



AMENDED MANUAL ON CORPORATE GOVERNANCE

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AMENDED MANUAL ON CORPORATE GOVERNANCE

The Board of Directors and Management, i.e. officers and staff, of PhilPlans First, Inc. (the "Corporation") hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

1. OBJECTIVE

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

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

2. COMPLIANCE SYSTEM

2.1. Compliance Officer

2.1.1. To insure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer who shall hold the position of Vice-President or its equivalent. The Compliance Officer shall have direct responsibilities to the Chairman of the Board.

2.1.2. He shall perform the following duties:

- Monitor compliance with the provisions and requirements of this Manual;
- Appear before the Securities and Exchange Commission upon summon on similar matters that need to be clarified by the same;
- Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
- Issue a certification every January 30th of the year on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same; and
- Identify, monitor and control compliance risks.

2.1.3. The appointment of the Compliance Officer shall be immediately disclosed to the Securities and Exchange Commission on SEC Form 17-C. All correspondence relative to his functions shall be addressed to said Officer.

- 2.1.4. The appointment of the Compliance Officer, together with any concurrent official designation or position in the Corporation, shall also be submitted to the Insurance Commission.

2.2. Plan of Compliance

2.2.1. Board of Directors

Compliance with the principles of good governance shall start with the Board of Directors.

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

The Board shall be responsible for: (a) providing entrepreneurial leadership within a framework of prudent and effective controls which enable risks to be assessed and managed; (b) setting the Corporation's strategic aims; (c) ensuring that the necessary financial and human resources are in place for the Corporation to meet its objectives and review management performance; (d) setting the Corporation's values and standards; and (e) ensuring that the Corporation's obligations to its shareholders and others are understood and met.

The Company shall require all of its directors, before assuming office as such, to attend a seminar on corporate governance conducted by a duly recognized private or government institute.

The Board shall be composed of at least five (5), but not more than fifteen (15) members who are elected by the stockholders.

The Corporation shall have at least two (2) independent directors or such number of directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).

The Board shall endeavor to have a balance of executive and non-executive directors (particularly independent non-executive directors) such that, no individual or small group of individuals can dominate the Board's decision making.

The non-executive directors shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

The non-executive directors led by the independent directors shall meet on an annual basis without the Chairman's presence in order to appraise the Chairman's performance. The non-executive directors shall meet on such other occasions as deemed appropriate.

The roles of Chairman and CEO should, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chairman and the CEO upon their election.

If the positions of Chairman and CEO are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives. The Chairman of the Board shall be a non-executive director.

In addition to the duties imposed under the By-Laws, the Chairman shall perform the following duties and responsibilities in relation to the Board:

- Ensure that the meetings of the Board are held in accordance with the By-Laws or as the Chairman may deem necessary;
- Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, management and the directors;
- Maintain qualitative and timely lines of communication and information between the Board and management; and
- Hold meetings with the non-executive directors without the presence of the executives in order to evaluate the performance of the executives.

Only the Committee Chairman and members are entitled to be present at committee meetings. However, other persons may attend at the invitation of a particular committee.

The Board shall identify in its annual report any non-executive director it considers to be an independent. The Board shall determine whether a director is independent in character and judgment or there are relationships or circumstances which are likely to affect the director's judgment.

The Company's annual report shall disclose, among others, the following information: (a) a statement on how the Board operates, types of decisions to be followed by the Board and those that are to be delegated to management; (b) the names of the Chairman, independent directors and the chairmen and members of the Nomination, Audit and Remuneration Committees; and (c) the number of meetings of the Board of Directors and of the Committees and the attendance by directors.

The Corporation shall arrange for an appropriate insurance cover with respect to legal action against its directors in relation to their official functions.

2.2.1.1. General Responsibility

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

2.2.1.2. Specific Duties and Functions

To insure a high standard of best practice for the Corporation, its stockholders and other stakeholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:

- Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives;
- Review and adopt a strategic plan for the Corporation, including providing sound strategic policies and guidelines to the Corporation on major capital expenditures, establishing programs that can sustain its long-term viability and strength, and periodically evaluating and monitoring the implementation of such policies and strategies, including the business plans, operating budgets and management's overall performance;
- Oversee the conduct of the Corporation's business to ensure that the business is being properly managed and dealings with policyholders, claimants and creditors are fair and equitable;
- Identify key risk areas and key performance indicators and monitor these factors with due diligence, including ensuring the implementation of appropriate risk management systems to specifically manage the underwriting, reinsurance, investment, financial and operational risks of the Corporation;
- Approve corporate policies in core areas of operations, specifically underwriting, investments, reinsurance and claims management;
- Install a process of selection to ensure a mix of competent directors, who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies and officers who are competent, professional, honest and highly motivated;
- Adopt an effective succession planning program for management, including appointing, training, fixing the compensation of, and where appropriate, replacing senior management;
- Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- Identify the Corporation's major and other stockholders and formulate a clear policy on communicating or relating with them through an effective investor relations program or an effective shareholder communications policy, over which the Chief Executive Officer or Chief Financial Officer shall exercise oversight responsibility, if feasible;
- Adopt a system of internal checks and balances, including the adoption and regular review of the Corporation'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. The systems shall be subject to regular review to ensure the adequacy and integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness;

- Select and appoint officers who are qualified to administer pre-need affairs soundly and effectively and to establish an adequate selection process for all personnel;
- Apply fit and proper standards for personnel who must possess the integrity, technical expertise and experience needed for the Corporation's business, either current or planned, provided that these should be the key considerations in the selection process;
- Establish appropriate compensation packages for all personnel that are consistent with the interest of the Corporation's stakeholders;
- Identify the Corporation's stakeholders in the community in which the Corporation operates or which are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;
- Review and approve material transactions not in the Corporation's ordinary course of business;
- Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relations by members of the Board;
- Establish a system of checks and balances which applies to the Board and its members;
- Constitute an Audit Committee, a Nominations Committee and a Remuneration Committee and such other committees that it deems necessary to assist the Board in the performance of its duties and responsibilities;
- Establish and maintain an appropriate reporting system so that the Board can monitor, assess and control the performance of management;
- Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences it may have with stockholders and third parties, including the regulatory authorities;

- Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted;
- Present to all its members and shareholders a balanced and understandable assessment of the Corporation's performance and financial condition;
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations; and
- Appoint a Compliance Officer with the rank of at least Vice-President, who shall be responsible for coordinating, monitoring and facilitating compliance with all existing laws, rules and regulations. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.
- The Board shall be entitled to the services of a Corporate Secretary who must ensure that all appointments are properly made and that all necessary information is obtained from directors, for the Corporation's own records and for the purpose of meeting statutory obligations, as well as obligations arising from the requirements of the Insurance Commission and other regulatory agencies. The

2.2.1.3. Duties and Responsibilities of a Director

A Director shall have the following duties and responsibilities:

- To make decisions objectively in the interests of the Corporation and to conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions;
- To avoid, whenever possible, situations that would give rise to a conflict of interest. If transactions with the Corporation cannot be avoided, it should be done in the regular course of business and upon terms not less favourable to the Corporation than those offered by or to others. A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He shall avoid situations that would compromise impartiality;
- Act honestly, in good faith and with loyalty in the best interests of the Corporation, its stockholders (regardless of the amount of their stockholdings) and other stakeholders such as its policyholders, investors, borrowers, other clients and the general public. A director must always act in good faith with care which an ordinarily prudent man would exercise under similar circumstances. While a director shall always strive to promote the interest of all stockholders, he shall also give due regard to the rights and interests of other stakeholders;

- To devote time and attention necessary to properly discharge his duties and responsibilities. Directors shall devote sufficient time to familiarize themselves with the Corporation's business. They must constantly be aware of the Corporation's condition and be knowledgeable enough to contribute meaningfully to the work of the Board of Directors. 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 Corporation, he should neither accept his nomination nor run for election as a member of the Board of Directors;
- To 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 whenever necessary;
- To 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 Corporation ;
- To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the SEC and the Insurance Commission, and where applicable, the requirements of other regulatory agencies. A director shall also keep himself informed of the industry developments and business trends in order to safeguard the Corporation's competitiveness;
- To observe confidentiality. Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They must not disclose said information to any other person without the authority of the Board; and
- To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

In addition to the aforementioned duties and responsibilities, non-executive directors shall have the following duties and responsibilities:

- To scrutinize the performance of management in meeting agreed goals and objectives and monitor the performance report;
- To constructively challenge and help develop strategic proposals for the Corporation; and
- To satisfy themselves of the integrity of financial information and financial controls as systems of risk management are robust and defensible.

The Corporation shall furnish all directors with copies of the specific duties and responsibilities of the Board of Directors as well as the specific duties and responsibilities of a director within thirty (30) working days in case of incumbent directors and at the time of election for directors who are elected after the issuance of this Amended Manual on Corporate Governance. The directors concerned shall be required to acknowledge receipt of copies of such specific duties and responsibilities and shall certify that they fully understand the same.

2.2.1.4 Qualifications of Directors

There shall be a formal, rigorous and transparent procedure for the election an appointment of directors to the Board. Appointments to the Board shall be made on merit and against objective criteria.

Careful deliberation and consideration shall be done to ensure that appointees have enough time for the job. This is particularly important in the case of chairmanship. The optimum number of directorships shall be generally related to the capacity of a director to diligently perform his duties.

The Chief Executive Officer and other executive directors shall limit themselves to holding four (4) or less directorships in other corporate boards. The same limit shall apply to independent non-executive directors who serve as full-time executives in other corporations.

Other directors who hold non-executive positions in the Corporation may serve as directors of other companies, provided that the capacity of directors to serve with diligence shall not be compromised.

Plans shall be made for orderly succession to the Board and that of the senior management level in order to maintain a balance of appropriate skills and experiences within the Corporation.

In addition to the qualifications for membership in the Board provided in the Corporation Code, the Securities Regulation Code and other relevant laws, each director of the Corporation must possess the following qualifications:

- (i) he must be a holder of at least one (1) share of stock in the Corporation;
- (ii) he must be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- (iii) he must possess the necessary skills, competence and experience in terms of management capabilities, preferably in the field of pre-need or pre-need related disciplines;
- (iv) he must be at least twenty-five (25) years old at the time of his appointment;
- (v) he must be proven to possess integrity and probity;

- (vi) he must not have any conflict of interest;
- (vii) he must be able to devote his time to fulfilling his duties and responsibilities as a director of the Corporation; and
- (viii) he must have attended a special seminar on corporate governance conducted by a training provider accredited by the Insurance Commission.

An independent director, apart from his fees and shareholdings, must be independent of management and free from any business or other relationship with could, or reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Corporation.

An independent director shall not:

- (i) be a director or officer of the Corporation or of its related companies or any of its substantial shareholders except when an independent director of any of the foregoing;
- (ii) own more than two percent (2%) of the shares of the Corporation and/or its related companies or any of its substantial shareholders;
- (iii) be related to any director, officer or substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and spouse of such child, brother or sister;
- (iv) be acting as a nominee or representative of any director or substantial shareholder of the Corporation and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
- (v) have been employed in any executive capacity by the Corporation, any of its related companies and/or by any of its substantial shareholders within the last five (5) years;
- (vi) have been or be retained either personally, or through his firm or any similar entity, as professional adviser by the Corporation, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; and
- (vii) have been engaged and does not engage in any transaction with the Corporation, and/or any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.

A “related company” means another company which is: (a) a holding company of the Corporation; (b) a subsidiary of the Corporation; or (c) a subsidiary of its holding company. A “substantial shareholder” means any person who is, directly or indirectly, the beneficial owner of more than ten percent (10%) of any class of its equity security.

2.2.1.5. Disqualifications for Board Membership

The following persons shall be disqualified from serving as directors of the Corporation:

- (i) those who have been convicted by final judgment or order by a competent judicial or administrative body of any crime that: (a) involves the purchase or the sale of securities, as defined by the Securities Regulation Code; (b) arises out of the person’s conduct as an underwriter, broker, dealer, investment adviser, principal, Distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person or any of them;
- (ii) those who, by reason of misconduct, after hearing, are permanently enjoined by a final judgment or order of the Securities and Exchange Commission (the “SEC”), or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or wilfully violating the laws that govern securities and banking activities;
- (iii) those who are currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to them under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas (“BSP”) or under any rule or regulation issued by the Commission or the BSP;
- (iv) those who have been restrained to engage in any activity involving securities and banking;
- (v) those who are currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;
- (vi) those who have been finally convicted judicially of an offense involving moral turpitude, dishonesty or breach of trust such as

fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, extortion, malversation, swindling, false affirmation, perjury or of fraudulent acts or transgressions;

- (vii) those who have been finally convicted judicially for violation of insurance or pre-need laws, rules and regulations;
- (viii) those who have been finally found by the SEC, the Insurance Commission, court or other administrative body to have wilfully violated or wilfully aided, abetted, counselled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, the Pre-Need Code or any other law, rule, regulation or order of or administered by the SEC or the BSP or the Insurance Commission;
- (ix) those who were earlier elected as independent directors who become officers, employees or consultants of the Corporation;
- (x) those who have been judicially declared as insolvent, spendthrift or unable to enter into a contract;
- (xi) those who have been finally found guilty by a foreign court or an equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in the preceding paragraphs;
- (xii) those who have been convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment;
- (xiii) those 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 a director of a pre-need company. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity;
- (xiv) those who were directors, officers or employees of closed pre-need companies or any intermediaries who were responsible for such closure as determined by the Insurance Commission; and
- (xv) those who are delinquent in the payment of their obligations. Delinquency in the payment of obligations means the obligations of a person with the Corporation or its related companies where he/she is a director or officer or at least two (2) obligations with other insurance or pre-need companies under different credit lines or loan contracts. Obligations shall include all borrowings from the

Corporation or its related companies by: (a) a director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorser or surety for loans from such institutions; (b) the spouse or child under the parental authority of the director or officer; (c) any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer; (d) a partnership of which a director or officer or/her spouse is the managing partner or a general partner owning or controlling interest in the partnership; and (e) a corporation, association or firm wholly-owned or majority of the capital is contributed by any or a group of persons mentioned in the foregoing items (a), (b) and (d) above. This disqualification shall be in effect as long as the delinquency persists.

The following shall be grounds for the temporary disqualification of a director:

- (i) refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations or when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the Insurance Commission, provided that such disqualification shall be in effect for as long as his refusal persists;
- (ii) absence or non-participation for whatever reason for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency or any twelve (12)-month period during said incumbency, unless said absence is due to illness, death in the immediate family or serious accident. This disqualification shall apply for purposes of the succeeding election;
- (iii) dismissal or termination from directorship in another listed company for cause, provided that this disqualification shall remain in effect until the director concerned has cleared himself of any involvement in the alleged irregularity;
- (iv) if the beneficial equity ownership of an independent director in the Corporation or its subsidiaries or its affiliates exceeds two percent (2%) of its subscribed capital stock, provided that the disqualification shall be lifted if the limit is later complied with;
- (v) conviction for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- (vi) directors and officers of closed pre-need companies and pre-need intermediaries pending clearance from the Insurance Commission;
- (vii) failure to observe/discharge duties and responsibilities prescribed under existing regulations, provided that such disqualification shall

apply until the lapse of the specific period of disqualification set by the Insurance Commission;

- (viii) failure to attend the special seminar on corporate governance, provided that this disqualification applies until the director concerned has attended such seminar; directors who failed to attend the special seminar;
- (ix) dismissal or termination from employment for cause, provided that this disqualification shall remain in effect until the director concerned has cleared himself of any involvement in the alleged irregularity;
- (x) preventive suspension; and
- (xi) if any of the judgments or orders cited in the grounds for permanent disqualification have not yet become final.

A director who has been temporarily disqualified shall, within sixty (60) business days from such disqualification, to take the appropriate action to remedy or correct such disqualification. If he fails to do so for unjustified reasons, the disqualification shall become permanent.

2.2.1.6 Board Meetings and Quorum Requirement

The members of the Board should attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Commission.

Independent directors should always attend Board meetings. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one (1) independent director in all its meetings.

To monitor the director's compliance with the attendance requirements, the Corporation shall submit to the Commission on or before 30 January of the following year, a sworn certification regarding the directors' record of attendance in Board meetings. The certificate of attendance shall be signed by the Corporate Secretary and counter-signed by the Chairman of the Board.

2.2.1.7 Board Remuneration

The essential standards for board remuneration are as follows:

- Levels of remuneration shall be sufficient to attract and retain the directors and officers needed to run the Corporation successfully.

- A significant proportion of the remuneration of executive directors shall be structured so as to link rewards to corporate and individual performance.
- Levels of remuneration of non-executive directors shall reflect their experiences, responsibilities and performances.
- The levels of remuneration of non-executive directors shall also reflect the time commitment and responsibilities of the office or position. Remuneration for non-executive directors shall not include share options. If options are granted, shareholders' approval shall be sought in advance and any shares acquired by way of an exercise of the share option shall be held until at least one (1) year after the non-executive director leaves the Board. Holding of share options is relevant to determine the non-executive director's independence.
- The performance-related elements of remuneration shall be form a significant proportion of the total remuneration package of executive directors and shall be designed to align their interest with those of the shareholders and to give the directors keen incentives to perform at the highest levels.
- Notice or contract periods shall be set at least one year or less. If it is necessary to offer longer notice or contract periods to new directors recruited from outside, such periods shall be reduced to one year or less after the initial period.
- The Corporation shall establish formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration package of individual directors. No director shall be involved in deciding his or her own remunerations.
- The Corporation shall develop a form on full business interest disclosure as part of its pre-employment requirements. All incoming officers and senior managers shall declare under penalty of perjury all of their existing business interests or shareholdings that may directly or indirectly affect the performance of their duties.
- The Corporation shall provide in its annual report a clear, concise and understandable disclosure of compensation for its executive officers for the previous fiscal year and the ensuing year.
- The Corporation shall review its existing employee handbook to strengthen provisions on conflict of interest, salaries and benefit policies, promotion and career advancement and compliance with all statutory requirements that must be periodically met by personnel.

2.2.1.8 Performance Evaluation

- A formal and rigorous evaluation of the performance of the Board and its Committees and individual directors shall be undertaken on an annual basis.
- The Chairman shall act on the results of the performance evaluation recognizing the strengths and addressing the weaknesses of each director. He may propose appointments of new members to the Board or seek the resignation of directors.
- The performance evaluation of the Board, its committees and individual directors shall be conducted and reported in the annual report.
- The performance evaluation of the Chairman shall be made by non-executive directors, led by the senior independent director, taking into account the view of executive directors.

2.2.1.9 Election/Re-election

- All directors shall be subject to votation by shareholders at the Annual Meeting of the Stockholders. The names of directors submitted for election or re-election shall be accompanied by sufficient biographical details and any other relevant information to enable shareholders to have knowledge of their decision on their election.
- Each director shall represent all shareholders and shall be in a position to participate independently and objectively.
- Non-executive directors shall be elected for a specified term and removed in accordance with the Corporation Code of the Philippines.

2.2.2. Board Committees

To aid in complying with the principles of good governance, the Board shall constitute the following committees:

2.2.2.1 Audit Committee

Composition

The Audit Committee shall be composed of at least three (3) members of the Board, two of which shall be independent directors. The members of the Audit Committee shall preferably have accounting and finance backgrounds. The Chairman of the Audit Committee shall be an independent director. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment.

Duties and Responsibilities

The Audit Committee shall have the following duties and responsibilities:

- Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations.
- Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.
- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management, including regular reports from management regarding risk exposures and risk management activities.
- Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.
- Perform oversight functions over its internal and external auditors to ensure that they act independently from each other and that both are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.
- Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it.
- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- Organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.
- Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security.
- Review the reports submitted by the internal and external auditors.
- Review the quarterly, half-year and annual financial statements before their submission to the Board with particular focus on any change/s in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions,

compliance with accounting standards and compliance with tax, legal and regulatory requirements.

- Coordinate, monitor and facilitate compliance with laws, rules and regulations.
- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report.
- Establish and identify the reporting line of the internal auditor to enable him to properly fulfil his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of his duties, the internal auditor shall be free from interference by outside parties.
- Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
 - a) A definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standard (IAS) compliant.
 - b) An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
- Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company through a step-by-step procedure and policies handbook that will be used by the entire organization.
- Recommend to the Board the firm of external auditors to be retained for three to five years and, should termination of the audit assignment be considered during the course of the audit, review the firm's proposed discharge).
- Review the external auditor's compensation, the proposed terms of its engagement (e.g. the scope and plan of the forthcoming audit), the non-audit activities for which it is engaged.
- Review the following:
 - a) The report of the external auditors to the committee respecting their audit;

- b) Any related management letter commenting on weakness, etc., observed;
 - c) Management's response to recommendations made by the external auditors in connection with the audit;
 - d) The Corporation's annual financial statements;
 - e) Any certification, report, opinion, or review rendered by the external auditors that arose in connection with the preparation of those financial statements;
 - f) Reports of the internal auditors that are material to the company as a whole; and
 - g) Management's responses to those reports.
- Consider, in consultation with the external auditors and the internal audit executive, if any, the adequacy of the company's internal controls.
 - Consider, major changes and other major questions of choice respecting the appropriate accounting principles to be used in the presentation of the corporation's financial statements, when presented by the external auditors, or the management.

2.2.2.2 Nomination Committee

Composition

The Nomination Committee shall be composed of at least three (3) members of the Board, one of whom must be an independent director.

Duties and Responsibilities

The Nomination Committee shall have the following duties and responsibilities:

- Review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to their positions requiring appointment by the Board of Directors. It shall prepare a description of the roles and responsibilities required of a particular appointment.
- Prepare the job specifications of the Chairman, including an assessment of the time commitment expected of him, recognizing the need for his availability in the event of crisis. The Chairman's other significant commitments shall also be disclosed to the Board before his appointment and included in the annual report.

The Nomination Committee shall consider the following guidelines in reviewing and evaluating nominees to the Board:

- Nature of the business where the nominee is a director;
- Age of the director
- Number of directorships/active memberships and officerships in other corporations and organizations
- Possible conflicts of interest

The terms and conditions of appointment of non-executive directors shall be made available for inspection. The letter of appointment shall specify the expected time commitment. The non-executive directors shall undertake sufficient time to meet and do what is expected of them. Their other significant appointments shall be disclosed to the Board before appointments, indicating the timelines and in any case, the Board shall be informed of subsequent changes.

2.2.2.3 Remuneration Committee

Composition

The Remuneration Committee shall be composed of at least three (3) members of the Board, one of whom must be an independent director.

Duties and Responsibilities

- Establish an appropriate procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors.
- Recommend and monitor the level and structure of salaries including remuneration of senior management.
- Provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.
- Recommend how to position the Corporation relative to other companies. Such comparisons shall be used with caution in view of the risk of increasing the level of remuneration with no corresponding improvement in performance.

2.2.3. The Corporate Secretary

2.2.3.1. The Corporate Secretary is an officer of the company and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties.

2.2.3.2. The Corporate Secretary shall be a Filipino citizen and a resident of the Philippines. He shall be an officer of the Corporation.

2.2.3.3 Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills.

2.2.3.4 Duties and Responsibilities:

- Work fairly and objectively with the Board, management, stockholders and other stakeholders.
- Gather and analyse all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation.
- Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Corporation.
- If he is not at the same time the legal counsel of the Corporation, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities.
- Have a working knowledge of the operations of the Corporation.
- As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting in accordance with the Corporation's By-Laws and ensure that the members of the Board have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
- Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- Attend all Board meetings and maintain record of the same except when justifiable causes such as illness, death in the immediate family and serious accident prevent him from doing so.
- Ensure that all Board procedures, rules and regulations are strictly followed by the members.
- Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

2.2.4. External Auditor

2.2.4.1. An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation. An external auditor shall be selected and appointed by the

stockholders upon recommendation of the Audit Committee. The external auditor shall undertake an independent audit of the Corporation and shall provide an objective assurance on the manner by which the financial statements of the Corporation shall be prepared and presented to the stockholders.

- 2.2.4.2. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.
- 2.2.4.3. The external auditor of the company shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.
- 2.2.4.4. The company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.
- 2.2.4.5. If an external auditor believes that the statements made in the company's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

2.2.5. Internal Auditor

- 2.2.5.1. The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, though which its Board and senior management shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The internal audit shall be independent of the activities it audits and shall be done with impartiality and with due professional care. The Board or the Audit Committee shall determine the Internal Auditor or the members of the group of Internal Auditors.
- 2.2.5.2. The Internal Auditor shall report to the Audit Committee. The internal auditor shall submit to the Audit Committee and to management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report shall include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and management. The internal auditor shall certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and to management the reasons why he has not fully complied with said standards.

- 2.2.5.3 The minimum internal control mechanisms for management's operational responsibility shall center on the Chief Executive Officer, being ultimately accountable for the Corporation's organizational and procedural controls.
- 2.2.5.4 The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.
- 2.2.5.5 The Board shall regularly review the system of securing adherence to key internal policies as well as to significant laws and regulations that apply to the Corporation. An effective and comprehensive internal audit of the Corporation's internal control system shall be carried out by independent and competent staff. Audit findings and recommendations shall be reported to the Board and the senior management level of the Corporation.
- 2.2.5.6 The Board shall protect shareholders' value through adequate financial controls. The Board shall foster and encourage a corporate environment of strong internal control, fiscal accountability, high ethical standards and compliance with the law and code of conduct.
- 2.2.5.7 Corporate independence shall be maintained so as not to compromise the interests of policyholder, claimants, creditors, minority shareholders and other stakeholders. Controlling or substantial interest shall be disclosed to the Board and the latter shall ensure compliance with the provisions of applicable laws, rules and regulations.

3. INFORMATION, DISSEMINATION AND PROFESSIONAL DEVELOPMENT

- 3.1 To enable the members of the Board to properly fulfil their duties and responsibilities, the Chairman and management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.
- 3.2 Reliance on information volunteered by management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to the management and the Corporate Secretary. The Corporate Secretary, through the Chairman, shall be responsible for advising the Board about governance matters. The Corporate Secretary shall also be responsible to the Board for ensuring that Board procedures are complied with. Both the appointment and removal of the Corporate Secretary shall be decided by the Board
- 3.3 The Board shall ensure that directors, especially non-executive directors, have access to independent professional advice, at the expense of the Corporation. The Committees shall also be provided with sufficient resources to undertake their duties.

- 3.4 The Chairman shall ensure that the directors continually update their skills, knowledge and familiarity with the Corporation's goals and objectives in order to fulfil their roles in the Board and/or Board Committees.
- 3.5 The Corporation shall provide the necessary resources in developing and updating the knowledge and capabilities of its directors.
- 3.6 The Chairman shall ensure that as an integral element of the process of appointing new directors, the Corporation provides an orientation and education program for new recruits to the Board.

4. ACCOUNTABILITY AND AUDIT

- 4.1 The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a quarterly basis, including interim and other financial reports that could adversely affect its business, as well as reports to regulators that are required by law. The Board shall also ensure that it has a timely and accurate disclosure of all material matters, including the financial condition, performance, ownership and governance of the Corporation. The Board shall ensure that all reports accurately reflect the financial condition and the results of operations.
- 4.2 A fair and timely cost-efficient access to relevant information shall be provided to all parties having a legitimate interest in the Corporation. Key financial information should be readily available to shareholders, policyholders, creditors and claimants.
- 4.3 It is essential that management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders. The Board and the senior management level shall receive regular reports on key aspects of the operations of the Corporation. This shall include an analysis of premium growth, underwriting performance, investment results, claims management and credit control, which could provide a sound basis for assessing and identifying real and potential problems by formulating appropriate policies and strategies.
- 4.4 Major risks facing the Corporation which are likely to affect its performance and financial condition and the approach taken by management in dealing with these risks shall be reported to the Board to enable the latter to effectively address said risks.
- 4.5 Management should formulate under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:
 - (i) the extent of its responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of responsibilities that pertain to the external auditor, should be clearly explained;
 - (ii) an effective system of internal control that will ensure the integrity of the Corporation's financial reports and the protection of its assets for the benefit of all stockholders and other stakeholders;

- (iii) on the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's 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 contracts, laws, rules and regulations; and
- (iv) the Corporation should consistently comply with the financial reporting requirements of the SEC and the Insurance Commission. The Board shall ensure faithful compliance with the financial and other reportorial requirements under the Pre-Need Code using a standard format provided by the Insurance Commission.

4.6 The following principles shall govern related party transactions:

- (i) Any overlapping interests shall be disclosed to the Board and any material transaction involving such interests shall be similarly disclosed.
- (ii) Related party transactions shall be conducted on terms that are at least comparable to normal commercial practices to safeguard the best interest of the Corporation, its policyholders, creditors and claimants. In all cases, applicable laws, rules and regulations shall be complied with.
- (iii) Related party transactions shall be disclosed fully to the Board. Prior Board approval shall be obtained for related party transactions that are material in nature.

5. COMMUNICATION PROCESS

- 5.1 All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
- 5.2 An adequate number of printed copies of this Manual must be reproduced under the supervision of HRMD, with a minimum of at least one (1) hard copy of the Manual per department.
- 5.3 The Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.

6. TRAINING PROCESS

- 6.1 If necessary, funds shall be allocated by the Chief Financial Officer or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.
- 6.2 A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

7. REPORTORIAL OR DISCLOSURE SYSTEM OF PHILPLANS CORPORATE GOVERNANCE POLICIES

- 7.1 The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or Officer through the Corporation's Compliance Officer.
- 7.2 It is therefore essential that all material information about the Corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposal of assets, off balance sheet transactions, board changes, related party transactions, shareholdings of directors and changes to ownership and direct and indirect remuneration of members of the Board and of management.
- 7.3 The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information and submissions to the Commission for the interest of its stockholders and other stakeholders.
- 7.4 The Board shall maintain an effective communications policy that enables both the Board and management to communicate effectively with its shareholders, stakeholders and the general public. This policy must effectively interpret the operations of the Corporation to the shareholders and must accommodate feedback from them, which should be factored into the Corporation's business decisions.
- 7.5 The Board shall keep in touch with shareholders' opinions in whatever way is most practical and convenient.

8. SHAREHOLDERS' BENEFIT

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

8.1 Rights of Investors/Minority Interests

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

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

8.2 **Pre-emptive Right**

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

8.3 **Power of Inspection**

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

8.4 **Right to Information**

The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.

The minority shareholders shall be granted the right to propose the holding of a meeting and the right to propose items in the agenda of the meeting, provided that the items are for legitimate business purposes.

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

8.5 **Right to Dividends**

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

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

8.6 **Appraisal Right**

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

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

8.7 **Protection of Shareholders' Rights by Directors**

There shall be a dialogue with shareholders based on the mutual understanding of objectives. The Board as a whole has the responsibility for ensuring that a satisfactory dialogue with shareholders takes place.

The Chairman shall ensure that the views of the shareholders are communicated to the Board. The Chairman shall discuss governance and strategies with major shareholders.

Non-executive directors shall be offered the opportunity to attend meetings with major shareholders and shall be expected to attend when requested by major shareholders.

The senior independent director shall attend sufficient meetings with major shareholders to listen to their views in order to develop a balanced understanding of the issues and concerns of major shareholders.

The Board shall use the stockholders' meetings to communicate with investors and to encourage their participation.

The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders shall be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in favour of the stockholders. The Corporation shall count all proxy votes and except where a poll is called, shall indicate the level of proxies lodged on each resolution and the balance for and against the resolution and the number of abstentions, after it has been dealt with on a show of hands.

A separate resolution shall be proposed on each material issue. The Corporation shall ensure that all votes cast at stockholders' meetings shall be properly received and recorded.

The Chairman, directors and members of the Audit, Remuneration and Nomination Committees shall be present at the Annual Stockholders' Meeting to answer questions.

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

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. Notices and reports including the latest Audited Financial Statements of the Corporation shall be given to stockholders at least two (2) weeks prior to the Annual Stockholders' Meeting.

Although all stockholders should be treated equally or without discrimination, the Board may give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that directly relate to the business of the Corporation as far as practicable and consistent with the relevant provisions of the By-Laws.

9. MONITORING AND ASSESSMENT

- 9.1 The Audit Committee shall report regularly to the Board of Directors.
- 9.2 The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 10 of this Manual.
- 9.3 The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's annual report (SEC Form 17-A) or in such form of report that is applicable to the corporation. The adoption of such performance evaluation system must be covered by a Board approval.
- 9.4 This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.
- 9.5 All business processes and practices being performed within any department or business unit of PhilPlans First, Inc. that are not consistent with any portion of this Manual shall be revoked unless upgraded to become compliant with the Manual.

10. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

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

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

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

10.3 The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommended to the Chairman of the Board the impossible penalty for such violation, for further review and approval of the Board.

11. PUBLIC ACCOUNTABILITY

The Corporation shall ensure that its dealings with the public are always conducted in a fair, honest and equitable manner.

Officers of the Corporation shall avoid conflicts of interest. They shall not engage in any unfair, or deceptive acts or conduct that constitute unfair trade practices detrimental to policyholders and claimants.

27 September 2016

Certified Correct:

JOSEPH AUGUSTIN L. TANCO

Chairman of the Board

ANNETTE WASSMER-TIROL

President and CEO