

# SUN LIFE FINANCIAL PLANS, INC.

## MANUAL ON CORPORATE GOVERNANCE

(v. 03.01.2023)

The Board of Directors and Management, i.e., officers and staff, of Sun Life Financial Plans, Inc. ("SLFPI" or the "Corporation") hereby commit themselves to the principles and best practices contained in this Manual on Corporate Governance ("Manual") and the applicable laws and regulations, which are deemed read into this Manual, and acknowledge that the same may guide the attainment of SLFPI's corporate goals.

### I. OBJECTIVE

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

The Board of Directors (the "Board") and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible. The Company likewise recognizes, and thus puts importance, on the interdependence between business and society. As such, the Company is dedicated to growing its business while contributing to the advancement of society where it operates.

### II. COMPLIANCE SYSTEM

#### A. Compliance Officer

1. To ensure adherence to corporate principles and best practices, the Board shall designate a Compliance Officer with adequate stature and authority in the Corporation. He should not be a member of the Board. He shall have direct access to the Chief Executive Officer, the Board, and the Board's Audit, Compliance and Corporate Governance Committee.
2. The Compliance Officer shall perform the following duties:
  - Monitor, evaluate and ensure 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;
  - Appear before the Corporation's Supervising Government Agencies upon summons on matters relative to this Manual that need to be clarified by the same;
  - Determine violation/s of the Manual and recommend the penalty for violation thereof for further review and approval of the Board;

- Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
  - Identify possible areas of compliance issues and works towards the resolution of the same;
  - Perform such other duties and responsibilities as may be provided by the IC;
  - Annually attend a training on corporate governance;
  - Issue a certification when necessary, on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reason/s for the latter's deviation from the same;
  - Identify, monitor and control compliance risks;
  - Sit as a resource person in the Review Committee for Related Party Transactions;
  - Ensure that the Corporation complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties;
  - Aid in the review of the Corporation's transactions and identify any potential RPT that would require review by the Board or RPT Committee; and
  - Ensure that the RPT policy is kept updated and is properly implemented throughout the Corporation.
3. The appointment of the Compliance Officer shall be immediately disclosed to the Corporation's Supervising Government Agencies. All correspondence relative to the Compliance Officer's functions as such shall be addressed to the Compliance Officer.

#### B. Plan of Compliance

##### 1. Board of Directors

Compliance with the principles of good corporate governance shall start with 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.

The Board of Directors shall possess the necessary qualifications to effectively participate and help secure objective, independent judgment on company affairs and to substantiate proper checks and balances. It shall be headed by a competent and qualified Chairperson. It shall be composed of directors with a collective knowledge, experience or expertise that is relevant to the company's industry. There must be an appropriate mix of competence and expertise in the Board and its members remain must qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

The Corporation adopts a policy on Board diversity. It accepts nominations for directorship of individuals of all ages, ethnicity, culture, skill, competence, knowledge, and gender. The Company recognizes that a diversified Board contributes to optimal decision-making.

a. General Responsibility

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

b. Specific Duties and Functions

To ensure 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 and oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential/actual conflicts of interest of board members, management, and shareholders/members. In the performance of the Board's oversight responsibility, the minimum internal control mechanisms may include overseeing the implementation of the key control functions, such as risk management, compliance and internal audit, and reviewing the corporation's human resource policies, conflict of interest situations, compensation program for employees and management succession plan;
- 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;
- Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be minuted;
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation and By-Laws, and in existing laws, rules and regulations;
- Accomplish the Corporation's Board Effectiveness Questionnaire on an annual basis;
- Review and guide corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions and divestitures;
- Ensure and adopt an effective succession planning program for directors, key officers and Management to ensure growth and continued increase in the shareholders' value;
- Determine the relationship between remuneration and performance of key officers and board members which should be aligned with the long-term interests of the company; and consider the following key factors: 1) the level of remuneration must be commensurate to the role; 2) no director should participate in the determination of his own per diem or compensation; and 3) remuneration pay-out schedules should be sensitive to risk outcomes over a multi-year horizon. For employees in control functions (e.g., risk, compliance and internal audit), their remuneration is determined independent of any business line being overseen, and performance

measures are based principally on the achievement of their objectives so as not to compromise their independence;

- Primarily responsible for approving the selection of the: (i) Management led by the CEO, and (ii) control functions led by the Risk Officer, Compliance Officer, and Country Audit Head, to the extent allowed by company policies;
- Establish an effective performance evaluation framework that will ensure that the Management, including the Chief Executive Officer or his equivalent, and personnel's performance is at par with the standards set by the Board and Senior Management;
- Identify the Corporation's various stakeholders, promote cooperation between them and the Corporation in creating wealth, growth and sustainability, and provide a mechanism on the fair treatment and protection of stakeholders; and
- Have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of policyholders, members, plan holders, card holders, claimants, creditors and other stakeholders; including:
  - To observe good governance and approve an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged. A group-wide RPT policy shall be adopted, encompassing all entries within the group, taking into account their size, structure, risk profile and complexity of operations.
  - To approve all material RPTs, those that cross the materiality threshold, and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the board of directors.
  - To receive reports on breaches of internal limits or sub-limits for individual and aggregate exposures to a related party and for aggregate exposures to all related parties and decide whether to accept the exposure or to take steps to address the breaches, as may be necessary, and to duly document the foregoing in the minutes of the meetings.
  - To delegate to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the board of directors.

- To establish an effective system to:
  - a. Determine, identify and monitor related parties and RPTs;
  - b. Continuously review and evaluate existing relationships between and among businesses and counterparties; and
  - c. Identify, measure, monitor and control risks arising from RPT; and.
  - d. Approve any changes in the policies and procedures regarding the foregoing.
- To maintain adequate capital against risks associated with exposure to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process.
- To oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing.
- To ensure that senior management addresses legitimate issues on RPT that are raised.
- To ensure that staff who raise concerns are protected from detrimental treatment or reprisals.
- To constitute an RPT Committee.
- To oversee and assess the cybersecurity risk and threats to the Corporation and approve or challenge Management's recommended measure to address cybersecurity and monitor Management's implementation of such measures.

c. Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- Act on a fully informed basis, in good faith, and with due diligence and care (Duty of Care);
- Act in the interest of the company and all its shareholders, and not those of the controlling company of the group or any other stakeholder (Duty of Loyalty);
- Attending Board and Committee meetings, and actively participating in deliberations and decisions in an objective manner, whether in person or through tele-/ videoconferencing, unless prevented by illness, death in the immediate family, serious accidents, or other analogous causes. Informing himself or herself of significant matters dealt with at meetings not attended.

Reviewing Board and Committee meeting materials and if necessary, are expected to ask the necessary questions or to seek clarifications and explanations.

- Disclosing any personal interest or conflict of interest in relation to any matter to be considered by the Board. Abstaining from taking any part in the deliberations for the same;
- Notifying the Board and assessing whether his present responsibilities and commitment to the Corporation will be affected, before accepting a directorship in another company;
- Conduct fair business transactions with the Corporation and ensure that personal interest does not bias Board decisions;
- Devote time and attention necessary to properly discharge his duties and responsibilities;
- Act judiciously;
- Exercise independent judgment;
- 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 Corporation's Supervising Government Agencies, and where applicable, the requirements of other regulatory agencies;
- Observe confidentiality; and
- Ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.
- When approval of the Board is immediately needed but it is unable to meet for whatever reason, approval via routing or electronic mail shall be considered valid and operative, provided that the unanimous concurrence of all the Board members is secured. The approval provided shall be ratified by the Board in the immediately following regular Board meeting.

#### d. Onboarding Orientation and Continuing Training for 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. The orientation program for first-time directors shall be for at least eight (8) hours, while the annual continuing training shall be for at least four (4) 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.

The annual continuing training program makes certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Corporation. It involves courses on corporate governance matters relevant to the Corporation, including audit, internal controls, risk management, sustainability and strategy. It also includes a refresher training on Anti-Money Laundering, Counter/Anti-Terrorist Financing, and Targeted Financial Sanctions.

IC-mandated topics on Corporate Governance include the following:

- a. Code of Corporate Governance for IC Regulated Companies;
- b. ACGS and IC Annual Corporate Governance Report;
- c. Board Responsibilities;
- d. Illegal activities of corporations/ directors/officers;
- e. Protection of minority shareholders;
- f. Liabilities of directors;
- g. Confidentialities;
- h. Conflict of interest;
- i. RPT;
- j. Enterprise Risk Management; and
- k. Case studies and Financial Reporting and Audit.

e. Chairman

The Chairman guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions.

The Chairman ensures that the meeting's agenda focuses on strategic matters, including the overall risk appetite of the corporation, taking into account the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations.

The Chairman facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors and ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management.



The Chairman makes sure that performance of the Board is evaluated at least once a year and discussed or followed up on if necessary.

#### f. Independent Director

An Independent Director is a person who:

- 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;
- 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;
- 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;
- 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 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
- is not employed as an executive officer of another company where any of the covered entity's executives serve as regular directors.

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

Independent directors shall have a maximum cumulative term of nine (9) years, after which the independent director shall be perpetually barred from re-election as such in the same company. He may however, continue to qualify for nomination and election as a non-independent director. Subject to meritorious justification and shareholder approval during the annual stockholders meeting, the Board may retain an independent director who has served as such for nine (9) years.

#### g. Chief Executive Officer

##### Duties and Responsibilities

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

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

## 2. Board Committees

To aid in complying with the principles of good corporate governance, the Board shall constitute an Audit, Compliance and Corporate Governance Committee.

- Audit, Compliance and Corporate Governance Committee.** The Audit, Compliance and Corporate Governance Committee shall be composed of at least three (3) Non-Executive Directors, majority of whom should be Independent Non-Executive Directors, including the Chairman. Each member shall have at least an adequate understanding of, or competence in, most of the Corporation's financial management systems and environment.

The Committee Chairman should not sit as Chair of any of the Board or any Committee.

### Duties and Responsibilities

- Provide oversight of the Corporation's internal and external auditors, and ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- Be responsible for the setting-up of the internal audit department and consider the appointment of an internal auditor as well as the independent external auditor, the audit fee and any question of resignation or dismissal.
- Establish and evaluate the reporting line of the Country Audit Head so that the reporting level allows the internal audit activity to fulfill its responsibilities.
- Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system.
- Review and approve audit scope and frequency and the annual internal audit plan.

- In conducting its review of the annual financial statements, review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices
  - Areas where a significant amount of judgment has been exercised
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements
- Set compensation of the external auditor in relation to the scope of its duties.
- Discuss and agree to the terms of the engagement letter issued by the relevant external auditor prior to the approval of the engagement. Where relevant, the engagement letter should reflect changes in circumstances relevant to the external audit.
- Review management representation letters before these are transmitted to the external auditor to ensure that items in the letter are complete and appropriate.
- Assess the extent of the cooperation provided by Management during the conduct of the external audit.
- Discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure coordination where more than one audit firm, is involved.
- Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to the company's total expenditure on consultancy.
- Receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions, in a timely manner, in addressing control and compliance functions with regulatory agencies. This shall include the review of the following: (a) examination findings of the SEC; and (b) the management letter of the external auditor; and the monitoring of the implementation by management of their response.
- Be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.

- Check all financial reports for compliance with pertinent accounting standards, including regulatory requirements.
- Unless a separate Risk Management Committee is also constituted, perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, actuarial, operational, legal and other risks of the Corporation, and crisis management.
- Maintain the Corporation's international standards for accounting and auditing processes, practices and methodologies, and observe the following in relation to this:
  - i. Remain 100% compliant with the International Accounting Standard (IAS); and
  - ii. Keep current the accountability statement that specifically identifies officers and/or personnel directly responsible for the accomplishment of such task.
- Ensure that the management of the Trust Funds of the Corporation shall be in accordance with the law and the rules and regulations promulgated by the Insurance Commission and other governmental authorities, as such may be amended from time.
- Oversee the implementation of the corporate governance framework and periodically review the said framework to ensure that it remain appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;

- Proposes and plans relevant trainings for the members of the Board;
- 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;
- 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.
- Establish a formal and transparent board nomination and election procedure, including an assessment of the effectiveness of the procedure in the nomination, election and replacement of a director.
- Review and evaluate the qualifications of persons nominated in the Board, including whether candidates: (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 in light of 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.
- Monitor the qualifications of the directors. The following are grounds for the disqualification of a director:
  - i. Permanently Disqualified
    - Persons who have been convicted by final judgment of the court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft;
    - Persons who have been convicted by final judgment of the court for violation of insurance laws;
    - Persons who have been judicially, declared insolvent, spendthrift or unable to enter into a contract; or
    - Directors, officers or employees of closed insurance companies or any insurance intermediaries who were responsible for such institution's closure as determined by the insurance Commission.
  - ii. Temporarily Disqualified
    - Persons who refuse to fully disclose the extent of their business interests when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as the refusal persists;
    - Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all

meetings, both regular and special of the Board of Directors during their incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding elections;

- Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
- Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification of the Insurance Commission;
- Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;
- Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- Those under preventive suspension;
- Persons with derogatory records with the NBI, court, police, Interpol and insurance authorities of other countries (for foreign directors) involving violation of any law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of an Insurance director. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity; and
- Persons who are delinquent in the payment of their obligations.

- b. **Review Committee for Related Party Transactions.** The Review Committee for Related Party Transactions (“RPT Committee”) shall be composed of at least three (3) members of the Board, at least two (2) of whom are Independent Directors, including the Committee Chair, and who are appointed by the Board on an annual basis following each annual meeting.

The Committee Chairman should not sit as Chair of any of the Board or any Committee.

Each member shall have at least an adequate understanding of the Corporation’s ownership structure, i.e., parents, affiliates, and subsidiaries, and table of organization for employees, and the Related Party Transactions Operating Guideline – Enterprise (which will be read together with this Charter), as such may be amended from time to time. In case a member has a conflict of interest in a particular related party transaction (“RPT”), he shall

refrain from evaluating that particular transaction. The Compliance Officer or Internal Auditor may sit as resource persons in the RPT Committee.

The RPT Committee shall apply the following definitions:

- “Related Parties” shall cover the Corporation’s subsidiaries, affiliates, and special purpose entities that the Corporation exerts direct/indirect control over or that exerts Significant influence over the Corporation; the directors, officers; stockholders and related interests and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person/juridical entity whose interest may pose a potential conflict with the interest of the Corporation, hence is identified as a related party.
- “Significant Influence”, as defined by PAS 24, is the power to participate in the operating and financial policy decisions of an entity; it is not control over those policies. It may stem from share ownership, statute or agreement and may be exercised by representation on the Board of Directors, participation in the policy-making process, material inter-company transactions, interchange of management personnel and dependence on technical information.
- “Close Family Members” are persons related to the Corporation’s directors, officers, and stockholders (“DOS”) within the second degree of consanguinity or affinity, legitimate or common-law. These shall include the spouse, parent, child, brother, sister, grandparent, grandchild, parent-in-law, son-daughter-in-law, brother-/sister-in-law, grandparent-in-law, and grandchild-in-law of the Corporation’s DOS.
- “Corresponding persons in affiliated companies” are the DOS of the affiliated companies and their close family members.
- Under Section 290 of the Insurance Code, as amended by R.A. No. 10607, “Control” is presumed to exist if any person directly or indirectly owns, controls or holds with the power to vote forty percent (40%) or more of the voting securities of any other person. Provided, that no person shall be deemed to control another person solely by reason of his being an officer or director of such other person.
- “Control” of an enterprise exists when there is:
  - Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
  - Power to appoint or remove the majority of the members of the Board of Directors; or



- Power to cast the majority votes at meetings of the Board of Directors or equivalent governing body; or
  - Any other arrangement similar to any of the above.
- RPT's are transactions or dealings with related parties of the Corporation regardless of whether or not a price is charged. These shall include, but not limited to the following:
    - On-and off-balance sheet credit exposures and claims and write-offs;
    - Investment's and/or subscriptions for debt/equity issuances;
    - Consulting, professional, agency and other service arrangements/contracts;
    - Purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements);
    - Construction arrangements/contracts;
    - Lease arrangements/contracts;
    - Trading and derivative transactions;
    - Borrowings, commitments, fund transfers and guarantees;
    - Sale, purchase or supply of any goods or materials;
    - Establishment of joint venture entities; and
    - RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

### Structure and Operations

A meeting of the RPT Committee may be called at any time by the Chairman of the Board, the Committee Chair or by two (2) members of the RPT Committee. The RPT Committee meets as frequently as necessary, but not less than once a year. A quorum at any meeting of the Committee shall be a majority of its members.

On an annual basis, the RPT Committee will review its Charter and the Forward Agenda for the RPT Committee, and where necessary, recommend changes to the Board for approval.

### Duties and Responsibilities

- Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships shall be reflected in the relevant reports to the board and regulators/ supervisors.

- Evaluate 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 Corporation 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 shall take into account, among others, the following:
  - The related party's relationship to the Corporation and interest in the transactions;
  - 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;
  - 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 Corporation shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs; and
  - All RPTs that are considered material based on Corporation's internal policies shall be endorsed by the RPT Committee to the Board of Directors for approval.
- Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Corporation's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall 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 Corporation's affiliation or transactions with other related parties.
- Report 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.
- Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
- Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.
- Perform such other duties and exercise such powers as may from time to time be assigned to or vested in the Committee by the Board of Directors.

### 3. The Corporate Secretary

- a. The Corporate Secretary is an officer of the Corporation who is not the Compliance Officer and is not a member of the Board. Perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the company come with his duties.
- b. The Corporate Secretary shall be a Filipino Citizen
- c. Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills.
- d. Duties and Responsibilities
  - Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation;
  - As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting;
  - Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations;
  - Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so and maintain records of the same;
  - Safekeep and preserve the integrity of the minutes of the meetings of the Board, Board committees and shareholders/members, as well as other official records of the corporation;
  - Act as the secretary of the Board Committees;
  - Keep abreast of relevant laws, regulations, all governance issuances, industry developments and operations of the corporation, and advises the Board and the Chairperson on all relevant issues as they arise;
  - Work fairly and objectively with the Board, Management and shareholders/members and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and its shareholders/members as well as other stakeholders;
  - Advise on the establishment of board committees and their terms of reference;

- Inform members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five (5) working days before the date of the meeting, 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;
- Perform all required administrative functions;
- Oversee the drafting of the by-laws and ensures that they conform with regulatory requirements;
- Perform such other duties as may be provided by the IC;
- Annually attend a training on corporate governance;
- Submit to the Supervising Government Agencies, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings; and
- **Mandate** the annual attendance of Board members and key officers to relevant training sessions, **in relation to Anti-Money Laundering related regulations and Corporate Governance topics**; and
- Administer the Board Effectiveness Questionnaire on an annual basis.

#### 4. External Auditor

- a. An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the company. An external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit, Compliance and Corporate Governance Committee.
- b. The reason/s for the resignation, dismissal or cessation from service, and the date thereof, of an external auditor shall be reported in the company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.
- c. The external auditor shall not at the same time be the Corporation's internal auditor. The company shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.
- d. The external auditor shall be rotated or the handling partner shall be changed after every five (5) years or earlier.

- e. Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provide an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders.
- f. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Corporation's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's Annual Report and Annual Corporate Governance Report.

#### 5. Internal Auditor

- a. The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or group of internal auditors through which the Board, senior management and stockholders shall be provided with reasonable assurance that the company's key organizational and procedural controls are effective, appropriate, and complied with;
- b. The Internal Auditor shall report to the Audit, Compliance and Corporate Governance Committee;
- c. The minimum internal control mechanisms for management's operational responsibility shall center on the Chief Executive officer, being ultimately accountable for the Corporation's organizational and procedural controls;
- d. The scope and particulars of the company's system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of the business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance;
- e. The Internal Audit function shall conduct a period formal review of the effectiveness of the Corporation's system and internal controls governing RPTs to assess consistency with the board-approved policies and procedures. The resulting audit, reports, including exceptions or breaches in limits, shall be communicated directly to the Audit Compliance and Corporate Governance Committee and the RPT Committee;
- f. Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets and require a well-designed internal control procedures

- and processes that will provide a system of checks and balances should be in place in order to (i) safeguard the company's resources and ensure their effective utilization, (ii) prevent occurrence of fraud and other irregularities, (iii) protect the accuracy and reliability of the company's financial data, and (iv) ensure compliance with applicable laws and regulations;
- g. Provides an independent risk-based assurance service to the Board, Audit Compliance and Corporate Governance 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;
  - h. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
  - i. Performs consulting and advisory services related to governance and control as appropriate for the organization;
  - j. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
  - k. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;
  - l. 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;
  - m. Evaluates specific operations at the request of the Board or Management, as appropriate; and
  - n. Monitors and evaluates governance processes.
6. External Actuary
- a. If required, a pre-need actuary accredited by the Insurance Commission shall be selected by the Board of Directors who shall be familiar with generally accepted actuarial principles and practices, existing laws, and pertinent rules and regulations of the Insurance Commission.

### III. COMMUNICATION PROCESS

- A. This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.
- B. All directors, executives, department and section heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
- C. An adequate number of printed copies of this Manual must be reproduced under the supervision of the Human Resource Department, providing a minimum of at least one (1) copy of the Manual per department.

#### **IV. TRAINING PROCESS**

- A. If necessary, funds shall be allocated by the Chief Financial Officer for the purpose of conducting an orientation program or workshop to put this Manual into operation.

#### **V. REPORTORIAL OR DISCLOSURE SYSTEM OF CORPORATE GOVERNANCE POLICIES**

- A. The reports or disclosures required under this Manual shall be prepared and submitted to the Corporation's Supervising Government Agencies by the responsible Committee or officer through the Corporation's Compliance Officer.
- B. All material information shall be disclosed. Such information shall include earning results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors, and changes in share ownership.
- C. All disclosed information shall be released via the approved procedure for company announcements.
- D. The Board shall commit at all times to fully disclose material dealings. It shall cause the filing of all required information in the interest of the stakeholders.
- E. The Board shall commit to adopt a globally recognized standard/framework in disclosing non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.

#### **VI. SHAREHOLDERS' BENEFIT**

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

## A. Investors' Rights and Protection

1. Rights of Investors/Minority Interests. The Board shall be committed to respect the following rights of the stockholders:

### a. Voting Right

- Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code and company's by-laws.
- Cumulative voting shall be used in the election of directors.
- A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

b. 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 of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

c. 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 Corporation Code, and shall be furnished with annual reports, including financial statements, without cost or restrictions.

### d. Right to Information

- 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.
- 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.
- 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 matters which management is mandated to provide information on. If such matters are not included in the agenda of the



stockholder's meeting, then the minority shareholders shall be allowed to propose to include such matters in the agenda, the same being within the definition of legitimate purposes.

e. Right to Dividends

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

f. Appraisal Right. The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code, 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 Corporation Code; or
- In case of merger or consolidation

g. It shall be the duty of the directors to promote, shareholders' rights, remove impediments to the exercise of shareholders' rights, and allow possibilities to seek redress for violations thereof. They shall encourage the exercise of shareholders' voting rights and the resolution 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.

- h. Conduct of Shareholders' Meeting. Notice of Annual and Special Shareholders' Meeting, containing the date, location, meeting agenda and its rationale and explanation, and details of issues to be deliberated upon and approved or ratified at the meeting, among others, shall be sent to the shareholders at least 21 days before the scheduled meeting. After the Shareholders' Meeting, results of the votes on matters taken thereat shall be made publicly available the next working day. Minutes of the said meeting shall likewise be available on the company website within five (5) business days from the date of the meeting.

## **VII. MONITORING AND ASSESSMENT**

- A. Each committee shall report regularly to the Board of Directors.
- B. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation of the provisions of this Manual shall subject the responsible officer or employee to the appropriate penalty provided for under Part 8 of this Manual.
- C. 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.
- D. This Manual shall be subject to annual review unless the same frequency is amended by the Board.
- E. All business processes and practices being formed within any department or business unit that are not consistent with any portion of this Manual shall be revoked unless modified or upgraded to be in conformity with the Manual.

## **VIII. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

- A. 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 and staff, in case of violation of any of the provision of this Manual:
  - 1. Reprimand, for a first violation;
  - 2. Suspension from office, for a second violation. The duration of the suspension shall depend of the gravity of the violation;
  - 3. The maximum penalty of removal from office, for a third violation.
- B. The commission of a third violation of this Manual by a member of the Board shall be a sufficient cause of his removal from directorship.

C. The Compliance Officer shall be responsible for determining violation/s and shall recommend to the Chairman of the Board, after notice and hearing, the proper penalty for such violation, for further review and approval of the Board.