully disclosed in the Company's website.

PRINCIPLE 4: FOSTERING COMMITMENT

The directors must devote time and attention necessary to properly and effectively perform their duties and responsibilities in order to show their commitment to the company and to be familiar with the company's business.

4.1 The directors shall attend and actively participate in all meetings of the Board, Committees and Members in person or through tele/videoconferencing in a manner acceptable to the company in accordance with the rule of the Commission except on justifiable causes, such as illness, death in the immediate family and serious accidents, prevent them from doing so. They shall meet at least six times in a year and attend to least 50% of all the regular and special meetings conducted. It shall be the duty of the directors to review meeting materials and if called for, ask necessary relevant questions or clarifications and explanation. The minimum quorum for the meetings requiring board decisions shall be set at two-thirds (2/3).

4.2 The non-executive directors may concurrently serve as directors of other publicly listed companies (PLC) up to a maximum number of five (5) five Insurance Commission Regulated Entities and Publicly Listed Companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the company.

4.3 It is incumbent upon each director to notify the Board before accepting a directorship in the company.

PRINCIPLE 5: REINFORCING BOARD INDEPENDENCE

The Board should endeavor at all times to exercise an objective and independent judgment on all corporate affairs.

5.1 The Board shall be composed of at least twenty (20%) independent directors.

5.2 The Board shall ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

An Independent Director refers to a person who:

- a. 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;
- b. 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;
- c. 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 company members;
- d. 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;
- e. is not acting as nominee or representative of any director or substantial member of the covered entity, any of its related companies or any of its substantial members;
- f. 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 members, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election/appointment;
- g. 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 members, 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 member, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;

- h. 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;
- i. is not affiliated with any non-profit organization that receives significant funding from the covered entity or any of its related companies or substantial members; and,
- j. 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 company 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.

5.3 Independent directors shall serve for a maximum cumulative term of nine years from the date of first appointment. After serving the maximum term, the director shall be perpetually barred from re-election as independent director of the Company. In the event, the company decides to retain an independent director who has served for nine (9) years, the Board shall provide meritorious justification/s and seek members' approval during the annual stockholders' meeting.

5.4 The Chairman of the Board as well as the Chief Executive Officer shall be held separately by individuals with their respective roles and responsibilities clearly defined.

The CEO has the following roles and responsibilities, among others:

- a. Determines the company's strategic direction and formulates and implements its strategic plan on the direction of the business;
- b. Communicates and implements the company's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;

- c. Oversees the operations of the company and manages human and financial resources in accordance with the strategic plan;
- d. Has a good working knowledge of the company's industry and market and keeps up-to-date with its core business purpose;
- e. Directs, evaluates and guides the work of the key officers of the company;
- f. Manages the company's resources prudently and ensures a proper balance of the same;
- g. Provides the Board with timely information and interfaces between the Board and the employees;
- h. Builds the corporate culture and motivates the employees of the company; and
- i. Serves as the link between internal operations and external stakeholders.

The roles and responsibilities of the Chairman are provided under Recommendation 2.3.

5.5 The Board shall designate a “lead director” among the independent directors if the Chairman of the Board is not independent and in cases where the Chairman and the CEO are held by one person. This lead director has sufficient authority to lead the Board in cases where management has clear conflicts of interest.

The functions of the lead director include, among others, the following:

- a. Serves as an intermediary between the Chairman and the other directors when necessary;
- b. Convenes and chairs meetings of the non-executive directors; and
- c. Contributes to the performance evaluation of the Chairman, as required.

5.6. The director with a material interest in any transaction affecting the company shall abstain from taking part in the deliberations of the transaction or corporate affair.

5.7. The non-executive directors shall have separate meetings with the external auditor and heads of internal audit, compliance and risk functions, without any executive directors present to ensure proper checks and balances within the company. The lead independent director shall chair the meetings.

Aside from this meeting, all the non-executive directors shall have a separate meeting without the presence of the executive directors at least once in a year to discuss the performance of the management and other important issues that may need of further guidance from the directors.

PRINCIPLE 6: ASSESSING BOARD PERFORMANCE

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

6.1 The Board shall conduct an annual self-assessment of its performance including the performance of the Chairman, individual members and committees. Every three (3) years, the assessment may be supported by an external facilitator.

6.2 The assessment shall entail their conformance with the company's Manual on Corporate Governance, their duties and responsibilities, the company's by-laws, and such other criteria that the company and the Insurance Commission may provide.

PRINCIPLE 7: STRENGTHENING BOARD ETHICS

Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

7.1 The Board shall adopt a Code of Business Conduct and Ethics which shall provide and set the standards for professional and ethical behavior, as well as regulate and define acceptable conducts and practices in internal and external dealings. The board, senior management and employees shall comply with the Code. It shall be disclosed and made available to the public through the company's website.

7.2 The Board shall monitor proper and efficient implementation and compliance with the Code of Business Ethics and internal policies. The Code shall be communicated to all board members, senior management and employees and ask for their statement of conformance in annual basis. The company shall conduct continuous trainings, strict monitoring and implementation. Proper avenues where issues may be raised and addressed without the fear of retribution shall be established.

DISCLOSURE AND TRANSPARENCY

PRINCIPLE 8: ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES

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

8.1 The Board shall establish corporate disclosure policies and procedures to ensure

comprehensive, accurate, reliable and timely report to members and other stakeholders that gives a fair and complete picture of the Company's financial condition, results and business operations.

8.2 The Board should fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.

8.3 The company shall provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report consistent with ASEAN Corporate Governance Scorecard (ACGS) and the Revised Company Code. Also, the company shall disclose the remuneration on an individual basis, including termination and retirement provisions, company's corporate governance policies, programs and procedures shall be contained in the Manual on Corporate Governance, which shall be submitted to the Insurance Commission and posted on the company's website.

8.4 Policies on Related Party Transactions and other unusual or infrequently occurring transaction shall be disclosed in their Manual on Corporate Governance while the material or significant RPTs which were reviewed and approved during the year shall be disclosed in the Annual Corporate Governance Report. The material or significant RPTs should be reviewed and approved by the Board and submitted for confirmation by majority vote of the members in the annual members' meeting.

8.5 Corporate Governance policies, programs and procedures of the company should be contained in the Manual on Corporate Governance, which shall be submitted to the Insurance Commission and posted on the company's website.

PRINCIPLE 9: STRENGTHENING THE EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY

The Company shall establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

9.1 The Audit Committee shall establish a process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor should be recommended by the Audit Committee, approved by the Board and ratified by the

members. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the company website and required disclosures.

9.2 The Audit Committee Charter shall include the Committee's responsibility on assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Charter should also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.

9.3 There shall be a disclosure on the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. The Audit Committee should be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.

PRINCIPLE 10: INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING

The company shall ensure that the material and reportable non-financial and sustainability issues are disclosed.

10.1 The Board shall have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. The company shall adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.

PRINCIPLE 11: PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION

The company shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

11.1 The company shall have a website to ensure a comprehensive, cost-efficient, transparent and timely manner of disseminating relevant information to the public.

INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORKS

PRINCIPLE 12: STRENGTHENING THE INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK

The company shall have a strong and effective internal control system and enterprise risk management framework to ensure the integrity, transparency and proper governance in the conducts of its business and affairs.

12.1 Subject to the assessment and approval of the Board as it may deem necessary taking into consideration the company's size, risk profile and complexity of operations, the Company shall have an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business.

12.2 The Board shall set in place an independent internal audit function for the company that will provide an independent and objective assurance, and consulting services designed to add value and improve the company's operations.

The Internal Audit shall have the following functions:

- a. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- b. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
- c. Performs consulting and advisory services related to governance and control as appropriate for the organization;

- d. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- e. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;
- f. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- g. Evaluates specific operations at the request of the Board or Management, as appropriate; and
- h. Monitors and evaluates governance processes

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

12.3 Subject to the company's size, risk profile and complexity of operations upon assessment and approval by the Board, the company shall have a qualified Chief Audit Executive (CAE) appointed by the Board to oversee for the internal audit activity of the organization, including that portion that is outsourced to a third-party service provider.

The Chief Audit Executive shall directly report functionally to the Audit Committee and administratively to the CEO. It shall have the following responsibilities:

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

12.4 Subject to its size, risk profile and complexity of operations upon assessment and

approval by the Board, the Company shall have a separate risk management function to identify, assess and monitor key risk exposures.

The risk management function shall have the following activities:

- a. Defining a risk management strategy;
- b. Identifying and analyzing key risks exposure relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization's strategic objectives;
- c. Evaluating and categorizing each identified risk using the company's predefined risk categories and parameters;
- d. Establishing a risk register with clearly defined, prioritized and residual risks;
- e. Developing a risk mitigation plan for the most important risks to the company, as defined by the risk management strategy;
- f. Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Board Risk Oversight Committee; and
- g. Monitoring and evaluating the effectiveness of the organization's risk management processes.

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

The CRO shall have the following responsibilities:

- a. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- b. Communicates the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;
- c. Collaborates with the CEO in updating and making recommendations to the Board Risk Oversight Committee;
- d. Suggests ERM policies and related guidance, as may be needed; and
- e. Provides insights on the following:
 - Risk management processes are performing as intended;

- Risk measures reported are continuously reviewed by risk owners
- for effectiveness; and
- Established risk policies and procedures are being complied with

There shall be clear communication between the Board Risk Oversight Committee and the CRO.

PRINCIPLE 13: CULTIVATING A SYNERGIC RELATIONSHIP WITH MEMBERS

The company shall treat all members fairly and equitably, and recognize, protect and facilitate the exercise of their rights.

13.1 The Board shall ensure that basic members rights are disclosed in the Manual on Corporate Governance and on the company's website.

The Board shall provide the following rights to their members:

13.1.a Right to call the meeting

- The annual meeting of the members shall be held at the principal office of the company or any other place within Metro Manila as may be determined by the majority of the Board of Directors, on the last Monday of March each year, unless such day is a legal holiday, in which case, the next business day shall be the meeting day for the particular year.
- Special meetings of the members may be called on the demand in writing of the stockholders owning a majority of the voting stock of the company.
- The call for special meeting shall be made at least fifteen (15) days in advance and shall specify the time, place and purpose of the meeting and no business other than that specified in the call shall be transacted at such special meeting.
- Members can submit proposals for consideration or agenda item at the Annual Members' meeting or any special meeting.

13.1.b Right to vote on all matters that require their consent or approval

- All members, including minority members, shall have the right to nominate, elect, remove and replace Directors and vote on certain corporate acts in accordance with the Revised Company Code;
- All members, including minority members, can nominate candidates to the Board through a written notice to be submitted to the Corporate Secretary. The written notice of nomination, duly signed by the nominating member and the nominee, must clearly set out the names and contact information of both the nominating member and the nominee, and must be supported by the biographical data of the nominee, including his or her relevant qualifications and experiences.
- Cumulative voting shall be used in the election of Directors; and
- A Director shall not be removed without cause if it will deny minority members representation in the Board.

13.1. c Right to inspect corporate books and records

- All members shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Revised Company Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

13.1.d Right to Information

- The members shall be provided, upon request, with periodic reports which disclose personal and professional information about the Directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company, relationships among Directors and key officers, and the aggregate compensation of Directors and officers;
- The minority members shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes; and
- The minority members shall have access to any information relating to matters for which Management is accountable.

13.1.e Appraisal Right

- The members shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 81 of the Revised Company Code of the Philippines, under any of the following circumstances:
 - i. In case any amendment to the Articles of Incompany has the effect of

changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

- ii. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Company Code;
- iii. In case of merger or consolidation;
- iv. A member is likewise given an appraisal right in cases where the company decides to invest its funds in another company or business; and
- v. The member must have voted against the proposed corporate action in order to avail himself of the appraisal right.

13.1.f Absence of Pre-emptive right to stock issuances of the company.

- The members shall have no pre-emptive right to subscribe to any new or additional issuance of shares by the company, regardless of the class of shares, and whether the same is issued from the company's unissued capital stock or in support of an increase in capital.

13.1.g Right to dividends

- Dividends shall be declared and paid out of the surplus profits of the company at such times and in such amounts as the Board of Directors may determine in accordance with the provisions of law and regulations of Insurance Commission and financial regulatory requirements.

13.1.h It shall be the duty of the Directors to promote members rights, remove impediments to the exercise of members' rights and allow possibilities to seek redress for any violation of their rights. They shall encourage the exercise of members' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to members participating in meetings and/or voting in person. The Directors shall pave the way for the electronic filing and distribution of member information necessary to make informed decisions subject to legal constraints.

All complaints from the members shall be satisfactorily handled and processed.

13.1.i. The Board shall ensure ongoing promotion of the integrity of voting and election process. The Board shall appoint an independent party to count and validate the votes taken at the Annual Members' Meeting.

13.1.j The Board shall establish effective member voting mechanism as it may deem necessary and appropriate to protect minority members against actions of controlling members.

13.1.k. The Board shall ensure that all members of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.

13.1.l. The company shall designate contact numbers/persons that cater to specific concerns and inquiries of the members before and beyond the Annual Members' Meeting (ASM). The company shall have a designated assistance desk at the Corporate Secretary's Office to accommodate concerns and other requests of the members.

13.2 The Board shall encourage active members participation by sending the Notice of Annual and Special Members' Meeting with sufficient and relevant information, i.e. date, location, meeting agenda and its rationale and explanation, at least 21 days before the meeting.

13.3 The Board shall make the result of the votes taken during the most recent Annual or Special Members' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Members' Meeting shall be available on the company's website within five business days from the end of the meeting.

The minutes of the Annual Members' Meeting shall include the following information:

- a. A description of the voting and the vote tabulation procedures used;
- b. The opportunity given to members to ask questions, as well as a record of the questions and the answers received;
- c. The matters discussed and the resolutions reached;
- d. A record of the voting results for each agenda item;
- e. A list of the directors, officers and members who attended the meeting; and
- f. Dissenting opinion on any agenda item that is considered significant in the discussion process.

13.4 The Board shall make available, at the option of a member, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner. This shall be included in the company's Manual on Corporate Governance.

DUTIES TO STAKEHOLDERS

PRINCIPLE 14: RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDERS RIGHTS

The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. The stakeholders shall have the opportunity to obtain prompt effective redress for the violation of their rights.

14.1 The Board shall identify the company's various stakeholders and promote cooperation between them and the company in creating wealth, growth and sustainability.

14.2 The Board shall establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.

14.3 The Board shall adopt a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.

PRINCIPLE 15: ENCOURAGING EMPLOYEES' PARTICIPATION

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

15.1 The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.

15.2 The Board shall set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. Further, the Board shall disseminate the policy and program to employees across the organization through trainings to embed them in the company's culture.

15.3 The Board shall establish a suitable framework for whistle blowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistle blowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

PRINCIPLE 16: ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY

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

16.1 The company recognizes and places 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.