



FORTICARE
HEALTH SYSTEMS INTERNATIONAL, INC.

CORPORATE GOVERNANCE MANUAL



Corporate Center

5F Dy International Building 1011 Gen Malvar St
Corner San Marcelino St Malate Manila Philippines

Trunkline: (02) 53142273

Mobile Number: (0927)2230304

Email Address: dpo.forticare@gmail.com

Website: www.forticareph.com

Data Privacy Monitoring and Compliance Division (DPMCD)	
Authored By	Atty. Ivo Cabangon, Corporate Lawyer
	Mark Anthony Junio, Data Protection & Compliance Officer
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Approved By / Date	

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I. INTRODUCTION

The Board of Directors and Management, i.e., officers and staff, of Forticare Health Systems International, Inc. is committed to maintaining high standards of corporate governance. We believe that effective corporate governance is essential to the company and establishes an open and transparent framework for delivering services to our valued members and clientele.

The Corporate Governance Manual aims to assist the members of the Company's various boards and committees in the exercise of their responsibilities to serve the best interest of the company and its members and clients. These guidelines are intended to ensure that the members of the boards and committees will be better able to review and evaluate the business operations and to make appropriate decisions as needed. It is a necessary component of sound strategic business management and will, therefore, undertake every effort necessary to create awareness within the organization to ensure that the principle of fairness, accountability and transparency are indispensable in conducting the day-to-day business of the Company.

II. OBJECTIVE

This Manual seeks to institutionalize the principle of good corporate governance in the entire organization of the Company.

III. DEFINITION OF TERMS

1. **Corporate Governance** - the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders. Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior - reconciling long term customer satisfaction with shareholder value - to the benefit of all stakeholders and society.

Its purpose is to maximize the organization's long-term success, creating sustainable value for its shareholders, stakeholders, and the nation.

2. **Board of Directors** - the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business, and controls its properties. The term shall also include Board of Trustees.
3. **Directors** - as used in this Code shall also refers to a Trustee.
4. **Management** - a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation.
5. **Independent Director** - a person who is independent of management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.
6. **Executive Director** - a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.

7. **Non-executive Director** - a director who has no executive responsibility and does not perform any work related to the operations of the corporation.
8. **Conglomerate** - a group of corporations that has diversified business activities in varied industries, whereby the operations of such businesses are controlled and managed by a parent corporate entity.
9. **Internal Control** - a process designed and effected by the board of directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete, and timely financial and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures.
10. **Data Privacy Monitoring & Compliance 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.
11. **Entity** - shall also refer to a company.
12. **Related Party** - shall cover the company's subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates, and special purpose entities), that the company exerts direct or indirect control over or that exerts direct or indirect control over the company; the company's directors; officers; shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the company.
13. **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.
14. **Shareholder** - refers to an owner of a share of stock in a company. To this Code, the term shareholder shall also refer to a member of a non-stock non-profit entity.
15. **Stakeholders** - any individual, organization or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

IV. CORPORATE GOVERNANCE STRUCTURE

A. Board of Directors

Compliance with the highest standards in corporate governance principally starts with the Board which has the responsibility to foster the long-term success of the Company and secure its sustained competitiveness in accordance with its fiduciary responsibility.

The Board is primarily responsible for approving and overseeing the implementation of the Company's strategic objectives, risk strategy, corporate governance, and values. Further, the Board of Directors is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day-to-day affairs of the Company.

The Board of Directors must: (1) possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and considering the entity's business and risk profile; (2) have a record of integrity and good repute; (3) have sufficient time to carry out their responsibilities; and (4) have the ability to promote a smooth interaction between board members.

The Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and all shareholders.

In the same manner, every employee of the entire organization is expected to embrace the same degree of commitment to the desired level of corporate standards. Every company should be headed by an effective Board to lead and control the company and ensure its success.

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- ❖ Provide entrepreneurial leadership of the Company within a framework of the prudent and effective controls which enable risks to be assessed and managed.
- ❖ Set the companies' strategic aims.
- ❖ Ensure that the necessary financial and human resources are in place for the company to meet its objectives and review management performances.
- ❖ Set the companies' values and standards.
- ❖ Ensure that its obligation to shareholders and others are understood and met.

Responsibilities of the Board of Directors

1. The Board members will act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of Forticare and all shareholders.
2. The Board will oversee the development of and approve Forticare's business objectives and strategy, and monitor their implementation, in order to sustain Forticare's long-term viability and strength. In discharging its duty to monitor and oversee management action and to ensure a high standard of best practice for Forticare, its stockholders and other stakeholders, the Board will conduct itself with honesty and integrity in the performance of, among others, the following duties, and responsibilities:
 - a. Implement a process for the selection to ensure a mix of competent directors and officers who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest, and highly motivated management officers. Adopt an effective succession planning program for directors, key officers, and

management to ensure growth and a continued increase in the shareholders' value.

- b. Provide sound strategic policies and guidelines of Forticare on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets, and Management's overall performance;
- c. Ensure Forticare's faithful compliance with all applicable laws, regulations, and best business practices;
- d. Establish and maintain an effective investor relations program that will keep the stockholders informed of important developments in Forticare. If feasible, the President or the Chief Finance Officer will exercise oversight responsibility over this program;
- e. Identify Forticare's stakeholders in the community in which it operates or are directly affected by its operations, and formulate clear policy of accurate, timely and effective communication with them;
- f. Adopt a system of check and balances within the Board. A regular review of the effectiveness of such system will be conducted to always ensure the integrity of the decision-making and reporting processes. There will be a continuing review of Forticare's internal control system in order to maintain its adequacy and effectiveness.
- g. Formulate and implement policies and procedures that will ensure the integrity and transparency of related party transactions between and among Forticare and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers, and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.

A director with a material interest in any transaction affecting the corporation should abstain from taking part in the deliberations for the same.

- h. Endeavor to provide appropriate technology and utilize available resources to ensure a competitive position;
- i. Constitute an executive, audit and risk management, corporate governance and nomination, and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities and which will aid to the attainment of corporate goals;
- j. Establish and maintain an alternative dispute resolution system in MPI that can amicably settle conflicts or differences between Forticare and its stockholders, and third parties, including the regulatory authorities;
- k. Properly discharge Board functions by meeting regularly or frequently as may be needed, and the minutes of such meetings will be duly recorded. Independent views during Board meetings will be encouraged and given due consideration;

- I. Keep the activities and decisions of the Board within its authority under the Articles of Incorporation and By-laws, and in accordance with existing Laws, rules, and regulations.
3. The Board will be headed by a competent and qualified Chairperson.
4. The Board will have a policy on training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors.
5. The Board will be responsible for ensuring and adopting an effective succession planning program for directors, key officers, and management to ensure growth and a continued increase in the shareholders' value. This will include adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in Forticare.
6. The Board will align the remuneration of key officers and board members with the long-term interests of Forticare. In doing so, it will formulate and adopt a policy specifying the relationship between remuneration and performance. Further, no director will participate in discussions or deliberations involving his own remuneration. The directors' compensation will always be in accordance with the Forticare By-laws and/or as approved by the stockholders during the annual stockholders' meeting. The Board will, from time to time, approve reasonable per diem that a director may receive for attendance in the Board and Board Committee meetings.
7. The Board, through its Corporate Governance and Nomination Committee, will have a formal and transparent board nomination and election policy that will include how it accepts nominations from minority shareholders and reviews nominated candidates. The policy will also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director. In addition, its process of identifying the quality of directors will be aligned with the strategic direction of Forticare.
8. The Board will have the overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy will include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy will encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations.

A director with a material interest in any transaction affecting the corporation should abstain from taking part in the deliberations for the same.

9. The Board will be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO) or the President, and control functions led by their respective heads.

10. The Board will establish an effective performance management framework that will ensure that the Management, including the President, and personnel's performance is at par with the standards set by the Board and Senior Management.
11. The Board will oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders. The Board should also approve the Internal Audit Charter.
12. The Board will oversee that a sound Data Privacy Monitoring & Compliance Management (DPMCM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework should guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. This function will be undertaken by the Audit and Risk Management Committee.
13. The Board should have a Board Charter that formalizes and clearly states its roles, responsibilities, and accountabilities in carrying out its fiduciary duties. The Board Charter should serve as a guide to the directors in the performance of their functions and should be publicly available and posted on the company's website.
14. The Directors should attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele/videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the director should review meeting materials and if called for, ask the necessary questions, or seek clarifications and explanations.
15. The non-executive directors of the Board should concurrently serve as directors to a maximum of five Insurance Commission (IC) 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.
16. All directors shall make decisions objectively in the interests of the company.

Qualification of Directors

1. Directors sitting on the board shall possess the necessary skills, competence and experience and must have management capabilities. The directors shall also be persons of integrity and credibility.
2. Every director shall own at least one (1) share of the capital stock of the corporation whose share should be in his name and recorded in the books of the corporation.
3. Each director shall be at least twenty-five (25) years of age at the time of his appointment.

4. Each director must have attended a special seminar on corporate governance.
5. Directors must have a record of integrity and good repute and must have time to carry out the responsibilities and has the ability to promote smooth interaction between board members.
6. Membership in good standing in relevant industry, business, or professional organizations.
7. Must have practical understanding of the business and sufficient experience in managing the business to substitute for such formal education.

Disqualification of Directors

1. Temporarily Disqualified

Directors/ officers/ employees disqualified from holding a director position for a specific/indefinite period of time:

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

- i. Persons with derogatory records with the 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 a director. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity;
- j. Persons who are delinquent in the payment of their obligations as defined hereunder:
 - j.1 Delinquency in the payment of obligations means that obligations of a person with the insurance company or its related companies where he/ she is a director or officer; or at least two obligations with other insurance companies, under different credit lines or loan contracts;
 - j.2 Obligations shall include all borrowings from an insurance company or its related companies obtained by:
 - j.2.1 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,
 - j.2.2 The spouse or child under the parental authority of the director or officer;
 - j.2.3 Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director or officer;
 - j.2.4 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
 - j.2.5 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. Permanent Disqualification

Directors/ officers/ employees permanently disqualified from holding a director position:

- a. Persons who have been convicted by final judgment of the court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft;
- b. Persons who have been convicted by final judgment of the court for violation of insurance laws;

- c. Persons who have been judicially, declared insolvent, spendthrift or unable to enter into a contract; or
- d. Directors, officers or employees of closed insurance companies or any insurance intermediaries who were responsible for such institution's closure as determined by the Insurance Commission.

Qualifications of Independent Directors

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

An Independent Director shall refer 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 corporate shareholders;
- 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 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;
- 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 shareholders, 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 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;
- 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 shareholders; 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 (1) the covered entity's holding/parent company; (2) its subsidiary or affiliate; (3) subsidiaries of its holding/parent company; or (4) 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.

Responsibilities of the Directors and Independent Directors

The Directors and Independent Directors shall:

1. Conduct fair business transaction with the insurance company to ensure that personal interest does not bias board decisions.
2. Directors, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institutions cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others. The basic principle to be observed is that a director shall not use his position to make profit or to acquire benefit or advantage for himself and/ or his related interests. He shall avoid situations that would compromise impartiality.
3. Act honestly, in good faith, and with loyalty to the best interest of the institution, its stockholders, (regardless of the amount of their stockholdings) and other stakeholders such as its policyholders, investors, borrowers, other clients and the general public. A director must always act in good faith with care which an ordinarily prudent man would exercise under similar circumstances, while a director shall always strive to promote the interest of all stockholders. He shall also give due regard to the rights and interests of other stakeholders.
4. Devote time and attention necessary to properly discharge their duties and responsibilities. Directors shall devote sufficient time to familiarize themselves with the institution's business. They must constantly be aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the board's work. They must attend and actively participate in board and committee meetings, request, and review meeting materials, ask questions and request explanations. If a person cannot give sufficient time and attention to the affairs of the institution, he should neither accept his nomination nor run for election as member of the board.

5. Act judiciously. Before deciding on any matter brought before the board of directors, every director shall thoroughly evaluate the issues, ask questions, and seek clarifications when necessary.
6. Exercise independent judgment. A director shall view each problem/ situation objectively. When a disagreement with others occurs, he shall carefully evaluate the situation and state his position. He shall not be afraid to take a position even though it might be unpopular. Corollarily, he shall support plans and ideas that he thinks will be beneficial to the institution.
7. Have a working knowledge of the statutory and regulatory requirements affecting the institution, including the contents of its articles of incorporation and by-laws, the requirements of the Insurance Commission, and where applicable' the requirements of other government agencies. A director shall also keep himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness.
8. Observe confidentiality. Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the Board.
9. Insurance companies shall furnish all their directors a copy of the specific duties and responsibilities of the Board of Directors as well as the specific duties and responsibilities of a director within thirty (30) working days, in case of incumbent directors and at the time of election in case of directors elected after the issuance of the Corporate Governance Code.
10. Notify the Board where he/she is an incumbent director before accepting a directorship in another company.
11. The directors concerned shall each be required to acknowledge receipt of the copies of such specific duties and responsibilities and shall certify that they fully understand the same.
12. Directors should appoint a Corporate Secretary who shall be a Filipino citizen capable of carrying out the duties to which the post entails and his removal shall be a matter for the entire Board to decide. The Corporate Secretary shall submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.
13. Non-executive director shall scrutinize the performance of management in meeting agreed goals and objectives and monitor the performance report.
14. Non-executive directors shall constructively challenge and help develop strategic proposals for the company.
15. Non- executive directors shall satisfy themselves of the integrity of financial information and financial controls as systems of risk management are robust and defensible.

Liability of Directors

Directors who willfully and knowingly vote or consent 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 Directors, shall be liable jointly and severally for all damages resulting therefrom suffered by the Corporation, its stockholders, and other persons.

When a Director 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.

B. Chairman of the Board

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

1. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
2. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
3. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
4. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
5. Assures the availability of proper orientation for first time directors and continuing training opportunities for all directors; and
6. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

C. Chief Executive Officer/President

To avoid conflict or a split board and to foster an appropriate balance of power, increased accountability, and better capacity for independent decision-making, it is recommended that the positions of Chairman and Chief Executive Officer (CEO) be held by different individuals. This type of organizational structure facilitates effective decision making and good governance.

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

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

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

D. Corporate Secretary

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

He must possess appropriate administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have a working knowledge of the operations of the Company;

Duties and Responsibilities of the Corporate Secretary

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

1. Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;
2. Keeps 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;
3. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
4. Advises on the establishment of board committees and their terms of reference;
5. Informs the members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
6. 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;
7. Performs required administrative functions;
8. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
9. Performs such other duties and responsibilities as may be provided by the Insurance Commission (IC).

E. Data Protection & Compliance Officer

The Board should ensure that it is assisted in its duties by a Data Protection & Compliance Officer, who should have a rank of Vice President or an equivalent position with adequate stature and authority in the corporation. The Compliance Officer should not be a member of the Board of Directors and should annually attend a training on corporate governance.

The Compliance Officer is a member of the company's management team in charge of the compliance function. Similar to the Corporate Secretary, he/she is primarily liable to the corporation and its shareholders, and not to the Chairman or President of the company.

Duties and responsibilities of the Compliance Officer

1. Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
2. Monitors, reviews, evaluates, and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
3. Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
4. Ensures the integrity and accuracy of all documentary submissions to regulators;
5. Appears before the Insurance Commission (IC) when summoned in relation to compliance with this Code;
6. Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
7. Identifies possible areas of compliance issues and works towards the resolution of the same;
8. Ensures the attendance of board members and key officers to relevant trainings; and
9. Performs such other duties and responsibilities as may be provided by the Insurance Commission (IC).

F. Diversity in the Board

The Company is committed to a diverse, inclusive, and equitable environment where all board members, staff, volunteers, and members feel respected and valued regardless of gender, age, race, ethnicity, culture, skills, competence, sexual orientation or identity, disability, education, or any other bias.

The Board of Directors of Forticare believes in the benefits diversity brings and it recognizes that diversity of thought makes prudent business sense. Having a board composed of men and women with diverse skills, experience, backgrounds, and perspectives.

For purposes of Board composition, diversity includes, but is not limited to, business and industry skills and experience, gender, and ethnicity. The Board will

make good use of these differences and distinctions among individuals in determining the optimum composition of the Board.

All Board appointments must collectively reflect the diverse nature of the business environment in which the organization operates and be made on merit, in the context of the skills, experience, independence and knowledge which the Board requires to be effective.

G. Composition of the Board and the Independent Directors

1. The Board shall be composed of at least five (5) but not more than fifteen (15) members elected by shareholders.
2. The Board should be composed of at least twenty percent (20%) independent directors.
3. The corporation shall ensure that there are at least two (2) independent directors in the Board.
4. The Board shall endeavor to include a balance of executives and nonexecutive directors, such that, no individual or small group of individuals can dominate the Board's decision making.
5. Considering that the insurance business is imbued with public interest, the role of the Chairman and Chief Executive Officer shall in principle be separate, to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.
6. 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. The Chairman of the Board shall be a non-executive director.
7. Non-Filipino citizens may become members of the Board of Directors of an insurance company to the extent of the foreign participation in the equity of said insurance company. Provided, that pursuant to Section 23 of Corporate Code of the Philippines (BP 819.68) a majority of the directors must be residents of the Philippines.
8. The Board shall regularly review its composition, taking into account the evolving requirements of the Corporation, and best practices in corporate governance.

H. Board Balance and Independence

1. The Board shall include a balance of executive directors and nonexecutive directors (particularly independent non-executive directors) such that no individual or small group of individuals can dominate the Board's decision making.
2. Only the Committee Chairman and members are entitled to be present at the nomination, remuneration committee meetings but others may attend at the invitation of a particular committee.
3. The Board should endeavor to exercise an objective and independent judgment on all corporate affairs.
4. The Board shall determine whether a director is independent in character and judgment or there are relationships or circumstances which are likely to affect the director's judgment.

I. Multiple Board Seats

1. The optimum number of directorships shall be generally related to the capacity of a director in performing his duties diligently.
2. The CEO and other executive directors shall submit themselves to allow indicative limit (four or lower) on membership in other corporate boards.
3. The same low limit also applies to independent non-executive directors who serve as fulltime executives in other corporations.
4. There can be a higher indicative limit (five or lower) for other directors who hold non-executive position in any corporation. In any case, the capacity of directors to serve with diligence shall not be compromised.
5. The Directors should notify the Board where he/she is an incumbent director before accepting a directorship in another company.

J. Board Remuneration

1. Levels of remuneration shall be sufficient to attract and retain the quality of directors to run the company successfully.
2. Significant proportion of executive directors' remuneration is structured so as to link rewards to corporate and individual performance.
3. Levels of remuneration of non-executive directors shall reflect their experiences, responsibilities, and performances.
4. The performance-related elements of remuneration shall form a significant proportion of the total remuneration package of executive directors and shall be designed to align their interests with those of shareholders and to give these directors keen incentives to perform at the highest levels.
5. Designate amount of remuneration which shall be at sufficient level to attract and retain directors and officers needed to run the company successfully.
6. Levels of remuneration for non-executive directors shall reflect the time commitment and responsibilities of the office or position. Remuneration for non-executive directors shall not include share options. If, options are granted, shareholders' approval shall be sought in advance and any share acquired by way of an exercise of an option shall be held until at least one year after the non-executive director leaves the board. Holding of share options is relevant to determine the non-executive director's independence.
7. Notice or contract periods shall be set at least one year or less. If it is necessary to offer longer notice or contract periods to new directors recruited from outside, such periods shall be reduced to one year or less after the initial period.
8. There shall be formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual directors.
9. No director shall be involved in deciding his or her own remunerations.
10. A form shall be developed on Full Business interest Disclosure as part of the pre-employment requirements. For all incoming officers and senior managers, they shall declare under penalty of perjury all their existing business interests or shareholdings that may directly or indirectly affect the performance of their duties.
11. Provide in the corporation's annual report information and proxy statements a clear, concise, and understandable disclosure of compensation of its executive officer for the previous fiscal year and the ensuing year.

12. Review the existing Human Resources Development or Personal Handbook, to strengthen provisions on conflict of interest, salaries, and benefit policies, promotion and career advancement directories and compliance of the personnel concerned with all statutory requirements that must be periodically met in their respective posts.

K. Appointment to the Board

1. There shall be formal, rigorous, and transparent procedures for these election and appointment of new directors to the Board.
2. Appointments to the Board shall be made on merit and against subjective criteria. Careful deliberation and consideration shall be done to ensure that appointees have enough time for the job. This is particularly important in the case of Chairmanship.
3. Plans shall be in place for orderly succession to the Board and that of the senior management level in order to maintain a balance of appropriate skills and experiences within the company.
4. To constitute the Board committees.

V. BOARD COMMITTEES

Board committees are set up to support the effective and optimal performance of the board functions particularly in the areas of audit, risk management, related party transactions and other key corporate governance concerns. These committees shall focus on specific board functions to aid in the optimal performance of its roles and responsibilities.

A. Audit and Related Party Transactions Committee (ARPTC)

Audit Function

The ARPTC will enhance its oversight capability over MPI's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. It will be responsible for overseeing the senior management in establishing and maintaining an adequate, effective, and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency, and effectiveness of operations, and safeguarding of assets.

The Audit functions are as follows:

- a. Recommend the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- b. Through the Internal Audit team, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances will be in place in order to (a) safeguard Forticare's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of Forticare's financial data, and (d) ensure compliance with applicable laws and regulations;

- c. Oversee the internal audit team.
- d. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he will directly report to the Committee;
- e. Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations;
- f. Prior to the commencement of the audit, discuss with the External Auditor the nature, scope, and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- g. The Audit Committee should have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor.
- h. 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 Forticare's overall consultancy expenses. The Committee will disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, will be disclosed in Forticare's Annual Report and Annual Corporate Governance Report;
- i. Review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
 - i.1 Any change/s in accounting policies and practices;
 - i.2 Areas where a significant amount of judgment has been exercised;
 - i.3 Significant adjustments resulting from the audit;
 - i.4 Going concern assumptions;
 - i.5 Compliance with accounting standards;
 - i.6 Compliance with tax, legal and regulatory requirements.
- j. Reviews the disposition of the recommendations in the External Auditor's management letter;
- k. Assess the integrity and independence of the external auditors;
- l. Performs oversight functions over Forticare's Internal and External Auditors; ensure the independence and objectivity 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;
- m. Exercising effective oversight to review and monitor the external auditor's independence and objectivity;
- n. Exercise effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements
- o. Coordinates, monitors, and facilitates compliance with laws, rules and regulations;
- p. Review and monitor the external auditor's suitability and effectiveness on an annual basis;
- q. Recommends to the Board 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 shareholders. For

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

- r. Meet with the Board at least every quarter without the presence of the President or other management team members, and periodically meets with the head of the internal audit. The Committee may invite the President or other management team if deemed necessary to answer queries raised by the Committee.

Related Party Transaction Functions

The Related Party Transaction functions are as follows:

- 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 takes into account, among others, the following:
 - ❖ The related party's relationship to the company and interest in the transaction;
 - ❖ The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - ❖ The benefits to the corporation of the proposed RPT;
 - ❖ The availability of other sources of comparable products or services; and
 - ❖ 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;
- f. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

B. Board Risk Oversight and Corporate Governance Committee

Board Risk Oversight Functions

The Board Risk Oversight functions are as follows:

- a. Develop a formal enterprise risk management plan which contains the following elements: (a) common language or register or risk, (b) well-defined risk management goals, objectives, and oversight, (c) uniform processes of assessing risk and developing strategies to manage prioritized risk, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes, and measures;
- b. Oversee the implementation of the enterprise risk management plan. The Committee conducts regular discussions on COMPANY's prioritized and residual exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- c. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness. The Committee 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. Advise the Board on its risk appetite levels and risk tolerance levels;
- e. Review 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. Assess the probability of each identified risk becoming reality and estimates its possible significant 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. Provide oversight over Management's activities in managing credit, market liquidity, operational, legal, and other risk exposures of company. This function includes regularly receiving information on risk exposures and risk management activities from Management, and

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

The Corporate Governance Functions

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

The Corporate Governance functions are as follows:

- a. Oversee 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 Forticare's size, complexity and business strategy, as well as its business and regulatory environments;
- b. Oversee the periodic performance evaluation of the Board and its committees as well as executive management, and conduct an annual self-evaluation of its performance;
- c. Ensure 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. Recommend 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. Adopt corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Propose and plan relevant trainings for the members of the Board.
- g. Determines the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- h. Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.

VI. BOARD PERFORMANCE

Performance Evaluation

1. A formal and rigorous annual evaluation of the Board's own performances and that of its committees and individual directors shall be undertaken.

2. The chairman shall act on the results of the performance evaluation by recognizing the strengths and addressing the weaknesses of each director. He may propose appointment of new members to the Board or seek the resignation of directors.
3. Performance evaluation of the Board, its committees and its individual directors shall be conducted and reported in the annual report.
4. Performance evaluation of the Chairman shall be made by all members of the board, taking into account the views of executive directors.
5. To strengthen the objectivity of the assessment, the Board will engage an external facilitator to conduct the process every three (3) years.

VII. ELECTION/RE-ELECTION AND TERM

1. All directors shall be subject to votation by shareholders at the first annual general meeting after their nomination and to re-election thereafter at intervals of no more than three years. The names of directors submitted for election or re-election shall be accompanied by sufficient biographical details and any other relevant information to enable shareholders to have knowledge of their decision on their election.
2. Each director shall represent all shareholders and shall be in a position to participate independently and objectively.
3. Non-executive directors shall be elected for a specified term and removed in accordance with the Corporation Code of the Philippines.
4. The Board's Independent Directors should serve for a maximum cumulative term of nine (9) years. After which, the Independent Director should be perpetually barred from re-election as such in the Corporation but may continue to qualify for nomination and election as a Non-Independent Director. In the instance that the Corporation wants to retain an Independent Director who has served for nine (9) years, the Board should provide meritorious justification/s and seek Shareholders' approval during the annual shareholders' meeting.

VIII. INFORMATION AND PROFESSIONAL DEVELOPMENT

1. The Chairman shall be responsible for ensuring that the directors receive an accurate, timely and complete information.
2. The Corporate Secretary through the Chairman shall be responsible for advising the Board about governance matters.
3. The Board shall ensure that directors, especially non-executive directors, have access to independent professional advice at companies' expense to discharge their responsibilities as directors. Committees shall be provided with sufficient resources to undertake their duties.
4. All directors shall have access to the advices and services of the Corporate Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

Both the appointment and removal of the Corporate Secretary shall be decided by the Board.

5. The Chairman shall ensure that as an integral element of the process of appointing new directors, the company provides an orientation and education program for new recruits to the Board. There will be orientation program for first-time directors.

The orientation program for first-time directors and relevant annual continuing training for all directors aim to promote effective board performance and continuing qualification of the directors in carrying-out their duties and responsibilities. It is suggested that the orientation program for first-time directors, in any company, be for at least eight hours, while the annual continuing training be for at least four hours.

All directors should be properly oriented upon joining the board. This ensures that new members are appropriately apprised of their duties and responsibilities, before beginning their directorships. The orientation program covers IC-mandated topics on corporate governance and an introduction to the company's business, Articles of Incorporation, and Code of Conduct. It should be able to meet the specific needs of the company and the individual directors and aid any new director in effectively performing his or her functions.

6. The Chairman shall ensure that the directors continually update their skills, knowledge and familiarity with the company's goals and objectives in order to fulfill their roles in the Board and/or board committees.
7. The company shall provide the necessary resources in developing and updating its directors' knowledge and capabilities.
8. The annual continuing training program, on the other hand, makes certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the company. It involves courses on corporate governance matters relevant to the company, including audit, internal controls, risk management, sustainability, and strategy. It is encouraged that companies assess their own training and development needs in determining the coverage of their continuing training program.
9. All Directors, as well as Officers with a rank of Vice-President and up, are enjoined to attend at least a one-day training and orientation course on Corporate Governance conducted by duly accredited training providers of the Insurance Commission. Topics to be covered shall include Code of Corporate Governance, Annual Corporate Governance Report, Board Responsibilities, Illegal activities of corporations/directors/officers, Protection of minority shareholders, Related Party Transactions, Liabilities of directors, Confidentialities, Conflict of interest, Enterprise Risk management, and case studies on Financial Reporting and Audit.

IX. SUCCESSION PLANNING

Planning for both the foreseen and unexpected absences of people who hold key roles in an organization is a task which we often avoid or engage in only in an informal manner. Without concentrated effort on this activity, known as succession planning, a business that has been successful can quickly fail if one or more of its leaders are lost. When succession

planning is carefully conducted and the plan periodically reviewed, extended and costly vacancies can be avoided. Succession planning has to be a priority for every business and should be part of its strategic business plan.

Succession planning is the process of identifying high-potential employees, evaluating, and honing their skills and abilities, and preparing them for advancement into positions which are key to the success of business operations and objectives. The plan shall comply with the qualifications and disqualifications standard set for the identification of potential candidate for the membership of the Board.

The Plan aims to avoid extended and costly vacancies in key positions and assure the stability of business operations. To provide meaningful developmental opportunities for both the organization and its employees as it targets key leadership positions at varying levels. To help develop a diverse workforce by enabling decision makers to look at the future make-up of the organization as a whole.

X. DISCLOSURE, INTERNAL CONTROL AND TRANSPARENCY

A. 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.

1. The Board should establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable, and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results, and business operations.
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.
3. The company should 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 Corporation Code. Also, companies should disclose the remuneration on an individual basis, including termination and retirement provisions.
4. The company should disclose its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions. The material or significant RPTs should be reviewed and approved by the Board and submitted for confirmation by majority vote of the stockholders in the annual stockholders' meeting. All material or significant RPTs for the year should be disclosed in its Annual Company Report or Annual Corporate Governance Report.
5. The company's corporate governance policies, programs and procedures should be contained in its Manual on Corporate Governance, which should be submitted to the regulators and posted on the company's website.

B. Financial Reporting - Audit Commitment and Auditors

The Board's responsibility to present a balanced and understandable assessment of the company's financial position and projects.

1. The Board shall ensure that it has a timely and accurate disclosure of all material matters, including the financial condition, performance, ownership, and governance of the corporation.
2. A fair and timely cost-efficient access to relevant information shall be provided to all parties having legitimate interest in the corporation. Key financial information should be readily available to shareholders, policyholders, creditors, and claimants.
3. The Board and the senior management level shall receive regular reports on key aspects of the operations of the company. This shall include an analysis of premium growth, underwriting performance, investment results, claims management and credit control, which could provide a sound basis for assessing and identifying real and potential problems by formulating appropriate policies and strategies thereof.
4. The Board shall ensure faithful compliance with the financial and other reportorial requirements under the Insurance Code using a standard format provided by the Insurance Commission.

C. Non-Financial and Sustainability Reporting

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

The Board should 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. Company should adopt a globally recognized standard/framework in reporting sustainability and nonfinancial issues.

D. Internal Control and Risk Management

1. Board shall ensure that an effective system of control is in place for safeguarding the corporation's assets.
2. Major risks facing the corporation which are likely to affect the performance and financial condition of the corporation (including underwriting risk, reinsurance risks, investment risk, geographical risk, operational risk, and legal risk) and the approach taken by management in dealing with these risks, shall be reported to the Board to enable the latter to effectively address said risks.
3. The Board shall ensure that reports accurately reflect the financial condition and the results of corporate operations.

4. The Board shall regularly review the system of 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 independent and competent staff. Audit findings and recommendations shall be reported to the Board and the senior management level of the corporation.
5. The Board shall protect shareholders' 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.
6. The company should have a separate risk management function to identify and assess and monitor key risk exposures.
7. The company should have a separate risk management function to identify, assess and monitor key risk exposures. The company should have a Chief Risk Officer (CRO), who is the ultimate champion of Data Privacy Monitoring & Compliance Management (DPMCM) and has adequate authority, stature, resources, and support to fulfill his/her responsibilities, subject to a company's size, risk profile and complexity of operations.

E. Audit Commitment and Auditors

Internal Audit

1. The Board shall establish an internal audit office.
2. The internal audit shall be independent of the activities it audits and shall be done with impartiality and with due professional care.
3. The Board or the Audit Committee shall determine the members of the internal audit.
4. The following are the functions of the internal audit:
 - ❖ 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;
 - ❖ Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
 - ❖ Performs consulting and advisory services related to governance and control as appropriate for the organization;
 - ❖ Performs compliance audit of relevant laws, rules and regulations, contractual obligations, and other

commitments, which could have a significant impact on the organization;

- ❖ Reviews, audits, and assesses the efficiency and effectiveness of the internal control system of all areas of the company; 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;
 - ❖ Evaluates specific operations at the request of the Board or Management, as appropriate; and
 - ❖ Monitors and evaluates governance processes. A 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.
5. Develop a definitive timetable within which the accounting system of the corporation will be 100% International Accounting Standard (IAS) compliant as well as furnishing an accountability statement that will specifically identify officers and/ or personnel directly responsible for the accomplishment of such task.
 6. Corporate Independence shall be maintained so as not to compromise the interests of policyholders, claimants, creditors, minority shareholders and other stakeholders. Controlling or substantial interest shall be disclosed to the Board, and the latter shall ensure compliance with the provisions all applicable laws, rules and regulations shall be complied with.
 7. The Board may appoint a qualified Chief Audit Executive (CAE). The CAE shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third-party service provider. In case of a fully outsourced internal audit activity, qualified independent executive or senior management personnel should be assigned the responsibility for managing the fully outsourced internal audit activity.

External Audit

1. The Board, through the Audit Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements shall have been prepared and presented.
2. The External Auditor shall –
 - i. performs fair audits independently from the Corporation, its management and controlling shareholders, so that shareholders and other users may maintain confidence in the Corporation's accounting information;
 - ii. check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;
 - iii. attend the annual stockholders meeting and answer any questions on audit reports and on themselves, their work, and their remuneration;

- iv. perform such other functions as may be approved by the Board in its engagement of the auditor provided, however, that non-audit work shall not be in conflict with the functions of the auditor as external auditor.
3. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of the former auditor, would have caused making reference to the subject matter of the disagreement in connection with its report.

The non-executive directors (NEDs) should have separate periodic meetings with the external auditor and heads of the internal audit, compliance, and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation. The meetings should be chaired by the lead independent director.

F. Related Party Transaction

- a. Overlapping interests in the insurance entity shall be disclosed to the Board and any material transaction involving such interests shall be similarly disclosed.
- b. Related-party transactions shall be conducted in terms that are at least comparable to normal commercial practices to safeguard the best interest of Insurance Corporation, it is their policyholders, creditors, and claimants. In all cases, the applicable laws, rules, and regulations shall be complied with.
- c. Related party transactions shall be disclosed fully to the Board. Prior Board approval shall be obtained for related party transactions that are material in nature.

XI. RELATIONS WITH SHAREHOLDERS

Promoting Shareholder Rights

The company should treat all shareholders fairly and equitably, and also recognize, protect, and facilitate the exercise of their rights.

Shareholders' rights relate to the following, among others:

- ❖ Pre-emptive rights;
- ❖ Dividend policies;
- ❖ Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting;
- ❖ Right to nominate candidates to the Board of Directors;
- ❖ Nomination process;
- ❖ Voting procedures that would govern the Annual and Special Shareholders' Meeting;
- ❖ Alternative Dispute Mechanism for Intra-Corporate Dispute.

The Corporation adopts the rules and procedures set forth under Republic Act No. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004, as an alternative means to settle disputes with a view towards preventing excessive litigation.

The Board should encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 21 days before the meeting.

The Board should encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting may be available on the company website within 5 days from the end of the meeting.

Duties to Stakeholders

Respecting Rights of Stakeholders and Effective Redress for Violation of Stakeholder's Rights.

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

The Board should promote cooperation between the company and the various stakeholders in creating wealth, growth, and sustainability.

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

Encouraging Employees' Participation

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

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

The Board should set the tone and make a stand against corrupt practices by adopting an anti-corruption policy in its Code of Conduct and Discipline.

The Board must establish whistleblowing framework that will allow employees to freely communicate their concerns about illegal or unethical practices without fear of retaliation.

Encouraging Sustainability and Social Responsibility

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

The company should recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.

XII. RESPONSIBILITY FOR GOOD GOVERNANCE

The Board of Directors and the management of the insurance companies and intermediaries shall commit themselves to the principles and leading practices contained in this Code of Corporate Governance. The Board, the management, employees, and shareholders, who believe that corporate governance is a necessary component of what constitutes sound strategic business management, will undertake every effort necessary to create awareness within the organization.

XIII. IMPLEMENTATION AND ENFORCEMENT

All Insurance Commission (IC)-regulated entities are enjoined to strive towards the best practice applications overtime to raise their corporate governance practices to international standards.

XIV. REVIEW AND AMENDMENT OF MANUAL

This manual shall be reviewed and assessed as needed and any proposed changes shall be for the approval of the Board of Directors.

This Manual is subject to review and amendment to take into account the Corporation's changing needs, factual conditions prevailing in the environment and regulatory requirements.

XV. ADOPTION AND EFFECTIVITY OF THE MANUAL

This Manual was adopted by the Board of Directors of the Corporation on _____ and was made effective immediately.

Amendments to comply with regulatory issuances of the Insurance Commission shall be deemed adopted and effective upon effectivity of the relevant regulatory issuance.

Conforme:

MARK ANTHONY C. JUNIO
Compliance Officer

ELLEN C. NIEBRES
Chairman of the Board

References:

IC Circular Letter no. 2016-51

IC Circular Letter No. 2020-71

Code of Corporate Governance for Insurance Commission Regulated Companies

Revised Corporation Code of the Philippine