

# **Cosmopolitan CLIMBS Life Plan Inc.**

## **Manual on Corporate Governance**

*(An adoption of SEC's MC No. 19, s2016, 2016 Code of Corporate Governance for Publicly Listed Companies and IC CL 2020-71, Revised Code of Corporate Governance for Insurance Commission Regulated Companies, issued 13 June 2020)*

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## **I. Introduction**

The Cosmopolitan CLIMBS Life Plan Inc. ("CCLPI Plans") Board of Directors recognizes, through this Corporate Governance Manual, its primary responsibility to ensure good corporate governance oversight throughout the organization.

This Corporate Governance Manual shall supplement and not take the place of any applicable laws and regulations of the Company. In the event of conflict between the laws or regulations or the charter or by-laws pertaining to corporate governance, the provisions in the laws or regulations shall prevail.

This Corporate Governance Manual may be modified or revised by the Board from time to time, at its discretion, to reflect the Company's fiduciary duties and responsibilities to stakeholders.

The Board of Directors ("Board"), Management, Officers and Employees of CCLPI Plans hereby commit themselves to the principles of good corporate governance acknowledging that the same is an essential pillar in attaining corporate objectives, strengthening stakeholders confidence, sustaining growth, and contributing to the economic well-being in any jurisdiction where CCLPI Plans operates.

## **II. Commitment to Good Governance**

The Corporation is committed to the principles of transparency, accountability, and independence to enhance shareholder value. The Board and management are committed to principles of good corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasize transparency, accountability, and independence.

## **III. Definition of Terms**

The following terminologies will be a helpful tool for the users of this Policy:

**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 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.

**Board of Directors** — the governing body elected by the stockholders that exercises the corporate powers of CCLPI Plans, conducts all its business and controls its properties.

**Management** — members of the Executive Committee given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of CCLPI Plans.

**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.

**Executive director** — a director who has executive responsibility for the day-to-day operations of CCLPI Plans.

**Non-executive director** — a director who has no executive responsibility and does not perform any work related to the operations of CCLPI Plans.

**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.

**Internal control** — a process designed and effected by the Board of Directors, 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 CCLPI Plans' policies and procedures.

**Enterprise Risk Management** — a process, effected by CCLPI Plans' Board of Directors, Management, and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

**Corporation** - shall also refer to CCLPI Plans.

**IC or Insurance Commission** – the Insurance Commission of the Philippines.

**Related Party** — shall cover CCLPI Plans subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates, and special purpose entities), that CCLPI Plans exerts direct or indirect control over or that exerts direct or indirect control over CCLPI Plans; CCLPI Plans' 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 interests may pose a potential conflict with the interest of CCLPI Plans.

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

parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

**Shareholder or Stockholder** - refers to an owner of a share of stock in CCLPI Plans.

**Stakeholders** — any individual, organization, or society at large who can either affect and/or be affected by CCLPI Plans' 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. The Board's Governance Responsibilities**

### **1. Board Charter**

The Charter of the Board of Directors articulates and sets forth with specificity the governance and oversight responsibilities exercised by the directors and their roles and functions in the company together with provisions on board composition, board committees, and board governance subject to provisions of CCLPI Plans' Articles of Incorporation, By-Laws, and applicable laws.

The Charter is not intended to limit, enlarge or change in any way the responsibilities of the board as determined by such Articles of Incorporation, By-Laws, and applicable laws. In this respect, the Board Charter of the company is incorporated within Section II of this Manual of Corporate Governance

### **2. Board of Directors**

Boards of directors are responsible for ensuring compliance with good corporate governance principles. CCLPI Plans' purpose of the Board is to represent and protect the interests of the owners of the business, as well as other key external stakeholders, regardless of their category, in accordance with the corporate charter and applicable laws.

In its primary role, the Board governs the various businesses in which the Company has a direct interest. Furthermore, it is responsible for complying with regulatory standards, providing relevant information and updates, and effectively representing and protecting the company's reputation to other stakeholders.

### **3. Board Composition**

The Board, in accordance with the By-Laws, shall be composed of twelve (12) Directors, at least two (2) of whom shall be independent directors.

The Board membership may be a combination of Executive and Non-Executive Directors (which include Independent Directors) with diverse professional and personal backgrounds so that no Director or small group of Directors can dominate the decision-making process and that the Board can benefit from the professional expertise of each Director. The Non-Executive Directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

#### **4. Board Diversity Policy**

The purpose of this policy is to outline how the Company plans to achieve diversity on its board of directors. The Company recognizes the need for and embraces the advantages of having a diverse Board to bolster its performance.

Board members shall be elected or appointed primarily based on merit and qualifications, consistent with the company's mission, vision, and strategic goals. The Company encourages diversity in its Board membership to achieve sustainable and balanced growth. Board elections and appointments shall be free of discrimination based on gender, age, educational background, and length of service.

In keeping with the Board's diversified perspectives, the Election, Remuneration, and Corporate Governance Committee will disclose annually the composition of the Board and will monitor the implementation of this Policy. The Company will make such disclosures every year in its Corporate Governance Report.

As appropriate, the Election, Remuneration, and Corporate Governance Committee will review this Policy to ensure its effectiveness. Any revisions that may be necessary will be discussed by the Committee and recommended to the Board for consideration and approval.

#### **5. Chairman of the Board**

##### **1. Functions and Responsibilities**

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

- Ensure the Board of Directors functions effectively and meets its obligations promptly;
- To ensure that meetings of the Board are held according to the Board's bylaws and annual schedule;
- Ensure that the agenda of every meeting is prepared in coordination with the Corporate Secretary, taking into account the thoughts of the CEO, senior management, and directors of the Company, as well as key governance concerns, and contentious issues that will significantly affect operations.;
- Maintain communication and information flow between management and the Board;

- Provide the Board with timely, accurate, relevant, insightful, concise, and clear information so it can make well-informed decisions;
- The Directors should foster an environment conducive to constructive debate by leveraging their respective skills and expertise to facilitate discussions on key issues;
- Evaluate the reports submitted by the Management as well as any representations made;
- Provide orientation or training opportunities for new Directors and ensure ongoing training for all Directors;
- Ensure the Board's performance is evaluated at least once a year and discussed/followed up.

### **Separation of Roles of Chairman and President**

Due to the nature of the insurance business, the Chairman and the President and Chief Executive Officer should in principle have separate roles, to ensure an appropriate balance of power, enhance accountability, and allow the Board to exercise independent decision making.

The Chairman determines the effectiveness of the Board's operations. Reporting to the Board, the President is responsible for the general management of the company.

A chairman of the board cannot simultaneously serve as the company's president and chief executive officer to ensure an appropriate balance of power, accountability, and the ability for the Board to make independent decisions.

1. A balance between executive and non-executive directors should be maintained so that no individual or small group can dominate the Board's decisions.
2. A highly effective Board requires Directors to have the integrity, competency, and capability to carry out their fiduciary duties in the Company's interest and that of its shareholders. Directors should possess the requisite experience, skill, time, and commitment as befits a director of a very complex company to fulfill their duties effectively. Both new nominees and existing directors must possess the following qualities and qualifications.
3. Directors shall be holders of at least one (1) share of the Corporation.
4. Director shall be at least twenty-five (25) years of age at the time of his appointment.
5. Directors shall possess the necessary skills, competence, and experience, in terms of management capabilities.
6. Directors shall be a person with professional ethics, integrity, and credibility.



7. A director shall not hold any incompatible position within another company, business, or entity.
8. No disqualification in accordance with the Code of Conduct and IC Circulars.
9. The Director must know the statutory and regulatory requirements of the institution, including its Articles of Incorporation and By-laws, the requirements of the Insurance Commission, and, if 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.
10. The Director cannot have been convicted of an offense punishable by imprisonment for more than six years or a violation of the Corporation Code within five years of the date of the election.
11. Certain qualifications may apply to Independent Directors only. Please see Section VI.D

## **6. Corporate Secretary**

The Board should ensure that it is assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer. The Corporate Secretary should not be a member of the Board of Directors and should annually attend training on corporate governance. The Corporate Secretary is primarily responsible to the Corporation and its shareholders, and not to the Chairman or President of the Company and has, among others, the following duties and responsibilities

- i. Safe keeps and preserves the integrity of the minutes of the meetings of the Board, as well as other official records of the Corporation;
- ii. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- iii. Works fairly and objectively with the Board, Management and Stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and Stakeholders, including Shareholders;
- iv. Advises on the establishment of Board committees and their terms of reference;
- v. Informs members of the Board, following the By-laws, of the agenda of their meetings at least five (5) working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- vi. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family, and serious accidents, prevent him/her from doing so;
- vii. Performs required administrative functions;

- viii. Oversees the drafting of the By-laws and ensures that they conform with regulatory requirements; and
- ix. Performs such other duties and responsibilities as may be provided by applicable law, rules, and regulations.<sup>7</sup>

## **7. Compliance Officer**

To facilitate its duties, the Board should appoint a Compliance Officer, who should hold an equivalent position of authority and stature within the Corporation, preferably that of Vice President. The Compliance Officer should not be a member of the Board of Directors and should annually attend training on corporate governance. The Compliance Officer is a member of the Management in charge of the compliance function. In the same way as the Corporate Secretary, he/she is primarily liable to the Corporation and its shareholders, and not to the Chairman or President. He/she must perform the following duties and responsibilities, among others:

- i. Responsible for the proper onboarding of new directors (i.e., orientation on the Corporation's business, charter, articles of incorporation, bylaws, among other things);
- ii. Monitoring, reviewing, evaluating, and ensuring compliance with applicable laws, this Manual, rules and regulations, and all governance issuances of regulatory agencies by the Corporation, its officers and directors;
- iii. Report any violations to the Board and recommend appropriate disciplinary action;
- iv. Ensures the integrity and accuracy of all documentation submitted to regulators;
- v. Appears before the Insurance Commission when summoned concerning compliance with this Code;
- vi. Ensures that compliance issues, which could be the subject of an investigation, are addressed promptly with other departments;
- vii. Identifies potential areas of compliance issues and works toward resolving them;
- viii. Ensures that directors and key officers attend relevant training;
- ix. Provides such other duties and responsibilities as may be assigned by the IC.

## **8. Establishing Clear Roles and Responsibilities of the Board**

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

1. Compliance with the Corporation's Articles of Incorporation, By-Laws, and policies approved by the Board of Directors and/or stockholders;
2. Ensure the corporation's good governance;
3. Acting in good faith and advancing the success of the Corporation for its shareholders;
4. A director should not subordinate his/her power to others' will, that is, use independent judgment;
5. The performance of his duties should be conducted with skill, diligence, and reasonable care; to attend and actively participate in all meetings of the Board.
6. For the prevention of conflicts of interest between the director and the Corporation;
7. As a director and as a member of the board, you shall not receive any benefits from third parties;
8. If the Corporation becomes aware of a proposed transaction or arrangement, it must declare its interest immediately.
9. The Corporation should elect its officers;
10. Ensure that the Corporation is able to operate its business efficiently by establishing expenditure signing limits;
11. Determine the remuneration for the Corporation's officers;
12. Establish and implement the Corporation's annual budget, as well as track the Corporation's progress towards achieving that budget;
13. Set up official policies for the Company's regular dividend payments; and
14. Establish an external auditor for the Corporation.

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

Moreover, the Board shall:

- Develop and adopt a corporate strategic plan;
- Monitor the Corporation's business operations to ensure that the business is being properly managed and policyholders, claimants, and creditors are treated fairly;
- Determine the Corporation's principal business risks and implement appropriate risk management systems to specifically manage the risks related to underwriting, reinsurance, investments, financial, and operational aspects of the Corporation;
- Adopt corporate policies relevant to underwriting, investments, reinsurance, and claims management;
- Make sure there is succession planning, including appointing and training senior managers, and determining compensation, and replacing them, as necessary;
- Establish a shareholder communications policy or develop an investor relations program;
- Examine the company's internal control systems to ensure they are adequate and accurate, and they are compliant with applicable laws, regulations, rules, directives, and guidelines;
- Appoint and select officers with the skills and qualifications necessary for analyzing and administering insurance affairs effectively and efficiently.
- Ensure personnel is fit and properly trained. The selection process should include integrity, technical expertise, and experience with the institution's business, either current or planned;
- Design a compensation package for all employees that is in the best interests of the corporation's stakeholders; Review and approve material transactions that do not fall within the company's normal course of business;
- Create a system of checks and balances to govern the Board and its members;
- Establish an effective reporting system so that the Board can assess, evaluate and oversee the performance of Management;
- Provide constructive feedback to all of its shareholders regarding the corporation's performance and financial condition;
- Upon appointment of the Compliance Officer, in accordance with the Revised Code of Corporate Governance of the Insurance Commission, the Compliance Officer will assist in the coordination and monitoring of compliance with existing laws, rules, and regulations;
- There shall be a Corporate Secretary whose responsibility it is to ensure all appointments are made properly, that all necessary information is obtained from the directors, both for the Corporation's records as well as to meet statutory obligations and those arising from the requirements of the Insurance Commission and other regulatory agencies.

## 9. Duties and Responsibilities of a Director

Conduct fair business transaction with Corporation to ensure that personal interest does not bias Board decisions;

- Ensure that Board decisions are not influenced by personal interests by conducting fair business transactions with Corporation;
- In every situation, directors should avoid situations involving a conflict of interest. It cannot be avoided that the Corporation will undertake transactions with it in the normal course of business, and under terms that are at least as favorable to the Corporation as those offered to others. An important principle to observe is not to use a director's position for profits or to gain advantages for himself and/or others who have a similar interest. An impartial view of the situation should not be compromised;
- The corporation and its stockholders (regardless of the number of shares they own), as well as its clients, policyholders, investors, borrowers, and shareholders should act honestly, in good faith, and with loyalty to the best interests of the corporation and its stockholders. In all cases, a director must act in good faith and in a prudent manner as an ordinary person would, while at the same time, a director must always work to promote the interests of all stockholders. As well as taking into account the rights and interests of stakeholders;
- Assume responsibility for the proper discharge of the duties and responsibilities entrusted to them. To gain a full understanding of the Corporation's operations, directors should invest sufficient time. The Board members must constantly monitor the Corporation's condition, and they must be capable of contributing meaningfully to its work. Participation in board meetings and committee meetings is mandatory, and materials must be requested and reviewed. Questions and explanations must be asked. Those who are unable to devote considerable time and attention to the institution's affairs should not accept nominations or run for election as board members;
- Take judicious action. Every director should thoroughly evaluate any issue before deciding, ask questions, and obtain clarifications when needed;
- Make independent judgments. Each problem/ situation must be viewed objectively by the director. If he disagrees with another, he should carefully evaluate the situation and communicate his stance. Even when a position may not be popular, he ought not to be fearful to take it. Supports plans and ideas he believes will benefit the institution;

- Be discreet. A director must protect any non-public information obtained with their role as a director. Information may not be disclosed to anyone without board approval.

## **10. Qualifications of Directors**

A highly effective Board must possess the integrity, competencies, and capabilities necessary to fulfill their fiduciary duties in the best interest of the Company and its shareholders. Director's responsibility requires a great deal of skill, experience, time, and commitment as those attributes befit a Director of a company with a highly complex business model. The following characteristics and qualifications are necessary for new candidates being considered for nomination as well as existing Directors:

- i. Directors shall be holders of at least one (1) share of the Corporation.
- ii. Director shall be at least twenty-five (25) years of age at the time of his appointment.
- iii. Directors shall possess the necessary skills, competence, and experience, in terms of management capabilities.
- iv. Directors shall be a person with professional ethics, integrity, and credibility.
- v. Directors shall not hold any incompatible position in another company, entity, or business.
- vi. No disqualification as provided for in the Code of Conduct and IC Circulars.
- vii. Director must not have been convicted by final judgment of an offense punishable by imprisonment for a period exceeding six years, or a violation of the Corporation Code committed within five years before the date of his election.

## **11. Disqualification Of Directors**

A director may be disqualified for the following grounds:

### **Permanently Disqualified**

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

- d. Directors, officers, or employees of closed insurance companies or any insurance intermediaries who were responsible for such institution's closure as determined by the Insurance Commission.

### **Temporarily Disqualified**

- a. Persons who refuse to fully disclose the extent of their business interests when required under a provision of law or a circular, memorandum, or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as the refusal persists;
- b. Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special of the Board of Directors during their incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding elections;
- c. Persons convicted for offenses involving dishonesty, breach of contract, or violation of insurance laws but whose conviction has not yet become final and executory;
- d. Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
- e. Directors are 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;
- f. Directors who failed to attend the special seminar on corporate governance.
- g. This disqualification applies until the director concerned had attended such a seminar;
- h. Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- i. Those under preventive suspension;
- j. Persons with derogatory records with the NBI, court, police, Interpol, and insurance authorities of other countries (for foreign directors) involving a 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;
- k. Persons who are delinquent in the payment of their obligations as defined hereunder:
- l. 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;
- m. Obligations shall include all borrowings from an insurance company or its related companies obtained by:

- n. A director or officer for his 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;
- o. The spouse or child under the parental authority of the director or officer;
- p. Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
- q. 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
- r. A corporation, association, or firm wholly-owned or the majority of the capital is contributed by any or a group of persons mentioned in the foregoing items 1, 2, and 4.
- s. This disqualification should be in effect as long as the delinquency persists.

## **12. Election and Term**

Shareholders elect the Company's directors at the Annual or Special Stockholders' Meeting by a simple majority. Directors may serve for several terms as long as they contribute to the effectiveness of the Board, and as long as they are free of any real or perceived conflict of interest. The Board's Independent Directors should serve for a maximum cumulative term of nine (9) years. Please refer to Section 13 for other details on Independent Directors.

## **13. Board Independence**

The Board should be composed of at least twenty percent (20%) independent directors but not less than two (2) members of the Board of Directors shall be Independent Directors, provided that any fractional result from applying the required minimum proportion, i.e., 20%, shall be rounded up to the nearest whole number.<sup>10</sup>

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 refers to a person who:*

- a. is not or was not a regular director, officer, or employee of the Corporation, its subsidiaries, affiliates, or related companies during the past three (3) years counted from the date of his election/appointment;
- b. is not or was not a regular director, officer, or employee of the Corporation's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;



- c. is not an owner of more than two percent (2%) of the outstanding shares of a stockholder with shares of stock sufficient to elect one (1) seat in the Board of Directors of the Corporation, or in any of its related companies or of its majority corporate shareholders;
- d. is not a relative by affinity or consanguinity within the fourth (4th) degree of a director, officer, or stockholder holding shares of stock sufficient to elect one (1) seat in the board of the Corporation or any of its related companies or any of its Stockholders;
- e. is not acting as a nominee or representative of any director or substantial shareholder of the Corporation, any of its related companies, or any of its substantial shareholders;
- f. is not or was not retained as a professional adviser, auditor, consultant, agent, or counsel of the Corporation, any of its related companies, or any of its substantial shareholders, either in his capacity or through his firm during the past three (3) years counted from the date of his election/appointment;
- g. is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the Corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;
- h. was not appointed in the Corporation, its subsidiaries, affiliates or related companies as Chairman "Emeritus", "Ex-Officio", Regular Directors, Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board of Directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his election/appointment;
- i. is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial shareholders; and,
- j. is not employed as an executive officer of another company where any of the Corporation's executives serve as regular directors.

A "related company" refers to (a) the Corporation'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.

The Board's Independent Directors should serve for a maximum cumulative term of nine years. Thereafter, the Independent Director should not be able to run for re-election as an Independent Director but will still be able to serve the corporation as a Non-Independent Director. If the Board wishes to retain an Independent Director who has served for nine (9) years, the Board should provide meritorious justifications and seek the shareholders' approval at the annual meeting.

## **14. Board Meetings and Quorum Requirement**

Section 1. ***Place of Meeting*** – All meetings of shareholders shall be held at the principal office of the Corporation.

Section 2. ***Annual Meetings*** – The annual meeting of the shareholders for the election of directors and the transaction of such other business as may come before the meeting shall be held on the first Monday of March of each year. If the election of directors shall not be held on the day designated for the annual meeting or at any adjournment of such meeting, the Board of Directors shall cause the election to be held at a special meeting as soon as thereafter as the same may conveniently be held. At such a special meeting, the shareholders may elect the directors and transact other business as stated in the notice of the meeting with the same force and effect as at an annual meeting duly called and held.

Section 3. ***Special Meetings*** – Special meetings of the shareholders may be called at any time by resolution of the Board of Directors or upon the written request of any shareholder or shareholders to the Board of Directors. Such request shall state the purpose(s) of the proposed meeting and shall be signed by the requesting shareholder(s). The Board of Directors shall call a special meeting of the shareholders immediately following receipt of such request. If the Board of Directors fails to call a meeting within 21 days of delivery of the request to the Directors, the requesting shareholders may directly call the meeting.

Section 4. ***Notice of Meetings*** – Except as mandatorily provided by law, written or printed notice of all annual and special meetings by shareholders shall be duly given to each shareholder of record entitled to vote thereat at his or its address entered in the stock and transfer books of the Corporation, or if the shareholder has failed to designate such address, at his or its address last known to the Secretary of the Corporation, not less than fifteen (15) days nor more than sixty (60) days prior to the date of such meeting unless (i) all shareholders have consented in writing to such shorter notice and (ii) all shareholders are present or represented at such meeting. Notice shall be deemed to have been duly given: (i) when delivered by hand if personally delivered; (ii) five (5) business days after being timely dispatch delivery prepaid, if by courier; and (ii) when receipt is

acknowledged, if sent by facsimile transmission or electronic mail. The term “business day” as used herein, shall mean any day other than a Saturday, Sunday, or a non-working holiday with nationwide applicability as declared by the Philippine government.

Section 5. **Quorum** – A quorum of the shareholders will consist of shareholders holding or representing (by proxy or corporate representative) at least eighty percent (80%) of the outstanding capital stock of common shares. Each shareholder agrees not avoid any meeting for the purpose of frustrating a quorum of the shareholders. If a meeting of the shareholders has been called within the period of time required by these By-laws and a quorum is not present or represented within a reasonable period of time scheduled for commencement of such shareholder’s meeting, such meeting shall be adjourned to the same time and place in the next week, provided that the quorum for such subsequent shareholders meeting shall still be at least eighty percent (80%) of the outstanding capital stock of common shares.

Section 6. **Organization of Meeting** – At every meeting of the shareholders, the Chairman of the Board, or in his absence, the President or in the absence of the Chairman and the President, a chairman chosen by the shareholders present in person or by proxy and entitled to vote thereat, by a vote of at least eighty percent (80%) of those present in person or by proxy, shall act as chairman. The Secretary shall act as secretary at all meetings of the shareholders. If the Secretary is absent, the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 7. **Voting** – At every meeting of the shareholders, each shall be entitled to vote in person or by proxy and, unless otherwise provided by law, he shall have one vote for each share of stock entitled to vote and recorded in his name in the books of the Corporation. The adoption of any and all resolutions of the shareholders shall require the approval of the holders of at least eighty percent (80%) of the total outstanding capital stock of common shares present or represented by proxy at any meeting and entitled to vote thereat. The vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the shareholder voting, or in his name by proxy if there be such proxy and shall state the number of shares voted by him.

The authorized directors and officers of the Corporation shall take the actions that the shareholders approve, and such actions shall be binding on the Corporation.

Section 8. **Proxies** – Any shareholder not present at any annual or special meeting of the shareholders may vote the share or shares in his name on the stock and transfer books of the Corporation by proxy, such proxy to be dated, signed, and to designate the person or persons named as a proxy, and these proxies must be filed with the Secretary, in hard copy or electronic format, at least three (3) days before the date of the shareholder’s meeting.

***i. Frequency of Board Meetings***

The Board shall meet at least once (1) in every quarter of the year. Special meetings may be held for urgent and important matters that require Board attention.

The various committees meet on the same Board meeting dates. Occasionally committee meetings may be scheduled for other times when necessary.

***ii. Attendance***

Directors should also bear in mind that they will be deemed to have consented to any Board resolution passed whether they are present at the meeting or not, unless they dissent in writing and record it with the Board.

***iii. Board Resolutions***

Board resolutions shall be evidenced by a certification issued by the Company's duly-elected Corporate Secretary or Assistant Corporate Secretary.

***iv. Minutes***

The Company is required to keep minutes of Board meetings and Directors are entitled to see and review the minutes. The minutes will provide evidence of who was present and what was done at a meeting, specifically the decisions made. It is therefore important that they reflect the meeting accurately.

The level of detail in the minutes about the Board's discussions, will, at the very least, be a complete record of the decisions taken at the meeting.

If the Board received advice from experts or advisors, this will be noted in the minutes as will any dissent expressed by a Director.

All concerns of the Directors about running the Company shall be recorded in the minutes of the Board.

## **15. Liabilities of Directors**

Directors who willfully and knowingly vote or consent to patently unlawful acts of CCLPI Plans or who are guilty of gross negligence or bad faith in directing the affairs of CCLPI Plans or acquire any personal or pecuniary interest in conflict with their duty as such directors shall be liable jointly and severally for all damages resulting therefrom suffered by CCLPI Plans, its stockholders and other persons.

## **V. Board Committees**

The Board has established Committees to heighten the efficiency of board operations and assist in exercising its authority for oversight of internal control, risk management, and performance monitoring of the company. The Committees provide organized and focused means for the directors to achieve specific goals and address issues, including those related to governance. In particular, the Committees enhance the objectivity and independence of the Board's judgment, insulating it from the undue influence of management and major shareholders. Typically, standing committees have the following responsibilities:

- Recommend action on matters where the Board has reserved authority to itself as outlined in the By-Laws, Manual on Corporate Governance and the relevant, rules, regulations, and laws provided under the Corporation Code and prescribed by the Insurance Commission.
- Provide governance oversight on topics within the respective committees' purview.
- Review and make recommendations on relevant new and existing Board policies;
- Receive reports on policy-related issues affecting the various company divisions, departments, and units;
- Receive information items (e.g., status reports on current issues of concern);
- Review other items placed on the Committee's agenda by the Chairman in consultation with the President and CEO and the Vice-Chairman.

### **1. Executive Committee**

The Executive Committee, in the interim between meetings of the Board, possesses and exercises all powers of the Board in the management and direction of the affairs of the company subject to the provisions of the company's By-laws, and the limitations of the law and other applicable regulations. The unit operates as the channel through which the Board communicates on matters of corporate governance. All major policies and risks are reviewed and approved by this committee.

### **2. Audit Committee**

The Audit Committee shall be comprised of at least three (3) members, the majority of whom shall be independent directors preferably with accounting and finance experience.

The Committee shall have the following responsibilities:

- i. Oversee the company's internal and external auditors
- ii. Establish an internal audit department and appoint internal auditors and independent external auditors; and,
- iii. Monitor and evaluate the effectiveness of the Company's internal control system.

### **3. Remuneration Committee**

The Remuneration Committee shall be composed of at least three (3) members, the majority of whom shall be independent directors.

The Remuneration Committee's primary responsibility is monitoring the structure and level of remuneration for senior management and corporate officers. It will make plans on how to position the Company in relation to other companies, but the Company will use such comparisons with caution due to the risk of an upward ratchet of remuneration without corresponding performance improvements.

Moreover, the Committee shall be responsible for determining the remuneration of all executive directors and the Chairperson, as well as recommending and monitoring the level and structure of salaries and remunerations for senior management. Specifically, the committee is tasked with setting the compensation for all executive directors and the chairperson, including pension rights or compensation for their work.

### **4. Corporate Governance Committee**

The Corporate Governance Committee assists the Board in fulfilling its corporate governance responsibilities and ensures the Board's effectiveness and due observance of sound corporate governance principles and guidelines, and its oversight of the company's corporate governance practices as embodied in the Articles of Incorporation, By-Laws, and Manual on Corporate Governance and with respect to laws, rules, and regulations on corporate governance issued by the Insurance Commission, SEC, and other regulatory bodies.

### **5. Investment Committee**

The purpose of the Investment Committee of the Board of Directors of the company shall be to oversee the Company's investment transactions, management, policies, and guidelines, including review of investment manager selection, establishment of investment benchmarks, review of investment performance, and oversight of investment risk management exposure policies and guidelines.

### **6. Board Risk Oversight Committee**

The Board Risk Oversight Committee fosters a culture of risk management across the company. Guidelines are proposed, metric limits are established, and issues are reviewed regularly throughout the company, ensuring compliance with regulatory and international risk measurement standards. Additionally, it provides technology and training for key personnel in risk management.

### **7. Claims Committee**

The Claims Committee shall be composed of at least three (3) members. The purpose of the Claims Committee is to oversee the Company's insurance and benefit claims policies, guidelines, and procedures.

## **8. Personnel Committee**

The Personnel & Compensation Committee directs and ensures the development and implementation of long-term strategies and plans for the company's human resources, in alignment with the Board's vision for the organization

## **9. Related Party Transaction Committee**

The Related Party Transaction Committee is charged with ensuring that the Corporation's dealings with the public and various stakeholders are imbued with the highest standards of integrity. It independently reviews, vets, and endorses all related party transactions such that these transactions are dealt on terms no less favorable to the company than those generally available to an unaffiliated third party under the same or similar circumstances. The Chief Audit Executive and Chief Compliance Officer sit in committee meetings as non-voting members.

# **VI. Board Performance**

## **A. Performance Evaluation**

An evaluation of a board, committee, or director involves a constructive but critical evaluation of one's performance, identifying strengths and weaknesses, and developing further professional development plans. The Board of Directors needs to receive feedback on their performance and governance processes to reach a consensus on targeted improvements. Feedback is the most crucial element of an evaluation. The self-assessments are to be conducted annually, shall be held in the highest level of confidentiality, and shall have non-attributable responses.

The self-assessments focus on individual director performance as well as the collective performance of the Board and its Committees operating as a whole and are developed around the Terms of Reference for the Board and Committee Charters. The key evaluation factors of the assessment are the functions of the board, the board strategy and effectiveness, the structure of the board and its committees, board and management relations, succession planning and training, and value creation.

The results of these evaluations will be presented to the Corporate Governance Committee, which will then report to the Board of Directors. Corporate Governance Committee may develop recommendations and/or action plans for the Board, when deemed necessary or desirable, to address concerns raised by such assessments, and will monitor progress in addressing concerns raised by the Board.

An important objective of the performance evaluation is to also be able to recognize the strengths of the company's corporate governance system through targeted communications aimed at boosting shareholder and stakeholder confidence. A copy of the assessment form is attached to Annex A.

There are four (4) major levels to the evaluation:

**i. Board-level Assessment of the body as a whole**

The Board of Directors should evaluate its progress toward its goals and working style, i.e., actual operations and work of the Board in relation to the company's business model and strategy. Board members will also review effectiveness pertaining to the company's current and future development challenges, its stakeholders' continually evolving expectations, and, if appropriate, existing communication related to corporate governance.

**ii. Committee-level Assessment of respective Board Committees**

Board-level committees are required to evaluate their performance annually and report the results to the Board or the committee appointed by the Board for review.

**iii. Individual Director Self-Assessment**

**iv. Board assessment of President and CEO**

**B. Succession Planning**

The Corporation recognizes that a succession plan for its Board of Directors is in the best interest of the Company, its stakeholders, and employees, fostering continuity of leadership. It is intended to provide assurance and confidence to all stakeholders of the Company by demonstrating that leadership changes will be carefully planned, communicated, and carried out by the Board of Directors.

A succession plan involves identifying, assessing, and developing people so that an organization is able to maintain effective performance. The plan includes succession for the entire Board and its leadership positions.

The objective of this plan is to ensure the Board of Directors has relevant industry-specific working knowledge, experience, and expertise to meet the long-term and short-term objectives of the Corporation.

The succession plan shall comply with the qualifications and disqualifications standards set in the Corporation's Manual of Corporate Governance for the identification of potential candidates for membership to the Board. The succession plan may consider and provide for rotation of directors through Committee Chairperson positions and memberships to provide for a balance of continuity and rotation in the leadership role.

Procedures:



1. The Election, Remuneration, and Corporate Governance Committee should continually seek out and vet candidates for board directorships.
2. The Election, Remuneration, and Corporate Governance Committee should continuously collect resumes for consideration.
3. The Election, Remuneration and Corporate Governance Committee shall not look for third-party consultants for the purpose of recruiting new board members without first obtaining approval from the board.
- 4.3. The Election, Remuneration, and Corporate Governance Committee shall refer to the Disqualification criteria, the Bylaws, and the Charter of the Board Committee when seeking qualified candidates for board directorships.

### **Retirement Policy for Directors and Officers**

1. Notwithstanding the prior section on Term Limits for Independent Directors, the company believes that imposing uniform and fixed limits on director tenure is counter-productive as it may force the arbitrary retirement of valuable directors.

The company believes that age brings with it unmatched wisdom and experience, expert business judgment, invaluable industry knowledge and expertise, community relationships and authority, and that it serves the company's interests to be able to retain directors regardless of their age, regardless of their contribution to the Board and organization.

Thus, the company will set the retirement age for Directors at eighty (80). However, the Board may elect to waive this age if the following conditions are met:

1. Corporate governance practices with a focus on performance evaluations, succession planning, and satisfiable fit and proper metric assessment that are consistent with more dynamic and efficient corporate governance are more effective in reinforcing the board.
2. A Board must also consider all factual conditions when considering a director's tenure pursuant to the principles of good governance, including (without limitation) accommodating the transition of a new CEO or board of directors or addressing external factors affecting the business.

Directors do not receive any retirement benefits. The Executive Director is eligible for regular retirement benefits given to employees of the company.

2. Retirement of Officers is done with the requisite succession planning and in accordance with the company's policies and implementing guidelines of its

retirement plan for all employees, the company's By-Laws, Labor Code, and the Corporation Code of the Philippines.

### **C. 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.

IC mandated topics to be covered shall include the following:

- 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.

## **D. Remuneration Policy**

As approved by the shareholders, the Board of Directors, as a whole, shall determine a level of remuneration and/or benefits for Directors that shall be sufficient to attract and retain directors and compensate them for attendance at meetings of the Board and Board Committees, commitments to time and specific contributions through chairmanship and membership in board committees. As also mandated in the Amended By-Laws, the Personnel and Compensation Committee is tasked to recommend remuneration of the Board of Directors, based on size and scope of the company, industry standards and set by reference to the numerous responsibilities taken on by directors as well as for undertaking certain risks as a

Board member. The remuneration framework is reviewed annually to ensure that it remains competitive and consistent with the company's high-performance culture, objectives, and long-term risk assessment and strategies. The compensation which may be in various forms shall be fixed by way of a resolution of the Board of Directors.

## **VII. Internal Control System and Transparency**

### **A. Enterprise Risk Management**

The company has an established enterprise risk management (ERM) that enables it to identify, measure, control, and monitor its significant financial and non-financial risk exposures, ensure adequate liquidity, and set aside sufficient amounts of capital to cover and mitigate such risks. The framework reflects the company's internal standards as guided by the regulatory directives issued by the Insurance Commission in promoting effective risk management governance, implementing robust business continuity and resiliency standards that are regularly tested, and performing the internal capital adequacy assessment and other risk management processes. The company's ERM framework is anchored on the pillars of 1) sound risk governance, 2) value-enhancing risk methods and processes, and 3) risk-intelligent data and technology.

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:

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

- 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;
- monitor and evaluate the effectiveness of the organization's risk management processes.

## **1. Internal Audit Function**

The Company should 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, shall be appointed by the Board upon recommendation of the Audit Committee. The external auditor shall undertake an independent audit of the Corporation and provide an objective assurance on how financial statements are prepared and presented to the Board and the stockholders. 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 Corporation should be changed with the same frequency.

## **B. Related Party Transactions Policy**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may also be individuals or corporate entities.

Because transactions with related parties can be abused, the terms of such transactions are of vital interest to majority and minority shareholders alike, i.e., the interests of shareholders, as a whole, and of all stakeholders must be fully protected.

The Related Party Transactions Policy guards against internal conflicts of interest between the company and/or its group and their directors, officers, and significant shareholders and ensures that transactions such as loans and advances, deposit arrangements, trading of government securities and commercial papers, sale of assets, lease of company premises, investment advisory/management, service arrangements and advances for operating expenses are made in the normal course of company activities with terms and conditions that are generally comparable to those offered to non-related parties or similar transactions in the market.

This is done through the Related Party Transactions Committee which assists the Board in assessing material agreements of any kind with a related party in determining whether to approve, ratify, disapprove or reject a Related Party Transaction. The committee takes into account whether or not the RPT is entered into on terms no less favorable to the company than terms generally available to an unaffiliated third-party under the same or similar circumstances. For transactions involving a sale of the company assets, it reviews results of the appraisal, valuation methodology used as well as alternative approaches to valuation. The Committee then assesses the extent of the Related Party's interest in the transaction.

Material RPTs shall be subject to the approval by the Board shall be disclosed per the applicable disclosure requirements with the following contents:

- a. Definition of related parties;
- b. Coverage of RPT policy;
- c. Guidelines in ensuring arm's length terms;
- d. Identification and prevention or management of potential or actual conflicts of interest which arise;
- e. Adoption of materiality thresholds and excluded transactions;
- f. Internal limits for individual and aggregate exposures;
- g. Whistle-blowing mechanisms; and
- h. Restitution of losses and other remedies for abusive RPTs

## **VIII. Code of Business Conduct and Ethics**

### **1. Overview of the Employee's Code of Conduct**

The Company has a Code of Business Conduct and Ethics, a separate policy document that stands as the exceptional standard set for CCLPI Plans employees that guides what they say and do, in order that the right decisions are taken in performing their respective roles and responsibilities across various functions in the company and in handling relationships with all stakeholders.

Built around the company's Mission and Vision, the Code provides an overview of key practices and behaviors that define the conduct to which we hold ourselves accountable and the behavior that is expected of all employees at all levels in the organization. In an environment fraught with various risks, our Code of Business Conduct and Ethics is not simply a declaration of principles but is also a vital part of our risk management strategy.

The Code applies to and is mandatory for all company professionals at all levels, regardless of their individual role, position, or practice, including officers and staff.

All employees, including officers, are expected to follow and practice the Code of Business Conduct and Ethics guidelines in order to maintain professionalism, integrity, mutual respect, and fairness in the daily course of business and interactions with co-employees or any other points of contact (internal or external). All officers and employees are expected to conduct themselves with proper decorum and in a manner promoting organizational growth as well as to meet corporate objectives. The administration and implementation of the Code shall be the primary responsibility of the Human Resources Management.

Every officer and employee has the responsibility to fully read, understand and comply with the Code of Business Conduct and Ethics and all its related policies in order to be aware, at all times, of the pertinent procedures, regulations, and other requirements therein that are relevant in carrying out CCLPI Plan's business.

## **2. Overview of the Director's Code of Conduct**

Our Board of Directors has also adopted its own Code of Conduct (the "Director's Code") which applies to and is binding on all directors of the company. The Director's Code is intended to guide directors, whether executive, non-executive, or independent, with policies on standards for the conduct of the business of the company, the protection of the rights of the company and its stakeholders, maintaining CCLPI Plan's reputation for integrity and fostering compliance with laws and regulations applicable to the company and its Directors.

As the highest governing body of the company that provides direction on its business and delegates the conduct of such business to Management under the leadership of the Chief Executive Officer, the Board has a special role in the integrity and accountability framework of the company and must uphold exceptional standards for honesty, impartiality, and independence, and avoid even the appearance of questionable conduct or perception of irregularity in its decisions and actions.

The Director's Code, therefore, sets forth policy in several basic areas that commonly require Directors to exercise sound and informed judgment, recognize and deal with ethical issues, report possible unethical conduct, and foster a culture of openness, fair dealing, diligence, and accountability.

In order to ensure compliance, all employees, including the senior officers and directors, will acknowledge on an annual basis, through the Statement of Affirmation, that they have read and understood the Code of Business Conduct and Ethics and the Director's Code, respectively, as well as the Company's Manual of Corporate Governance, and will fully comply and adhere to the principles, standards, and policies therein.

### **3. Conflict of Interest**

Employees, officers, and directors are expected to act in accordance with the highest standards of personal and professional integrity, particularly in matters of ethics and governance. That integrity and reputation must never be compromised even for the purported benefit of the company, and most especially for an individual, personal benefit. As a financial services provider, the company also has a fiduciary responsibility to its clients. The company must not favor one client over another and must protect its clients at all times.

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;
- upon a change to a notifiable interest of a director.

### **4. Anti-Bribery and Anti-Corruption Policy**

The company also puts the highest premium on sound, responsible and effective corporate governance and does not tolerate bribery, corruption, or improper acts of any kind in all business dealings. Bribery or corruption does not only involve monetary consideration. Bribery or corruption may also involve favors or other material gain such as employment, etc. As such, it has enabled and equipped the company's director's officers and employees, with the requisite policies, programs, and guidance through its Anti-Bribery and Anti-Corruption Policy (ABC Policy), Code of Business Conduct and Ethics for employees, and Director's Code of Conduct to combat risks in corruption and bribery.

Under the ABC Policy, we expect our directors, officers, employees, and business partners to comply with all anti-bribery and anti-corruption laws. All directors, officers, and employees shall not offer, promise, give or authorize others to give anything of value, either directly or indirectly, to any client, person, or entity to corruptly influence the recipient, secure an advantage, avoid a disadvantage or obtain or retain business. Offering or paying such remuneration either directly or through any intermediaries such as agents, attorneys, or other consultants is also considered corruption and bribery and is also strictly prohibited.

## **5. Whistleblowing Policy**

The Whistleblower Program is the company's mechanism for preventing and detecting fraud or misconduct, and enabling fast and coordinated incident responses and avenues for establishing the cause, remedial actions, and damage control procedures.

Under the Policy, it is the responsibility of all personnel, including the Board, Officers, and employees, to comply with the rules and regulations of the company and to report violations or suspected violations in accordance with the Whistleblower Policy. Any person who knowingly aids abet, or conceals, or otherwise deliberately permits the commission of any irregular or fraudulent act directed against the company shall be considered as guilty as the principal perpetrators of the fraud or irregularity. Hence, all personnel, including the Board, Officers, and employees, have a duty to cooperate with investigations initiated under the policy. The policy also presumes that the employees act in good faith and will not make any false accusations when reporting the wrongdoing done by another employee. An employee who knowingly or recklessly makes statements or disclosures that are not in good faith shall be subject to disciplinary action/s, which may include termination.

## **IX. Reportorial or Disclosure of Policies**

We are committed to providing all stakeholders with information about our initiatives, policies, operations, and financial performance. Providing timely, balanced, and understandable information about the company is crucial to our role and responsibility as a pre-need company, as well as to ensure their active engagement with the company.

Transparency and disclosure are areas in which we strive to constantly improve. In order to make information more useful, we strive to meet the needs of different stakeholders. More importantly, we carefully consider the changing market practices and regulatory demands for greater granularity in disclosures. We strive therefore to present the company's disclosures in a way that is more informative to its audience and adds value beyond minimum standards and requirements.



## **A. Financial Reporting**

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 its duties and responsibilities.

## **B. 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

## **STOCKHOLDER'S RIGHT AND PROTECTION OF MINORITY STOCKHOLDERS INTERESTS**

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

### **1. Voting Rights**

Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. Cumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of two-thirds (2/3) of the outstanding capital of the CCLPI Plans.

### **2. Pre-emptive Rights**

All stockholders shall have pre-emptive rights unless there is a specific denial of this right in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the CCLPI Plans. 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 conflict with the Corporation Code.

### **3. Right of Inspection**

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 provided with an annual report, including financial statements.

### **4. Right to Information**

Upon request and for a legitimate purpose a shareholder shall be provided 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 CCLPI Plans, relationships among directors, and key officers, and the aggregate compensation of directors and officers. The Notice of Annual or Special Stockholders Meeting/Information Statement/Proxy Statements where these are stated must be distributed promptly and in a timely manner to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registrations of share for a public offering with the Commission. The Notice of Annual or Special Stockholders Meeting/Information Statement/Proxy Statements shall also be posted on the company website as part of the company's regulatory disclosures. 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. In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the management is accountable and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting provided always that this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.

### **5. Right to Dividends**

Stockholders have the right to receive dividends subject to the discretion of the Board. However, the Commission may direct CCLPI Plans to declare dividends when its retained earnings is 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 CCLPI Plans 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 company, such as when there is a need for a special reserve for probable contingencies.

### **6. Appraisal Right**

In accordance with the Corporation Code, stockholders may exercise appraisal rights under the following circumstances: a. 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; b. In case of a 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; and, c. In case of merger or consolidation.

#### **7. Duty of Directors to Promote Stockholders Rights**

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

#### **8. Alternative Dispute Mechanism**

It is the policy of the Corporation to resolve disputes or differences with stockholders, regulatory authorities, and other third parties, if and when such disputes or differences arise, through mutual consultation or negotiation, mediation, or arbitration. If the agreement between the company and third parties has an arbitration clause, arbitration is the ADR system being adopted. If none, the company initiates conciliation- earnest effort to arrive at an amicable settlement. If everything fails, and the dispute progresses into court litigation, the Corporation strictly adheres to and complies with Supreme Court A.M. No. 11-1-6-SC-PHILJA dated January 11, 2011 [Consolidated and Revised Guidelines to Implement the Expanded Coverage of Court-Annexed Mediation (CAM) and Judicial Dispute Resolution (JDR)]. Relative to regulatory authorities, the company adopts and complies with the alternative modes of dispute resolution they are using or promoting such as, but not limited to, mediation, conciliation, and arbitration, in compliance with Republic Act No. 9285 (Alternative Dispute Resolution Act of 2004)

## **XII. Approvals and Reviews**

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

Signed:



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**RENATO S. DYCHANGCO JR**  
**Chairman of the Board**



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**MANSUETO V. DELA PENA**  
**Compliance Officer**

# ANNEX