

PHILPACIFIC INSURANCE BROKERS & MANAGERS, INC.

MANUAL ON CORPORATE GOVERNANCE

1 STATEMENT OF COMMITMENTS ON GOOD CORPORATE GOVERNANCE

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

The Board of Directors and Management, employees and shareholders believe that corporate governance is a necessary component of what constitutes sound, and strategic business practice and will therefore undertake every effort necessary to create awareness and instill the discipline within the organization.

The shareholders of the company are committed to the following:

- a) To the customers – delivering high value, innovative and cost effective products services that are relevant and aligned to customers' needs.
- b) To the organization – creating an environment, structures and corporate culture that nurture dynamism, creativity, innovativeness, and strong governance, risk and compliance oversight.
- c) To the employees – molding, empowering and equipping the workforce with values of integrity, honesty, honor, accountability, professionalism and with competencies to perform their jobs and live life their fullest potentials.
- d) To the shareholder – to providing each shareholders superior returns over the long term.

2 THE BOARD'S GOVERNANCE STRUCTURE

2.1 FRAMEWORK

The Board shall be composed of a diverse set and mix of qualifications necessary to achieve broader perspectives of the business.

It shall be composed of at least 13 members and can have additional members that would have an odd number total, subject to the governing rules of selection, nomination and election to the board.

Each member of the Board will have continuing education and orientation on good governance principles and practices. Ideally, whenever available, education shall include courses from external institutes that advocate and certify governance standards and practices.

For purposes of maintaining the Board's primary role in strategy and direction setting, it can elect an Independent Director/s subject to add fresh ideas and way of thinking and be able to challenge prevailing ones.

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2.2 THE BOARD OF DIRECTORS

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

2.2.1. General Responsibility

A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness.

2.2.2 Specific Duties and Functions

To insure a high standard of best practice for the Corporation and its stakeholders, the Board shall:

- ❑ Install a process of selection to ensure a mix of competent directors and officers;
- ❑ Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives;
- ❑ Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- ❑ Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- ❑ Adopt a system of internal checks and balances;
- ❑ Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- ❑ Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted; and
- ❑ Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation.

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2.3 THE DIRECTORS' RESPONSIBILITIES

2.3.1 Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- ❑ To conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions;
- ❑ To devote time and attention necessary to properly discharge his duties and responsibilities;
- ❑ To act judiciously;
- ❑ To exercise independent judgement;
- ❑ To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.
- ❑ To observe confidentiality;
- ❑ To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

2.3.2 Qualification of the Director

Subjection to the criteria and approval protocols of the Board's Nomination Committee, a Director shall have the following minimum qualifications:

- ❑ Holder of at least (1) share of stock of the Corporation;
- ❑ He shall be at least twenty five (25) years old;
- ❑ He shall have proven to possess integrity and probity; and
- ❑ He shall be assiduous.

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2.3.3 Disqualification

- ❑ Any person finally found by the Insurance Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of insurance laws;
- ❑ Any person judicially declared to be insolvent;
- ❑ Any person who has 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; and
- ❑ 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.

Any of the following shall be a ground for the temporary disqualification of a director:

- ❑ Refusal to fully disclose the extent of his business interest as required under the applicable laws or of a circular, memorandum or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as his refusal persists;
- ❑ Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency. This disqualification applies for purposes of the succeeding election;
- ❑ Dismissal / Termination from directorship in another corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- ❑ Being under preventive suspension by the Corporation;
- ❑ If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director;
- ❑ Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

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2.3.4 The Role of the Independent Director

The Independent Director, though subject to the same qualification and disqualification guidelines of a regular director, has unique role in the Board. He/she shall therefore a person who:

- Is not or was not a director, officer or employee of the corporation, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his/her election/appointment;
- Is not or was not a director or employee of the corporation's substantial stockholdings and their related companies during the past three (3) years counted from the date of his/her election/appointment;
- Is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stocks sufficient to elect one (1) seat in the board of the directors of the corporation or in any of its related companies or of its majority corporate shareholdings.;
- 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;
- 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;
- 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;
- 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;
- 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

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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;

- 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,

2.4 BOARD OVERSIGHT COMMITTEES

The Board of Directors can delegate certain oversight functions to committees, as they deem fit and necessary. These governing bodies are preferably chaired by an independent director, with two (2) of the regular directors comprising their members.

2.4.1. The Governance, Risk and Compliance Committee

Its primary role and responsibility is to set the strategy, approve and oversee the corporation's implementation of its Governance, Risk and Compliance Policies and Procedures, which include but not limited to the following:

- Code of Conduct and Ethics
- Risk Management Policy Statement
- The company's risk appetite and risk tolerances
- Good Governance Policy
- Self-evaluation of the Board of Directors, Committees, Executive Management
- Peer Evaluation and Directors' Orientation and Continuing Education Policy
- Operational and Money Laundering Compliance

2.4.2. Audit Committee

This committee ensures the integrity of financial reporting and provides oversight of the internal and external audit functions of the corporation.

As inherent tasks, the audit committee is authorized to examine, evaluate and review the effectiveness of the risk management program of the company, non-compliance in any legal, regulatory and contractual obligations, and conduct a risk-based audit of financial transactions.

The Audit Committee approves the selection and appointment of the company's external auditor.

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2.4.3. Executive Committee

The Executive Committee shall be composed of the Key Directors of the company with the inclusion of top management and executive officers whenever necessary. It is responsible in approving board level initiatives and programs as shifts in operational strategies, re-branding, nomination, selection and hiring of top-level positions including prospective directors of the Board, credit limits with high transactional value, succession plans, budget appropriations and remuneration, mergers and acquisition, digital transformation and other items the board may decide.

The Board of Directors are also assisted in their responsibilities by the following management officers who are tasked in implementing the strategies, programs and initiatives as approved by the Board and its Oversight Committees.

2.4.4. Chairperson and Chief Executive Officer

The Chairperson presides the board meetings. While allowed in certain cases that the Chairperson also holds the Chief Executive Officer (CEO) position, it is a matter of good governance practice to separate the two (2) functions. The CEO reports to the Chairperson and the Board on the corporate and operational business results and takes care of the management of the entire company's conduct of business.

2.4.5. Corporate Secretary

The following are the functions and responsibilities of the Corporate Secretary. It is best practice that the person is from the legal professional practice.

- Assists the Board and the Board Committees in the conduct of their meetings, including the preparation, notifications and scheduling of the schedules of meetings including the annual stockholders meeting.
- Safe keeps and preserves the integrity of the minutes of the meetings including all official records of the company.
- Handles and works fairly and objectively with the Board, Management and Stockholders in the effective and efficient flow of information.
- Keeps custody of the Stocks Certificates, Transfer Books, and the Corporate Seal.
- Signs and submits to regulatory authorities all board resolutions and legal documents as required by such agencies.
- Overseas any amendments in the By-Laws of the corporation to conform with regulatory requirements.

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2.4.6. Chief Governance, Risk and Compliance Officer

For purposes of consolidating the three (3) typically separate functions, the company, with its limited personnel resource with the required Senior Vice President rank in the organization, a single person is selected to be responsible with the following duties and responsibilities:

- Ensure compliance with regulatory, statutory laws and obligations of the company.
- Prepare the agenda of the Governance, Risk and Compliance Board Committee in coordination with the Corporate Secretary.
- Keep a list of existing and new regulatory provisions, developments and best practices affecting the company's conduct of business and activities, and monitor its prompt compliance.
- Coordinate all matters of fair treatment and protection of shareholders, investors' relations, customers, creditors, counter parties, suppliers and employees.
- Supervises the entire Enterprise Risk Management process and spearheads the development, implementation, maintenance and continuous improvement of the risk management processes and documentation, including the regular updating of risk registers.
- Communicates the top risks and status of risk mitigating and risk management strategies and action plans.
- Identify key risk indicators that matter to corporate goals and strategies and measure them to help the Board and its Risk Oversight Committee determine the companies risk appetite, thresholds and tolerance levels.
- Monitor compliance of risk and governance policies and procedures and report to appropriate authorities.
- Receives summons and appear in court on any breach of laws and regulations to clarify any non-compliant issues.

2.4.7. Internal Auditor

- Periodically reviews the internal audit charter and presents it to senior management and Board Audit Committee for approval.
- Establishes, communicates, and spearheads a risk-based internal audit plan, including policies and procedures that determine the priorities of the internal audit activity, consistent with organizational goals.
- Presents findings and recommendations on how to improve internal processes.
- Conducts independent assessments of adequacy and effectiveness of management and IT control frameworks, risk management and governance processes of all units of the company including its subsidiaries and affiliates.
- Monitors the resolutions of internal control weaknesses and flaws.

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2.5 MANAGEMENT SUCCESSION PLANNING

The Board shall put in place an approved management succession plan crafted with the end view of business continuity and avoid the risk of a brain drain whenever key people and executives leave the organization.

In the case of retirement, the Board believes that the years of experience of a retiree who has accumulated much wisdom during his long years of working will serve well the Board and the organization in terms of the wealth of knowledge that he has acquired due to his diligence and hard work. Retirees in good standing are allowed an extended tenure in whatever capacity the Board may deem fit to him.

Part of the succession plan is identifying critical positions that need continuity of functions and the extent of internal available resource to replace and fill up the vacancy with a groomed successor.

A training plan to prepare future leaders of the company should be in place in coordination with the Human Resource Department.

3 FOSTERING AND REINFORCING THE BOARD'S COMMITMENT, PERFORMANCE AND INDEPENDENCE

A Board that adheres to good corporate governance practices fosters great commitments, performance and unquestionable independence. To achieve these, the Board follows norms of conduct which include but not limited to:

- 3.1 Board meetings and attendance are previously set and Board members are evaluated according to their promptness and consistency.
- 3.2 Confidentiality is strictly adhered to in every meetings.
- 3.3 Where directors occupy multiple board seats in any other entities, they are required full disclosure to determine any potential conflicts of interests.
- 3.4 Terms of office of Directors are pre-set at a minimum of one (1) year or otherwise determined by the Board and duly reported to the appropriate regulatory agency.
- 3.5 A self Assessment Score Card is accomplished to determine the score level of performance of the Board in terms of best governance practices.
- 3.6 A Peer Evaluation is also undertaken to foster constructive review of individual performances.

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4 STRENGTHENING ETHICAL STANDARDS ACROSS ALL LEVELS OF THE ORGANIZATION

The company has established policies and procedures on Ethics, Related Party Transactions (RPT) and Whistle Blowing.

As a matter of internal definition, any transactions between related parties that include the company and its subsidiaries and affiliates including any personal transactions involving employees of the company that are above 10% of the total assets of the company is subject to an independent board committee's review. This ensures an arms-length terms of transactions and timely identification and prevention or management of potential or actual conflict of interests.

Any other irregularities, anomalies and breach of ethical standards and good governance protocols that undermine the good reputation of the company are subject to an independent investigation and review by an independent board committee. Whistle-blowing mechanism built in the organizations serves to allow anybody to report such incidents in anonymity directly to the President and CEO of the company who then act to validate, investigate and penalize the violator, if warranted. The company reserves the right to suit and seek recourse from the courts of justice wherever appropriate.

5 INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY BOTTOM LINES

The company believes in a 3 tiered bottom line – People, Planet and Profit, in that order.

Hence, programs are institutionalized as a continuing undertaking to develop its people's full potential, help the people in building the communities where the company and its subsidiaries and affiliates operate through livelihood programs and disaster relief and recover, emergency and crisis preparedness and risk management, scholarship and educational programs and environmental protection and cleanliness, health, safety and sanitation.

The company aims to increase its revenues yearly as it upscale its social responsibility programs, too.

Each undertakings are property reported in its annual corporate sustainability report.

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6 ENCOURAGING EMPLOYEES' PARTICIPATION

The Board and its management team are conducting regular town hall meetings to get direct feedbacks from its employees. Quarterly, the CEO presides the meetings in every business units of the company. Any important development may warrant a special meeting with employees.

Management teams in all business units maintain an open door policy where employees are welcome to present new ideas and introduce new product designs and service schemes to serve its growing customer base.

7 SHAREHOLDERS BENEFITS

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

7.1 Investors' rights and protection

7.1.1 Right of Investors/Minority Interests

The Board shall be committed to respect the following rights of the stockholders:

7.1.2 Voting Right

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

7.1.2.2 At each meeting of stockholders for the election of directors, at which a quorum is present, the persons receiving the highest number of votes of the stockholders present in person or by proxy, shall be the directors. In case of any increase in the number of directors, the additional directors may be elected by the stockholders at the first annual meeting held, or at a special meeting called for that purpose, or at the same meeting approving the increase of directors if so stated in the notice of meeting, subject to the approval of the increase by the Securities and Exchange Commission.

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

7.1.3 Pre-emptive Right

All stockholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all which shall be protected by law so long as they shall not be in conflict with the Revised Corporation Code.

7.1.4 Power of Inspection

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

7.1.5 Right to Information

7.1.5.1 The Shareholders 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.

7.1.5.2 The minority shareholders 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.

7.1.5.3 The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

7.1.6 Right to Dividends

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

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7.1.6.2 The company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

7.1.7 Appraisal Right

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

- ❑ In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- ❑ 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 Corporation Code; and
- ❑ In case of merger or consolidation.

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

8 MONITORING AND ASSESSMENT

- 8.1 Each Committee shall report regularly to the Board of Directors.
- 8.2 The Compliance Officer shall establish an evaluation system to determine and measure compliance with the provisions contained in this manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 10 of this Manual and where breach is in the context of ethics, shall be

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subject to the penalties and sanctions contained in the Code of Ethics and Conduct governing the parties involved.

- 8.3 The establishment of such evaluation system, including the features thereof, shall be disclosed in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.
- 8.4 This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.
- 8.5 All business processes and practices being performed within any department or business unit of PHILPACIFIC INSURANCE BROKERS AND MANAGERS, INC., including its subsidiaries and affiliates that are not consistent with any portion of this manual will be revoked unless upgraded to the compliant extent.

9 DISCLOSURES AND CONFIDENTIALITY

- 9.1 The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer;
- 9.2 All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.
- 9.3 Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off balance sheet transactions.
- 9.4 The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

10 PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

10.1 To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on the company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:

- ❑ In case of **first violation**, the subject person shall be reprimanded.
- ❑ Suspension from office shall be imposed in case of **second violation**. The duration of the suspension shall depend on the gravity of the violation.
- ❑ For **third violation**, the maximum penalty of removal from office shall be imposed.

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10.2 The commission of a third violation of this manual by any member of the board of the company or its subsidiaries and affiliates shall be sufficient cause for removal from directorship.

10.3 the Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the President and/or Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

