

KRM REINSURANCE BROKERS PHILS., INC.

MANUAL ON CORPORATE GOVERNANCE

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KRM REINSURANCE BROKERS PHILIPPINES INC.

MANUAL ON CORPORATE GOVERNANCE

I. INTRODUCTION

The Board of Directors and Management, i.e., officers and staff, of **KRM REINSURANCE BROKERS PHILS., INC.** (“**KRM**” or the “**Company**”) commit themselves to adhere to the highest principles of good corporate governance as embodied in the Company’s Amended By-Laws, Code of Conduct and Code Ethical Standards, and this Manual on Corporate Governance, as may be issued and/or amended. The Company subscribes to the philosophy of integrity, accountability, and transparency in its manner of doing business; dealing fairly with its clients, investors, stockholders, employees, agents, and the communities affected by its activities; professionalism among its Board of Directors, executives and employees in managing the Company, and respect for the laws and regulations of the countries affecting its businesses. The Board and Management believe that corporate governance 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 principles of fairness, accountability, and transparency are adhered to in conducting the day-to-day business of the Company.

As part of the Company's commitment to corporate governance, we adopt and implement our corporate governance rules and guidelines in accordance with the Securities and Exchange Commission's (the "**SEC**") *2016 Code of Corporate Governance for Publicly Listed Companies* and *IC Circular Letter (CL) No. 2020-71, Revised Code of Corporate Governance for Insurance Commission Regulated Entities* and other pertinent regulations of the SEC and the Insurance Commission (“**IC**”).

II. OBJECTIVE

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

III. DEFINITION OF TERMS

For purposes of this Manual, the following terms are defined as follows:

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 or Board** - the governing body elected by the stockholders that exercises the corporate powers of the Company, conducts all its business and controls its properties.
3. **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 Company.
4. **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.
5. **Executive director** - a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
6. **Non-executive director** - a director who has no executive responsibility and does not perform any work related to the operations of the Company.
7. **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.
8. **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.
9. **Enterprise Risk Management** - a process, effected by an entity's Board of Directors, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of the Company's objectives.

10. **IC or Insurance Commission** – refers to the Insurance Commission of the Philippines
11. **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.
12. **Related Party Transactions** - a transfer of resources, services or obligations between the Company 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.
13. **Shareholder or Stockholder** - refers to an owner of a share of stock in the Company.
14. **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. GOVERNANCE STRUCTURE

A. The Board of Directors

The Board of Directors is responsible for the overall direction and control of the management of the Company, the formulation of the policies to be applied, and the conduct of the business of the Company. It shall, among others:

- a. Oversee the good governance of the Company;
- b. Appoint the officers of the Company;
- c. Establish the expenditure signing limits of the Company in a manner that will enable the Company's business to be operated in an efficient manner;
- d. Establish the remuneration terms of the Officers of the Company;
- e. Review and agree upon the Company's annual budget and monitor the Company's progress against the approved budget;

- f. Establish a clear regular dividend payment policy for the Company; and
- g. Appoint the Company's external auditors.

The Board shall approve a set of delegation of authority to the President on certain matters not specified in the By-Laws and relating to the Company's business and affairs, to the extent permitted under Philippine laws. The delegation shall be embodied in a board resolution or a general authorization issued by the Board.

The Board may create such committees, with such functions, as it may deem to be in the best interests of the Company.

Moreover, the Board shall:

- Review and adopt a strategic plan for the Company;
- Oversee the conduct of the Company's business to ensure that the business is being properly managed and dealings with policyholders, claimants, and creditors are fair and equitable;
- Identify principal business risks and ensure the implementation of appropriate risk management systems to specifically manage the underwriting, reinsurance, investment, financial, and operational risks of the Company;
- Approve corporate policies in core areas of operations, specifically underwriting, investments, reinsurance, and claims management;
- Plan succession, including appointing, training, fixing the compensation of, and where appropriate, replacing senior management;
- Develop and implement an investor relations program or adopt shareholder communications policy for the Company;
- Review the adequacy and the integrity of the company's internal control systems and management information systems including systems for compliance with the Insurance Code and other applicable laws, regulations, rules, directives, and guidelines;
- Select and appoint officers who are qualified to administer insurance affairs soundly and effectively and to establish an adequate selection process for all personnel;
- Apply fit and proper standards on personnel. They must have integrity, technical expertise, and experience in the institution's business, either current or planned, which should be the key considerations in the selection process;
- Establish an appropriate compensation package for all personnel that are consistent with the interest of all its Stakeholders;
- Review and approve material transactions, not in the Company's ordinary course of business; Establish a system of check and balance which applies to the Board and its members;
- Have an appropriate reporting system so that the Board can monitor, assess and control the performance of Management;

- Present to all its Shareholders a balanced and understandable assessment of the Company's performance and financial condition;
- Appoint a Compliance Officer, following the requirements of the Revised Code of Corporate Governance of the Insurance Commission, who shall be responsible for coordinating, monitoring, and facilitating compliance with existing laws, rules, and regulations; and
- The Board shall be entitled to the services of a Corporate Secretary who must ensure that all appointments are properly made, that all necessary information is obtained from directors, both for the Company's records and for the purposes of meeting statutory obligations, as well as obligations arising from the requirements of the Insurance Commission and other regulatory agencies.

B. Directors

Directors are expected to work together as part of an effective and collegial group committed to advancing the long-term interests of the Company. Each is encouraged to periodically update their skills and knowledge on their fields of expertise. The Company shall conduct an orientation program for first-time Directors and annual continuing training for all Directors.

Directors, including Independent Directors, are expected, among others:

- a. To comply with the Company's Articles of Incorporation, By-Laws, and policies approved by the Board of Directors and/or stockholders;
- b. To act in good faith and promote the success of the Company for the benefit of its stockholders;
- c. To exercise independent judgment, that is, not to subordinate the director's power to the will of others;
- d. To exercise reasonable care, skill, and diligence in the performance of his duties;
- e. To avoid conflicts or possible conflicts between the interests of the director and those of the Company;
- f. Not to accept any benefit from third parties because of being a director or doing anything as director of the Company; and
- g. To declare any interest in a proposed transaction or arrangement to be undertaken by the Company immediately upon knowledge thereof.

Directors and Independent Directors shall further:

- Conduct fair business transaction with Company to ensure that personal interest does not bias Board decisions;
- Directors, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the Company cannot be avoided, in the regular course of business, and upon terms not less favorable to the Company than those offered to others. The basic principle to be observed is that a director

shall not use his position to make a profit or to acquire benefit or advantage for himself and/ or his related interests. He shall avoid situations that would compromise impartiality;

- Act honestly, in good faith, and with loyalty to the best interest of the Company, Stockholders (regardless of the number of their stock holdings), and 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 Stakeholders;
- Devote time and attention necessary to properly discharge their duties and responsibilities. Directors shall devote sufficient time to familiarize themselves with the Company's business. They must constantly be aware of the Company'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 a member of the Board;
- 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;
- 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;
- 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 to safeguard the institution's competitiveness; and
- Observe confidentiality. Directors must observe the confidentiality of non-public information acquired because of their position as directors. They may not disclose said information to any other person without the authority of the Board.

Qualifications

In addition to the above, each of the Directors shall possess the following qualifications:

- a. Holder of at least one (1) share of the voting stock of the Company;
- b. Possess the necessary skills, competence and experience, in terms of management capabilities, preferably in the field of insurance or insurance-related disciplines.
- c. A person with professional ethics, integrity and credibility.
- d. Shall not hold any incompatible position in other corporations.
- e. No disqualification as provided for in the Company Code and IC Circulars.

Permanent Disqualifications

Any of the following shall be a ground for the permanent disqualification of a Director:

- a. Conviction 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 with derogatory records with the National Bureau of Investigation, 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;
- d. Persons who are delinquent in the payment of their obligations as defined hereunder:
 - i. Delinquency in the payment of obligations means that obligations of a person with the insurance company or its related companies where he/she is a director or officer; or at least two obligations with other insurance companies, under different credit lines or loan contracts;
 - ii. Obligations shall include all borrowings from an insurance company, or its related companies obtained by:
 - (1) A director 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;
 - (2) The spouse or child under the parental authority of the director or officer;
 - (3) Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
 - (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

(5) A company, association or firm wholly-owned or majority of the capital is contributed by any or a group of persons mentioned in the foregoing items (1 (2), and (4);

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

- e. Any person convicted by final judgment or order by a competent judicial or administrative body of any violation of Company Code committed within five (5) years prior to the date of his/her election or appointment, or any time with a maximum term of imprisonment of more than six (6) years.

Temporary Disqualifications

The Board may provide for the temporary disqualification of a Director for any of the following reasons:

- 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 IC. This disqualification shall be in effect as long as the refusal persists;
- b. Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- c. Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the IC;
- d. 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 IC;
- e. Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;

Independent Directors

The Board of Directors of the Company shall have at least one (1) Independent Director who shall be elected in the same manner as the other members of the Board of Directors. The Board should ensure that its Independent Directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

An independent director must be a person other than an officer or employee of the Company, its parent or subsidiaries, or any other individual having any relationship with the Company, which could interfere with the exercise of independent judgment in carrying out the responsibilities of a Director. This means that apart from the director's fees and shareholdings, he should be independent of management and free from any

business or other relationship that could materially interfere with the exercise of his independent judgment.

The following persons shall be disqualified from being elected as independent directors:

- a. an officer, manager, or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any corporation (other than one in which the corporation owns at least 40% of the capital stock) engaged in the business which the Board of Directors, by at least majority vote, determines to be competitive or antagonistic to that of the Company; or
- b. a person who is determined by the majority vote of the Board of Directors to be a nominee of any person set forth in the preceding paragraph.

C. Board Diversity Policy

This Policy aims to set out the approach to achieve diversity in the Company's Board of Directors. The Company recognizes the need for and embraces the benefits of, having a diverse Board to enhance its performance and decision making.

Elections or appointments to the Board shall be primarily based on merit and qualification, which shall at all times be aligned with the Company's mission, vision, and strategic objectives. Moreover, to achieve sustainable and balanced development, the Company encourages diversity in the Company's Board membership. In all Board elections and appointments, no competent and qualified nominee shall be discriminated against because of gender, age, educational background, and length of service.

D. Board Performance

Performance Evaluation

The Board shall assess an annual performance itself that:

- Determine whether the Principles of Corporate Governance are being observed
- Compares the performance of the Board with the requirement of this Manual
- Sets forth the goals and objectives of the Board for the upcoming year
- Effects any improvements to this Manual as deemed necessary

The annual self-assessment may, as practicable, be supported by an external facilitator every three years and allow for a feedback mechanism as the Board deems appropriate.

Training and Development of Board Members

There will be an orientation program for first-time Directors and relevant annual continuing training for all Directors.

The orientation program for first-time Directors and relevant annual continuing training for all Directors aim to promote effective board performance and the continuing qualification of the directors in carrying out their duties and responsibilities. It is suggested that the orientation program for first-time directors, be for at least eight hours, while the annual continuing training is 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. 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 our company, including audit, internal controls, risk management, sustainability, and strategy. The Company shall assess its training and development needs in determining the coverage of its continuing training program.

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.

Subsequently, all new Directors and Officers elected/appointed shall complete this requirement within the first three (3) months of their assumption to office and with the corresponding proof of compliance furnished to the IC.

E. Conflict of Interest

Directors are required to disclose any conflicts of interest and to abstain from participating in any discussion or voting on any matter in which they have a material personal interest except with the prior approval of the Board.

Conflicts of interest exist in the following situations, among others:

- Self-dealing, in which a Director causes the Company to enter into a transaction with another organization that benefits such Director.
- Outside employment in other HMO companies or insurance companies that are viewed as competitors by the Company.
- Family interests, in which a relative up to the third degree of affinity or consanguinity is employed (or applies for employment) or where goods or services are purchased from such a relative or a firm controlled by a relative.
- Receiving high-value gifts from entities that do business with the Company. In this regard, high value is defined as worth more than Php5,000.
- Interest in stocks or other investments, in which the Company is invested in or is contemplating investing in.

Directors are required to disclose any notifiable interests to the President and/or Chief Executive Officer, Compliance Officer, and Corporate Secretary on the date that the Director is appointed and upon a change to a notifiable interest of the Director.

V. INTERNAL CONTROL SYSTEM AND TRANSPARENCY

A. Enterprise Risk Management

It is the policy of the Company to ensure that the risks are identified, analyzed and managed systematically and appropriately. The Board considers it essential that the various categories of risk are clearly identified and that appropriate senior and management accountability is designated, which together with adequate risk management process ensures that the need to be conscious of and identify risk is part of the embedded management process in the Company.

The Company shall have a separate risk management function with the responsibility to identify, assess, and monitor key risk exposures. Its enterprise risk management activities shall include the following:

- a. define a risk management strategy;
- b. identify and analyze key risks exposure relating to economic, environmental, social, and governance (EESG) factors and the achievement of the organization's strategic objectives;
- c. evaluate and categorize each identified risk using the company's predefined risk categories and parameters;
- d. establish a risk register with clearly defined, prioritized, and residual risks;
- e. develop a risk mitigation plan for the most important risks of the company, as defined by the risk management strategy;

- f. communicate and report significant risk exposures including business risks (i.e., strategic, compliance, operational, financial, and reputational risks), control issues, and risk mitigation plan to the Risk Committee; and
- g. monitor and evaluate the effectiveness of the organization's risk management processes.

The Board considers it essential that all levels of management and employees have knowledge of and are made aware of the types of risks (e.g. business risk, underwriting, reinsurance etc.) involved in both planning activities and day-to-day performance aspects of the business. Apart from senior management accountability, every employee is responsible for managing risks in his work supported as necessary by expert advice and assistance, both internal and external. It is the Board's aim to engender a culture in which risks are communicated to appropriate levels in the Company and information on risk is shared through effective communication. This enables appropriate action to be identified and taken.

B. Audit

1. Internal Audit Function

The Company shall have in place an independent internal audit function that provides independent and objective assurance, and consulting services designed to add value and improve the Company's operations and help it accomplish its objectives. It must provide a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control, and governance processes through which the Board, Management, and stockholders of the Company could obtain reasonable assurance that the Company's key organizational and procedural controls are appropriate, adequate, effective, and complied with. Internal audits shall cover, at the minimum, the evaluation of the adequacy and effectiveness of controls covering the Company's financial reporting, governance, operations, and information systems, including the reliability and integrity of financial and operational information, effectiveness, and efficiency of operations, protection of assets, and compliance with laws, rules, regulations, and contracts.

2. External Audit Function

The external auditor, duly accredited by the relevant regulatory agencies, including the IC, shall be appointed by the Board upon recommendation of the Audit Committee. The external auditor shall undertake an independent audit of the Company and provide an objective assurance on how financial statements are prepared and presented to the Board and the stockholders.

If the External Auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the Company's annual and current reports. The report shall include a discussion of any agreement between the External Auditor and the Company on accounting principles or practices, financial disclosures or audit procedures which the former External Auditor and the Company failed to resolve satisfactorily. A preliminary copy of said report shall be given by the Company to the External Auditor before its submission.

The external auditor should be rotated or changed every five (5) years or earlier or the signing partner of the external auditing firm assigned to the Company should be changed with the same frequency.

C. Financial Reporting Responsibility for Information and Related Party Transactions

Management is primarily responsible to the Board for financial reporting relating to the Company's position and prospects and adequate flow of information. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts and monthly/quarterly/annual internal financial statements. Any variance between projections and actual results should also be disclosed and explained by management to the Board. Timely and accurate information would enable the Board to properly fulfill their duties and responsibilities.

The Company shall adopt, implement, and monitor compliance with a policy governing related party transactions (RPTs). RPTs shall be conducted in terms favorable to the Company to safeguard the best interest of the Company, its policyholders and stakeholders. In all cases, the provisions of Title 20, Chapter III of the Insurance Code shall be complied with.

D. Disclosures of Non-Financial Information

The Company shall recognize and place 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. The Company shall adopt a policy for the disclosure of material and reportable information regarding non-financial and sustainability issues, with a focus on the management of economic, environmental, social, and governance (EESG) issues of the business, following a globally recognized standard in reporting sustainability and non-financial information. The Company shall disclose its Annual Corporate Governance Report as well which will be posted on the website.

VI. BOARD COMMITTEES

To aid in complying with the principle of good governance, the Board shall establish the necessary specialized Committees with specific responsibilities to assist in the development and implementation of systems and practices that would promote good corporate governance. The Board should ensure a continuous mix of competencies, skills and experiences of its members.

The Board shall establish the following committees:

1. Executive Committee

The Board of Directors, if it deems such actions is necessary, may choose from its own members an Executive Committee of at least five (5), with such alternate members who may vote in lieu of a member who is absent or incapacitated, provided that the Chief Executive Officer shall be one of the said five members.

The Executive Committee shall possess and may exercise all the powers of the Board which may be lawfully delegated in the management and direction of the affairs of the company in all cases in which specific directions shall not have been by the board of Directors, either by resolutions, power of attorney or contracts entered into with other parties during the intervals between the meeting of the Board.

A majority of the members of the Executive Committee shall constitute a quorum for the holding of a meeting and any resolution of a majority of all the members of the Executive Committee shall be valid as a corporate act subject only to the condition hereinafter and forth.

All actions by the Executive Committee shall be reported to the Board of Directors at its meeting next succeeding such action, for confirmation.

2. Nomination, Remuneration, and Corporate Governance Committee

The Remuneration and Compensation Committee may be composed of at least (3) members from the Board, one (1) of whom shall be an Independent Director.

The Committee shall recommend a formal and transparent procedure for developing a policy on executive remuneration and evaluation and for fixing the remuneration packages of Directors and Management Officers that is consistent with the Company's culture, strategy and business environment.

They shall recommend the amount of remuneration, which shall be in a sufficient level to attract and retain Directors and Management Officers who are needed to run the Company successfully.

The Committee shall require and approve full business interest disclosure as part of the requirements for appointment of Directors and pre-employment requirements for Management Officers. Directors and Officers are to declare all their existing business interests or shareholdings that may directly or indirectly in their performance of duties.

3. Audit Committee

The Audit Committee shall be composed of at least three (3) members from the Board, at least one (1) of whom shall be an Independent Director. Members are preferably with accounting and finance experiences.

The Committee shall have, among others, the following functions:

- a. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal controls, audit process, and monitoring of compliance with applicable laws, rules and regulations.
- b. Recommend appointment and removal of External Auditors and perform oversight functions.
- c. Appoint a Corporate Auditor and review and approve the Internal Audit Plan to ensure conformity with the objectives of the Company.
- d. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security.
- e. Review the reports submitted by the Internal and External Auditors.
- f. Review the content of the Annual Report and Financial Statements having regard to the findings of the audit before submission to the Board focusing particularly on:
 - i. significant accounting policies and practice;
 - ii. major estimates and judgments;
 - iii. clarity and completeness of disclosures;
 - iv. the going concern assumption;
 - v. compliance with financial reporting and accounting standards; and
 - vi. compliance with other legal requirements.

4. Nomination Committee

The Nomination Committee, reporting directly to the Board, may be composed of at least three (3) members from the Board, one (1) of whom shall be an Independent

Director. The Board shall ensure that the members of the Nomination Committee are appropriately qualified to discharge their responsibilities.

The Nomination Committee shall review regularly the structure, size, and composition of the Board, the audit committee, the executive committee and the remuneration committee and make recommendations to the Board with regard to any adjustments that are deemed necessary.

It should keep under review the leadership needs of the Company and be satisfied that the plans are in place for orderly succession for appointments to the Board so as to maintain an appropriate balance of skills and experience on the Board.

For the appointment of the Chairman, it should maintain a description of the role and capabilities required for the appointment, including an assessment of the time commitment expected, and to be responsible for identifying and nominating candidates for the approval of the Board.

The Nomination Committee shall recommend guidelines in the selection of nominee for Director which may include the following based on the perceived needs of the Board at a certain point in time:

- a. Nature of the business of the Company in which he is a Director;
- b. Age of the Director nominee ;
- c. Number of Directorships/active memberships and officerships in other Companies or organizations; and
- d. Possible conflict of interest.

The Committee shall have the obligation to assess the effectiveness of the Board's processes and procedures in the election or replacement of Directors.

5. Risk and Compliance Committee

The Risk and Compliance Committee shall aid the Board of Directors in ensuring an effective and integrated risk management process and shall be responsible for the oversight of the Company's Enterprise Risk Management system to ensure its functionality and effectiveness. The Risk and Compliance Committee shall encourage continuous improvement of, and foster adherence to, the Company's policies, procedures, and practices at all levels. Functions.

The Risk and Compliance Committee shall have the following functions:

Risk Management

- a. Develop a formal enterprise risk management plan which contains the following elements:

- i. common language or register of risks,
 - ii. well- defined risk management goals, objectives, and oversight,
 - iii. uniform processes of assessing risks and developing strategies to manage prioritized risks,
 - iv. designing and implementing risk management strategies, and
 - v. continuing assessments to improve risk strategies, processes and measures;
- b. Oversee the implementation of the enterprise risk management plan. The Committee will conduct regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- c. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness. The Committee will revisit defined risk management strategies, and look for emerging or changing material exposures, and stay 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 limits;
- e. Review at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the company;
- f. Assess the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
- g. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal, and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- h. Report to the Board regularly, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

Compliance Management

- a. Oversee the design of the company's Compliance Program, with focus on identifying and mitigating the business risks of the company, promote effectiveness of its implementation, and ensure that compliance issues are resolved promptly;
- b. Ensure the regular review and updating, at least annually, of the Compliance Management Policy, Data Privacy and Security Policy Manual, Anti-Money Laundering and Counter-Terrorism Financing

- Policy, and other policies and manuals to incorporate changes in laws, rules, and regulations for approval by the Board;
- c. Review the effectiveness of the company's Compliance Program to ensure compliance with regulatory requirements and regulatory changes which may affect the company's compliance regime;
 - d. Vest the Compliance Officer and the Enterprise Risk Management and Compliance Department with the appropriate authority and provide the necessary support and resources to perform their responsibilities effectively;
 - e. Assist the Board in making an informed assessment on how the organization is managing its compliance risk. The Committee shall review with senior management and the Compliance Officer the company's actions to address any findings/directives in examinations by regulatory agencies.
 - f. Evaluate the performance of the Compliance Officer at least on an annual basis.

The Risk and Compliance Committee shall conduct regular meetings at least four (4) times each year, and each regular meeting shall be conducted at least one (1) day before the regular meeting of the Board of Directors. A special meeting of the Audit Committee may be called by the Committee Chairman from time to time whenever necessary.

VII. RELATIONSHIP WITH SHAREHOLDERS

A. Promoting Shareholder Rights

The Board shall respect the following rights of the Stockholders following the By-Laws:

- Right to vote on all matters that require their consent and approval
- Right to inspect corporate books and records
- Right to information
- Right to dividends
- Appraisal right
- 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; and
- Voting procedures that would govern the Annual and Special Shareholders' Meeting.

B. Protection of Minority Shareholders

The Board shall respect the rights of the minority Stockholders to nominate candidates for seats in the Board of Directors who possess all the qualifications and none of the disqualifications of Directors as prescribed in the Company's By-Laws.

The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings. The stockholders should be encouraged to personally attend such meetings. If they could not attend, they should be apprised ahead of time of their right to appoint a proxy subject to the requirement of the By-Laws.

The Board shall promote the rights of the stockholders, remove impediments to the exercise of those rights, and provide an adequate avenue for them to seek timely redress for violation of their rights. The Board should ensure that accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

In case of a disposition of all or substantially all of the Company property and assets, or other merger or consolidation, the Board should respect the appraisal right of the shareholders through the appointment of an independent party to evaluate the fairness of the transaction price

VIII. COMPLIANCE ON GOOD GOVERNANCE

The Board of Directors and Management Officers commit to strictly adhere with the principles, provisions and requirements enclosed in this Corporate Governance Manual. All Directors and Management Officers are endeavored to ensure rigorous dissemination of this Manual to all employees within the organization and to likewise enjoin compliance.

IX. PENALTIES FOR NON-COMPLIANCE

The Board may create an internal self-rating system to determine and measure compliance with this Manual. Violation thereof or non-compliance shall be subject to penalty as maybe determined by the Board of Directors ranging from reprimand to removal from office.

X. REVIEW AND REVISIONS

This manual shall be reviewed as needed taking into consideration the Company's changing business needs and regulatory requirements. Any recommended revisions to the Manual are subject for approval by the Board.

This Corporate Governance Manual shall be effective upon its approval by the Board of Directors.