



MAA General Assurance Phils., Inc.

Subject: Manual on Corporate Governance

Revision Status : 01

Effective Date: 4 January 2010

Last Revision Date: 14 May 2021

Document Ref. :

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MAAGAP-ID-QM005

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MANUAL ON CORPORATE GOVERNANCE

The Board of Directors and Management, i. e. officers and staff, of **MAA GENERAL ASSURANCE PHILIPPINES, 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 their corporate goals.

Article 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.

Article 2: DEFINITION OF TERMS

1. **Corporate Governance** – is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimized.
2. **Board of Directors** – refers to the collegial body that exercises the corporate powers of all corporations formed under the Corporation Code. It conducts all business and controls or holds all properties of such corporations.
3. **Management** – refers to the body given the authority to implement the policies determined by the Board in directing the course/business activity/ies of the corporation.
4. **Executive Director** – refers to a director who is at the same time appointed to head a department/unit within the corporate organization.
5. **Non-Executive Director** – refers to a Board member with non-executive functions.
6. **Independent Director** – refers to a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having any relationship with the corporation, which could interfere with the exercise of independent judgment in carrying out the responsibilities of a director. This means that apart from the director's fees and shareholdings, he should be independent of management and free from any business or other relationship that could materially interfere with the exercise of his independent judgment.
7. **Control** – exists when the parent owns directly or indirectly through subsidiary more than one half of the voting power of an enterprise unless, in exceptional circumstance, it can be clearly demonstrated that such ownership does not constitute control. Control may also exist even when ownership is one half or less of power of an enterprise when there is:
 - a) Power more than one half of the voting rights by virtue of an agreement with other stockholders;
 - b) Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
 - c) Power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
 - d) Power to cast the majority votes at meetings of the board of directors or equivalent governing body; or

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- e) Any other arrangement similar to any of the above.
8. **Internal Control** - refers to the process effected by a company's Board of Directors, management and other personnel, designated to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws, regulations, and internal control policies.
 9. **Internal Control Environment** – refers to the framework under which internal controls are developed, implemented, alone or in concert with other policies or procedures, to manage and control a particular risk or business activity, or combination of risks or business activities, to which the company is exposed.
 10. **Business Risk** – the threat an event or action will adversely affect an organization's ability to achieve its business objectives and execute its strategies successfully.
 11. **Actuarial Risk** – risk which an insurance underwriter covers in exchange for premiums.
 12. **Risk Management** – procedure to minimize the adverse effect of a financial loss by (a) identifying potential sources of loss; (b) measuring the financial consequences of a loss occurring; and (c) using controls to minimize actual losses or their financial consequences.
 13. **Internal Auditing** – refers to an independent, objective assurance and consulting activity designed to add value and improve an organization's operation. It helps an organization accomplish its objectives by bringing a systematic, and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
 14. **Internal Audit Department** – refers to a department, division, team of consultants, or other practitioner(s) that provide independent, objective assurance and consulting services designed to add value and improve an organization's operation.
 15. **Independence** – refers to that environment which allows the person to carry out his/her work freely and objectively.
 16. **Objectivity** – refers to an unbiased mental attitude that requires a person to carry out his/her work in such manner that he/she has an honest belief in his/her work product and that no significant quality compromises are made. Objectivity requires the person not to subject his/her judgment to that of others.
 17. **Stakeholders** – refers to the group of company owners, officers and employees, policyholders, suppliers, creditors and the community.
 18. **Parent** – is a corporation who has control over another corporation directly or indirectly through one or more intermediaries.
 19. **Related company** – means another company which is: (a) its parent or holding company; (b) its subsidiary or affiliate; or (c) a corporation where an insurance company or its majority stockholder owns such number of shares which allow/enable him to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner.
 20. **Substantial or major shareholder** – shall mean a person, whether natural or juridical, owning such number of shares that will allow him to elect at least one (1) member of the board of directors of an insurance company or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security.
 21. **Majority stockholder or Majority shareholder** – means a person, whether natural or juridical, owning more than fifty percent (50%) of the voting stock of an insurance company.

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22. **Subsidiary** – means a corporation more than fifty percent (50%) of the voting stock of which is owned or controlled directly or indirectly through one or more intermediaries by an insurance company.
23. **Affiliate** – is a juridical person that directly or indirectly through one or more intermediaries, is controlled by, or is under common control with the insurance companies or its affiliates.
24. **Related interests** – shall mean individuals related to each other within the fourth consanguinity or affinity, legitimate or common law, and two or more company owned or controlled by a single individual or by the same family group or the same group of persons

Article 3: RULES OF INTERPRETATION

1. All references to the masculine gender in the salient provisions of this Code shall likewise cover the feminine gender.
2. All doubts or questions that may arise in the interpretation or application of this Code shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and investors of the corporation.

Article 4: BOARD GOVERNANCE

The Board of Directors (the "Board") is primarily responsible for the governance of the corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

1. General Responsibility

It is the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.

The Board should formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance. Essential standard requires that:

- a. The Board shall meet regularly to discharge its duties efficiently.
- b. The company shall, in its annual report include a statement of how the Board operates, types of decisions to be followed by the board and those that are to be delegated to management.
- c. The company's annual report shall identify the chairman, the vice-chairman (if there is one), the independent director and the chairmen and members of the nomination, audit and remuneration committees.
- d. The company's annual report shall also disclose the number of meetings of the Board as well as those of the committees and attendance by its directors.
- e. The Chairman of the Board shall hold meetings with the non-executive director without the executives' presence to evaluate the executives' performance.
- f. The non-executive directors, led by the independent director, shall meet annually without the chairman's presence to appraise the chairman's performance and on other such occasions deemed appropriate.
- g. All concerns of the directors about running the company shall be recorded in the minutes of the Board.

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2. Responsibilities of the Board

- a. Review and adopt a strategic plan for the company.
- b. Oversee the conduct of the company's business to ensure that the business is being properly managed and dealings with policyholders, claimants and creditors are fair and equitable.
- c. Identify principal business risks and ensure the implementation of appropriate risk management systems to specifically manage the underwriting, reinsurance, investment, financial, and operational risks of the company.
- d. Approve corporate policies in core areas of operations, specifically underwriting, investments, reinsurance and claims management.
- e. Plan succession, including appointing, training, fixing the compensation of, and where appropriate, replacing senior management.
- f. Develop and implement an investor relations program or adopt shareholder communications policy for the company.
- g. Review the adequacy and the integrity of the company's internal control systems and management information systems including systems for compliance with the insurance code and other applicable laws, regulations, rules, directives and guidelines.
- h. Select and appoint key officers and members of the Management who are qualified to administer insurance affairs soundly and effectively and to establish an adequate selection process for all personnel to be headed by the President/CEO, Senior Management and Human Resources Department.
- i. Apply fit and proper standards on personnel. It must have integrity, technical expertise and experience in the institution's business, either current or planned, which should be the key considerations in the selection process.
- j. Establish an appropriate compensation package for all personnel that are consistent with the interest of all its stakeholders.
- k. Review and approve material transactions not in the company's ordinary course of business.
- l. Establish a system of check and balance which applies to the board and its members.
- m. Have an appropriate reporting system so that the board can monitor, assess and control the performance of management to be done annually with the aid of Human Resources Department.
- n. Present to all its members and shareholders a balanced and understandable assessment of the company's performance and financial condition.
- o. Appoint a compliance officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.
- p. The board shall be entitled to the services of a corporate secretary who must ensure that all appointments are properly made, that all necessary information are obtained from directors, both for the company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the requirements of the insurance commission and other regulatory agencies.
- q. The Board establishes an effective performance management framework that ensures that Management, including the President/Chief Executive Officer, and other personnel's performance is at par with the standards set by the Board and Senior Management.

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A. Chairman of the Board

The roles and responsibilities of the Chairman of the Board include the following:

- a. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- b. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- e. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- f. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.
- g. Encouraging active participation and allowing dissenting views to be freely expressed;
- h. Managing the interface between the Board and management;
- i. Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole;
- j. Leading the Board in establishing and monitoring good corporate governance practices in the Company.

B. Chief Executive Officer/Group Managing Director

The roles and responsibilities of the CEO/GMD are as follows:

- a. Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;
- b. Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- c. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan and be responsible for the overall system of controls that are in place for the Company;
- d. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
- e. Directs, evaluates and guides the work of the key officers of the corporation;
- f. Manages the corporation's resources prudently and ensures a proper balance of the same;
- g. Provides the Board with timely information and interfaces between the Board and the employees;
- h. Builds the corporate culture and motivates the employees of the corporation; and

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- i. Serves as the link between internal operations and external stakeholders

3. Composition of the Board

- a. The Board shall be composed of at least five (5), but not more than fifteen (15), members who are elected by the stockholders.
- b. The Corporation shall have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).
- c. The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process.
- d. The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.
- e. Considering that the insurance business is imbued with public interest, the role of the Chairman and Chief Executive Officer shall in principle be separate, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.
- f. Where the roles are combined, there shall be a strong independent element on the Board. Check and balance shall be clearly provided for, to help ensure that independent outside views, perspectives and judgments are given proper hearing on the Board. The Chairman of the Board shall be a non-executive director.

4. Board Balance and Independence

A. Board

- 1. The Board shall include a balance of executive directors and nonexecutive directors (particularly independent non-executive directors) such that no individual or small group of individuals can dominate the Board's decision making.
- 2. Only the Committee Chairman and members are entitled to be present at the nomination, audit or remuneration committee meetings but others may attend at the invitation of a particular committee.
- 3. The Board shall identify in its annual report any non-executive director it considers to be independent.
- 4. 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.

B. Multiple Board Seats

The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations.

The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.

The Chief Executive Officer ("CEO") and other executive directors may be covered by a lower indicative limit (four or lower) for membership in other boards. A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations.

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In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.

5. Appointments to the Board

- a. Formal, rigorous and transparent procedures for the selection and appointment of new directors to the MAAGAP Board should be in place.
- b. Appointments to the Board shall be made on merit and against subjective criteria.
- c. Prudent deliberation and consideration shall be done to ensure that appointees have enough time to perform their obligations. This is particularly important in the case of Chairmanship.
- d. Plans shall be in place 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 company.
- e. To ensure that Board Committees are properly instituted.

6. Members of the Board

All directors shall make decisions objectively in the interests of the company. Non-executive director shall scrutinize the performance of management in meeting agreed goals and objectives and monitor the performance report.

Non-executive directors shall constructively challenge and help develop strategic proposals for the company and shall satisfy themselves of the integrity of financial information and financial controls as systems of risk management are robust and defensible.

A. Qualifications of Directors

- a.1 Directors sitting on the board in any insurance entity shall be possessed of the necessary skills, competence and experience, in terms of management capabilities preferably in the field of insurance or insurance-related disciplines. In view of the judiciary nature of insurance obligations, directors shall also be persons of integrity and credibility.
- a.2 Every director shall own at least one (1) share of the capital stock of the corporation whose share should be in his name and recorded in the books of the corporation.
- a.3 Each director shall be at least twenty-five (25) years of age at the time of his appointment.
- a.4 Each director must have attended a special seminar on corporate governance conducted by a training provider accredited by the Insurance Commission and shall undergo relevant annual continuing training.
- a.5 Persons who have been judicially declared insolvent, spendthrift or unable to enter into a contract; or
- a.6 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.

All new Directors are required to undergo an orientation programme to provide them with the necessary information to enable them to contribute effectively from the outset of their appointment. The orientation programme prescribes internal briefings on the Company's operations and financial performance.

The Nomination Committee shall constantly evaluate the training needs of the Directors and recommend trainings to each Director to enable the Director to discharge his/her duties effectively and proficiently, taking into account the individual needs of each of the Director. The Company continuously budgets for the training and professional education programmes of its directors.

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B. Temporary Disqualifications

Directors/officers/employees may be disqualified from holding a director position for a specific/indefinite period of time if:

- b.1 Persons who refuse to fully disclose the extent of their business interests when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as the refusal persists;
- b.2 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;
- b.3 Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- b.4 Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
- b.5 Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification by the Insurance Commission;
- b.6 Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;
- b.7 Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- b.8 Those under preventive suspension;
- b.9 The Board may establish a fixed retirement age policy for directors.

C. Permanent Disqualifications

- c.1 Persons who have been convicted by final judgment of the court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft;
- c.2 Persons who have been convicted by final judgment of the court for violation of insurance laws;
- c.3 Persons with derogatory records with the NBI, court, police, Interpol and insurance authorities of other countries (for foreign directors) involving violation of any law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of an insurance director. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity;
- c.4 Persons who are delinquent in the payment of their obligations as defined hereunder:
 - c.4.1 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;

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c.4.2 Obligations shall include all borrowings from an insurance company, or its related companies obtained by:

- i. A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorsers, or surety for loans from such institutions;
- ii. The spouse or child under the parental authority of the director or officer;
- iii. Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
- iv. 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
- v. A corporation, association or firm wholly-owned or majority of the capital is contributed by any or a group of persons mentioned above.

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

D. Independent Directors

- d.1 An independent director shall be one who has not been an officer or employee of the corporation, its subsidiaries or affiliates or related interests for at least three (3) years immediately preceding his term or incumbency;
- d.2 He or she is not related within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or majority shareholder of the company or any of its related companies;
- d.3 He or she is not a director or officer of the related companies of the institution's majority shareholders;
- d.4 He or she is not a majority shareholder of the company, any of its related companies, or of its majority shareholder;
- d.5 He or she is not acting as nominee or representative of any director or substantial shareholder of the company, any of its related companies, or any of its substantial shareholders; and
- d.6 He or she is free from any business or other relationships with the institution or any of its major stockholders which could materially interfere with the exercise of his judgment, i.e., has not engaged and does not engage in any transaction with the institution, or any of its related companies or any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner director or a shareholder.
- d.7 He or she shall be allowed to serve for a maximum cumulative term of nine (9) years. Thereafter, he or she shall be perpetually barred from any re-election in the same company as an independent director, but may continue to serve as a regular director. As an exception, should the Board desire to retain the services of the Independent Director after the expiration of his or her term, the company may submit a formal written justification before the Insurance Commission. Moreover, there should be an approval by the majority of the shareholders of the said decision during the annual meeting.
- d.8 In cases where the Chairman is not independent and where the roles of Chairman and CEO are combined, appointment of a strong "lead independent director" among the independent directors ensures independent views and perspectives. More importantly, it avoids the abuse of power and authority, and potential conflict of interest. He/she has sufficient authority to lead the Board in cases where management has clear conflicts of interest.

The functions of the lead independent director include, among others, the following:

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- a. Serves as an intermediary between the Chairman and the other directors when necessary;
- b. Convenes and chairs meetings of the non-executive directors; and
- c. Contributes to the performance evaluation of the Chairman, as required.

E. Specific Duties and Responsibilities of Directors and Independent Directors

A director's office is one of trust and confidence. A director should act in the best interest of the corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the corporation towards sustained progress.

A director should observe the following norms of conduct:

(i) Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation.

The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the corporation, or stands to acquire or gain financial advantage at the expense of the corporation.

(ii) Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.

A director should devote sufficient time to familiarize himself with the corporation's business. He should be constantly aware of and knowledgeable with the corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

(iii) Act judiciously.

Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.

(iv) Exercise independent judgment.

A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollarily, he should support plans and ideas that he thinks are beneficial to the corporation.

(v) Have a working knowledge of the statutory and regulatory requirements that affect the corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.

A director should also keep abreast with industry developments and business trends in order to promote the corporations competitiveness.

(vi) Observe confidentiality.

A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

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Insurance companies shall furnish all of their directors a copy 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 in case of directors elected after the issuance of the Corporate Governance Code.

The directors concerned shall each be required to acknowledge receipt of the copies of such specific duties and responsibilities and shall certify that they fully understand the same.

F. Board Committees

The Board shall consist of the following committees to assist it in good corporate governance:

F.1 Nomination Committee

- f.1.1 Shall be composed of at least three (3) members of the board of directors, one of whom must be independent.
- f.1.2 Shall review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors. It should prepare a description of the roles and capabilities required of a particular appointment.
- f.1.3 For the appointment of the Chairman, it should prepare job specifications, 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. Any change thereof shall be reported to the Board and include in the next annual report.
- f.1.4 The terms and conditions of appointment of nonexecutive directors shall be made available for inspection. The letter of appointment shall specify the expected time commitment. They shall undertake sufficient time to meet and do what is expected of them. Their other significant commitments shall be disclosed to the Board before appointments, indicating the time lines and in any case, the Board shall be informed of subsequent changes.
- f.1.5 The Nomination Committee shall consider the following guidelines in the determination of the number of directorship for the Board:
 - i. The nature of the business of the corporation, where he is a director;
 - ii. Age of the director;
 - iii. Number of directorships/active memberships and officerships in other corporations or organizations; and
 - iv. Possible conflicts of interest.
- f.1.6 Generally, the optimum number shall be proportional to the capacity of a director to perform his duties diligently.
- f.1.7 Likewise, the Nomination Committee shall undertake an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director as well as the criteria and guidelines used for the nomination of the members of the board.
- f.1.8 The Nomination Committee uses professional search firms, external sources of candidates including director databases, professional organizations (whether Philippines or offshore) when searching for candidates for nomination of independent directors. The Company uses all available professional databases and information resources for the selection of Directors, whether through professional search firms or other external sources of candidates. Lastly, it must be ascertained

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that the quality of directors being nominated are aligned with the strategic direction of the company.

F.2 Audit Committee

- f.2.1 Shall be comprised of independent board members, preferably with accounting and finance experiences.
- f.2.2 Provides oversight of the institution's internal and external auditors.
- f.2.3 It shall be responsible for the setting-up of internal audit department, and the appointment of the internal auditors as well as of independent external auditors.
- f.2.4 It shall monitor and evaluate the adequacy and effectiveness of the internal control system of the company.
- f.2.5 It shall be responsible for recommending the appointment and removal of the company's external auditor

F.3 Remuneration Committee

- f.3.1 Compensation or Remuneration Committee is composed of at least three (3) members, one of whom is an independent director.
- f.3.2 It shall judge or make plans where to position the company relative to other companies. But such comparisons shall be used with caution in view of the risk of an upward ratchet of the level of remuneration with no corresponding improvement in performance.
- f.3.3 It shall delegate responsibilities for setting up remunerations for all executive directors and chairman, including pension rights or any compensation payments.
- f.3.4 It shall also recommend and monitor the level and structure of salaries including remunerations for senior management. The definition of senior management for this purpose shall be determined by the Board but would normally include first level management below Board level

F.4 Risk Management Committee

- f.4.1 The Committee shall consist of non-executive directors, with a minimum of three (3) directors.
- f.4.2 The Committee shall elect a chairperson from among its members who is an independent non-executive director of the Company.
- f.4.3 The Committee is authorized by the Board of MAAGAP to investigate any activity within its terms of reference. It has free access to all information and documents it requires for the purpose of discharging its functions and responsibilities.
- f.4.4 The Committee is responsible for:
 - i. reviewing and recommending risk management strategies, policies and risk tolerance of the Company for the board's approval;
 - ii. reviewing and assessing the adequacy of the Company risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;

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- iii. ensuring the adequacy of infrastructure, resources and systems are in place for an effective risk management for the Company i.e. ensuring that the staff responsible for implementing risk management system perform those duties independently of the Company's risk taking activities;
- iv. reviewing the Company management's periodic reports on risk exposure, risk portfolio composition and risk management activities;

F.5 Retirement Committee

- f.5.1 The Committee is authorized by the Board of Directors to undertake the specific duties and responsibilities stated below. It has free access to all information and documents it requires for the purpose of discharging its duties and responsibilities.
- f.5.2 The Committee shall be responsible for:
 - i. Recommending a framework of retirement for chief executive officer, key senior officers and employees of the Company.
 - ii. Recommending specific retirement packages for chief executive officer and key senior officers of the Company.
 - iii. Undertaking such other matters as the Board of Directors thinks fit.

F.6 Disciplinary Committee

- f.6.1 The Committee shall consist of non-executive directors only, with a minimum of three (3) directors.
- f.6.2 The Committee shall be responsible for:-
 - i. Regular review of the Company's Code of Conduct Guidelines to determine its applicability.
 - ii. Following receipt of complaints, and initial investigation, conducts disciplinary hearing against the individuals who have allegedly performed breach of any company code of conduct policy and other related company rules.
 - iii. Undertaking such other matters as the Board of Directors thinks fit.

F.7 Corporate Governance Committee

- f.7.1 The Committee shall consist of at least three (3) members, majority of whom should be independent directors.
- f.7.2 The Committee shall be responsible for:
 - i. establishing and managing governance standards, determining criteria for the composition of the Board and its committees
 - ii. identifying individuals qualified to become Board members
 - iii. developing and monitoring a process to assess the effectiveness of the Board and its committees

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F.8 Related Party Transaction Committee

f.8.1 The Committee shall consist of at least three non-executive directors, majority of whom should be independent, including the Chairman.

f.8.2 The Committee shall be responsible for:

- i. evaluates on an ongoing basis existing relation between and among businesses and counterparts to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non- related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board regulators/supervisors
- ii. Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest.
- iii. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures

G. 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.

G.1 Process and Procedure for Tele/Videoconferencing Board and/or Committee Meetings

In view of the current COVID-19 pandemic, conduct of Board and/or Committee meetings thru tele/videoconferencing is being observed by MAAGAP in adherence to the following procedures and requirements:

G.1.1 Mandatory Requirements in Tele/Videoconferencing

1. Company shall make necessary arrangements to avoid failure of video or audio-visual connection.
2. The Chairperson of the meeting and the company secretary, if any, shall take due and reasonable care
 - a. to safeguard the integrity of the meeting by ensuring sufficient security and identification procedures
 - b. to ensure availability of proper video conferencing or other audio-visual equipment or facilities for providing transmission of the communications for effective participation of the directors and other authorized participants at the Board meeting
 - c. to record proceedings and prepare the minutes of the meeting
 - d. to store for safekeeping and marking the tape recording(s) or other electronic recording mechanism as part of the records of the company at least before the time of completion of audit of that particular year
 - e. to ensure that no person other than the concerned director are attending or have access to the proceedings of the meeting through video conferencing mode or other audio-visual means
 - f. to ensure that participants attending the meeting through audio visual means are able to hear and see the other participants clearly during the course of the meeting.
3. Presence of Chairperson shall be required either physically or through any other audio-visual means.
4. Minutes of the previous Board Meeting shall be presented by the Chairman either physically or electronically.

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G.1.2 Procedures in Tele/Videoconferencing

i. Calling of Board Meeting

1. Company shall issue the Notice, Agenda and Notes to Agenda to every Director.
2. Notice shall inform the directors regarding the option available to them to participate through video conferencing mode or other audio-visual means, and shall provide all the necessary information to enable the directors to participate through video conferencing mode or other audio-visual means.
3. A director intending to participate through video conferencing or audio-visual means shall communicate his intention to the Chairperson or the company secretary of the company sufficiently in advance so that company is able to make suitable arrangements in this behalf.

ii. Convening of Board Meeting

1. Check the presence of Quorum for convening the meeting. Quorum shall be present not only at the time of commencement of the Meeting but also while transacting business.
2. Check the Leave of absence and the same shall be granted to a Director only when a request for such leave has been communicated to the Company Secretary or to the Chairman or to any other person authorized by the Board to issue Notice of the Meeting.
3. In the absence of the Chairman of the Board, the Directors may elect one of themselves to preside as the Chairman of the Board to conduct the meeting.
4. Chairman shall take a roll call at the commencement of the meeting and confirm the attendance of Directors participating through video conferencing.
5. Every director participating through video conferencing or other audio-visual means shall state, for the record, the following namely
 - a. name
 - b. the location from where he is participating
 - c. that he has received and reviewed the agenda and all the relevant material for the meeting
 - d. that no one other than the concerned director is attending or having access to the proceedings of the meeting at the location mentioned above.
6. After the roll call, the Chairperson or the Company Secretary shall inform the Board about the names of persons other than the directors who are present for the said meeting at the request or with the permission of the Chairperson and confirm that the required quorum is complete.
7. The Chairman shall record all the information in the minutes. The proceedings of such Meetings shall be recorded and stored with date and time through any electronic recording mechanism and the details of the venue, date and time shall be mentioned.
8. Directors participating through electronic mode shall be deemed to have signed the attendance register, if their attendance is recorded in the attendance register and authenticated by the Company Secretary or where there is no Company Secretary, by the Chairman or by any other Director present at the Meeting, if so authorized by the Chairman and the fact of such participation is also recorded in the Minutes.
9. Every participant shall identify himself for the record before speaking on any item of business on the agenda and if a statement of a director in the meeting through video conferencing or other audio-visual means is interrupted or garbled, the Chairperson or Company Secretary shall request for a repeat or reiteration by the Director.
10. If a motion is objected to and there is a need to put it to vote, the Chairperson shall call the roll and note the vote of each director who shall identify himself while casting his vote.
11. If the Chairman is interested in an item of business, he shall entrust the conduct of the proceedings in respect of such item to any non-interested Director with the consent of the majority of Directors present and resume the chair after that item of business has been

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transacted. However, in case of a private company like MAAGAP, the Chairman may continue to chair and participate in the Meeting after disclosure of his interest.

12. The Chairman shall use his second or casting vote in case of equality of votes.
13. At the end of discussion on each agenda item, the Chairperson of the meeting shall announce the summary of the decision taken on such item along with names of the directors, if any, who dissented from the decision taken by majority
14. Permission of Chairman shall be taken with the consent of a majority of the Directors present in the Meeting for taking up any item not included in the Agenda. The decision taken in respect of any other item shall be final only on its ratification by a majority of the Directors of the company, unless such item was approved at the Meeting itself by a majority of Directors of the company.
15. Check that vote of thanks is given to the Chair at the conclusion of the Board Meeting.

iii. Preparation and Signing of Minutes

1. The minutes shall disclose the particulars of the directors who attended the meeting through video conferencing or other audio-visual means.
2. Every director who attended the meeting, whether personally or through video conferencing or other audio-visual means, shall confirm or give his comments in writing, about the accuracy of recording of the proceedings of that particular meeting in the draft minutes, within seven working days (7) or some reasonable time as decided by the Board, after receipt of the draft minutes failing which his approval shall be presumed.

H. Internal Control Responsibilities of the Board

The control environment of the corporation consists of (a) the Board which ensures that the corporation is properly and effectively managed and supervised; (b) a Management that actively manages and operates the corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

H.1 The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include:

- i. Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;
- ii. Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
- iii. Evaluation of proposed senior management appointments;
- iv. Selection and appointment of qualified and competent management officers;
- v. Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.

I. The Corporate Secretary

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation. He should –

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- i.1 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;
- i.2 Be loyal to the mission, vision and objectives of the corporation;
- i.3 Work fairly and objectively with the Board, Management and stockholders;
- i.4 Have appropriate administrative and interpersonal skills;
- i.5 If he is not at the same time the corporations legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- i.6 Have a working knowledge of the operations of the corporation;
- i.7 Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- i.8 Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- i.9 Ensure that all Board procedures, rules and regulations are strictly followed by the members; and

J. The Compliance Officer

The Board shall appoint a Compliance Officer who is a member of the company’s management team in charge of the compliance function. Similar to the Corporate Secretary, he/she is primarily liable to the corporation and its shareholders, and not to the Chairman or President of the company. He/she has, among others, the following duties and responsibilities:

- J.1 Monitor compliance by the corporation with this Code and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- J.2 Appear before the Commission when summoned in relation to compliance with this Code
- J.3 Ensures proper onboarding of new directors (i.e., orientation on the company’s business, charter, articles of incorporation and by-laws, among others);
- J.4 Ensures the integrity and accuracy of all documentary submissions to regulators;
- J.5 Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- J.6 Identifies possible areas of compliance issues and works towards the resolution of the same;
- J.7 Ensures the attendance of board members and key officers to relevant trainings; and
- J.8 Performs such other duties and responsibilities as may be provided by the SEC.

K. The Chief Audit Executive

The Board shall appoint a Chief Audit Executive who shall report to the Audit Committee and administratively to the CEO and shall perform the following duties:

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- K.1 Periodically reviews the internal audit charter and presents it to senior management and the Board Audit Committee for approval;
- K.2 Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;
- K.3 Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
- K.4 Spearheads the performance of the internal audit activity to ensure it adds value to the organization;
- K.5 Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- K.6 Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

In case of a fully outsourced internal audit activity, qualified independent executive or senior management personnel should be assigned the responsibility for managing the fully outsourced internal audit activity as appointed by the Board and Senior Management.

L. The Chief Risk Officer

The following are the functions of the Chief Risk Officer, among others:

- L.1 Supervises the entire risk management process and spearheads the development, implementation, maintenance and continuous improvement of risk management processes and documentation;
- L.2. Communicates the top risks and the status of implementation of risk management strategies and action plans to the Risk Committee;
- L.3 Collaborates with the CEO in updating and making recommendations to the Risk Committee;
- L.4 Suggests risk management policies and related guidance, as may be needed; and
- L.5 Provides insights on the following:
 - Risk management processes are performing as intended;
 - Risk measures reported are continuously reviewed by risk owners for effectiveness; and
 - Established risk policies and procedures are being complied with.

There should be clear communication between the Risk Committee and the CRO.

7. Remuneration of Directors and Officers

- a. Levels of remuneration shall be sufficient to attract and retain the quality of directors to run the company successfully.
- b. Significant proportion of executive directors' remuneration is structured so as to link rewards to corporate and individual performance.
- c. Levels of remuneration of non-executive directors shall reflect their experiences, responsibilities and performances.

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- d. The performance-related elements of remuneration shall form a significant proportion of the total remuneration package of executive directors and shall be designed to align their interests with those of shareholders and to give these directors keen incentives to perform at the highest levels.
- e. Designate amount of remuneration which shall be at sufficient level to attract and retain directors and officers needed to run the company successfully.
- f. Levels of remuneration for non-executive directors shall 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 share acquired by way of an exercise of an option shall be held until at least one year after the non-executive director leaves the board. Holding of share options is relevant to determine the non-executive director's independence.
- g. 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.
- h. There shall be formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual directors.
- i. No director shall be involved in deciding his or her own remunerations.
- j. The Board aligns the remuneration of key officers and board members with the long-term interests of the corporation and its shareholders and with the business strategy formulated by the Board, with regards to how performance-based rewards are used to drive corporate performance.
- k. A form shall be developed on Full Business Interest Disclosure as part of the pre-employment requirements. For all incoming officers and senior managers, they shall declare under penalty of perjury all their existing business interests or shareholdings that may directly or indirectly affect the performance of their duties.
- l. Provide in the corporation's annual report information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officer for the previous fiscal year and the ensuing year.
- m. Review the existing Human Resources Development or Personal Handbook, to strengthen provisions on conflict of interest, salaries, and benefit policies, promotion and career advancement directories and compliance of the personnel concerned with all statutory requirements that must be periodically met in their respective posts.

8. Performance Evaluation

- a. A formal and rigorous annual evaluation of the Board's own performances and that of its committees and individual directors shall be undertaken.
- b. The chairman shall act on the results of the performance evaluation by recognizing the strengths and addressing the weaknesses of each director. He may propose appointment of new members to the Board or seek the resignation of directors.
- c. Performance evaluation of the Board, its committees and its individual directors shall be conducted and reported in the annual report.
- d. Performance evaluation of the Chairman shall be made by non-executive directors, led by the senior independent director, taking into account the views of executive directors.

9. Election/Re-election

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- a. All directors shall be subject to election by shareholders at the first annual general meeting after their nomination, and to re-election thereafter at intervals of no more than three years. 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.
- b. At the ASM, and in accordance with the Revised Corporation Code of the Philippines, the Company follows the rule of One-Share, One-Vote. Under this rule, any minority shareholder can influence the board composition by individual nomination and by the power of cumulative voting rights. The right to cumulative voting is a statutory right granted by the Corporation Code of the Philippines.
- c. Each director shall represent all shareholders and shall be in a position to participate independently and objectively.
- d. Non-executive directors shall be elected for a specified term and removed in accordance with the Corporation Code of the Philippines.

Article 5: ADEQUATE AND TIMELY INFORMATION

To enable the members of the Board to properly fulfill their duties and responsibilities, Management should provide them with complete, adequate and timely information about the matters to be taken in their meetings at least five (5) working days before the meeting.

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 Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the corporation's expense.

Article 6: ACCOUNTABILITY AND AUDIT

1. Financial Reporting

- a. The Board shall ensure that it has a timely and accurate disclosure of all material matters, including the financial condition, performance, ownership and governance of the corporation.
- b. A fair and timely cost-efficient access to relevant information shall be provided to all parties having legitimate interest in the corporation. Key financial information should be readily available to shareholders, policyholders, creditors and claimants.
- c. The Board and the senior management level shall receive regular reports on key aspects of the operations of the company. 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 thereof.
- d. The Board shall ensure faithful compliance with the financial and other reportorial requirements under the Insurance Code using a standard format provided by the Insurance Commission.

2. Audit Commitment and Auditors

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- a. The Board shall establish an audit committee and internal audit office.
- b. The internal audit shall be independent of the activities it audits and shall be done with impartiality and with due professional care.
- c. The Board or the Audit Committee shall determine the directors of the internal audit.
- d. The Audit Committee shall elevate to international standards the accounting and auditing processes, practices and methodologies.
- e. Develop a definitive time table within which the accounting system of the corporation will be 100% International Accounting Standard (IAS) compliant as well as furnishing an accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
- f. Corporate Independence shall be maintained so as not to compromise the interests of policyholders, 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 Title 20, Chapter III of the Insurance Code on Holding Companies.

3. Relations with shareholders

A. Dialogue with the shareholders

- a.1 The Chairman shall ensure that the views of shareholders are communicated to the Board.
- a.2 The Chairman shall discuss governance and strategies with major shareholders.
- a.3 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.
- a.4 The senior independent director shall attend sufficient meetings with major shareholders to listen to their views in order to develop a balanced understanding

B. Constructive Use of the AGM

- b.1 The Board shall use the AGM or Annual Stockholders' Meeting to communicate with investors and encourage their participation.
- b.2 The company shall count all proxy votes and, except where a poll is called, shall indicate the level of proxies lodged on each resolutions, and the balance for and against the resolution and the number of abstentions, after it has been dealt with on a show of hands.
- b.3 The company ensures that votes cast are properly received and recorded.
- b.4 The Board proposes a separate resolution at the AGM on each material issue (i.e. reports, accounts).
- b.5 The Chairman, directors and members of the Audit, Remuneration and Nomination committees shall be present at the AGM to answer questions.
- b.6 Notices, annual reports including the latest annual Financial Statements of the company shall be given to stockholders at least two (2) weeks prior to the AGM.

Article 7: INVESTORS' RIGHTS AND PROTECTION

The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

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- a. Right to vote on all matters that require their consent or approval, which includes but are not limited to:
 - i. Amendment of the articles of incorporation;
 - ii. Adoption and amendment of by-laws;
 - iii. Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the corporate property;
 - iv. Incurring, creating or increasing bonded indebtedness;
 - v. Increase or decrease of capital stock;
 - vi. Merger or consolidation of the corporation with another corporation or other corporations;
 - vii. Investment of corporate funds in another corporation or business in accordance with this Code; and
 - viii. Dissolution of the corporation.
- b. Right to vote and be voted as directors of the Corporation – Each share of stock in the name of a shareholder entitles him to vote in the election of the directors and warrants the opportunity to be voted on and be elected as part of the board. A minimum of one (1) share is all that is required to be entitled to the voting right.
- c. Right to inspect corporate books and records;
- d. Right to information;
- e. Right to dividends and timely pay-out of the same; and
- f. Appraisal right.

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 shall 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 the stockholder's favor.

The Board shall take steps to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board shall take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy.

Article 8: MONITORING AND ASSESSMENT

1. The performance of the board, committees, and their respective members is subject to assessment. It is conducted annually in the form of questionnaire distributed to the directors. It in tabular form and contains the criteria and rating in evaluating the Board and its directors.
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 responsible to the penalty provided under Article 10 of this Manual.
3. This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.
4. All business processes and practices being performed within any department or business unit of the Corporation that are inconsistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

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Article 9: DISCLOSURE AND TRANSPARENCY

The essence of corporate governance is transparency. The more transparent the internal workings of the corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the corporation or misappropriate its assets.

It is therefore essential that all material information about the corporation which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.

Article 10: ALTERNATIVE DISPUTE RESOLUTION SYSTEM

It is the responsibility of the Board of Directors to establish an alternative dispute resolution system to settle intra-corporate disputes in an amicable and effective manner. As such, the Board of Directors normally engages the Human Resources Department and Legal & Corporate Compliance Department to assist in the resolution of issues between the Company and stockholders, third parties and regulatory authorities. The alternative dispute resolution system may include arbitration, mediation, conciliation, early neutral evaluation, mini-trial, or any combination thereof, as the Company and the circumstances sees fit. Consideration is given to the need to promote candor through confidentiality of the process, the policy of fostering prompt, economical, and amicable resolution of disputes in accordance with the principles of integrity of determination by the parties, and the policy that the decision-making authority in the process rests with the parties.

Article 11: COMMITMENT TO GOOD CORPORATE GOVERNANCE

The Corporation adheres to the principles of transparency, accountability and fairness and aims for the highest standards of business ethics. Promotion of a culture of good governance is always on top of the company's agenda.

In its commitment to abide by the highest forms of integrity and transparency in all its dealings both internally, among its stakeholders, staff and employees; and externally, among its customers, suppliers, partners, competitors, regulators and the general public; the Board of Directors shall see to it that the following are complied with:

1. All material information shall be timely and fully disclosed to the public in accordance with the applicable guidelines. Such information shall include board changes, earning results, related party transactions, shareholdings of directors and changes to ownership and reorganization of the company.
2. Annual and quarterly reportorial requirements of the Exchange and the Commission must be complied with. Information that shall always be disclosed includes remuneration of all directors and senior management, corporate strategy and list of issuances, outstanding balance and maturing commercial papers as at the end of each quarter.
3. Disclosure of all information should be made via the recognized and approved Exchange procedure for company announcements and public releases as well as through the Annual Report.

Article 12: PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

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

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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.

The Board shall nevertheless have the discretion either to impose additional penalties or lessen the above penalties based on the presence of aggravating or mitigating circumstances accompanying the violation of this Manual.

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

Adopted by the Affirmative Vote of the Board of Directors.