

Manual of Corporate Governance

(Per SEC Memo Circular No. 31 Series of 2005 with corresponding amendment
based on SEC Memo Circular No. 9 Series of 2014)

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INTRODUCTION

Pursuant SEC Memo Circular No. 31 Series of 2005 with corresponding amendment based on SEC Memo Circular No. 9 Series of 2014 to institute corporate governance reforms in order to achieve policyholder and market investor confidence, sustain the growth of the insurance industry, thereby contributing to the country's economic well-being, the Board of Directors, the management, officers and staff of MB Life Insurance Corporation hereby commits themselves to principles and best practices contained in this Manual.

OBJECTIVE

This Manual shall institutionalize the principles of good 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.

DEFINITION OF TERMS

Corporate Governance

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. It is a framework of rules, systems and processes in the corporation that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates.

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.

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.

Executive Director

Refers to a director who is at the same time appointed to head a department/unit within the corporate organization.

Non-Executive Director

Refers to a Board member with non-executive functions.

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.

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; or
- 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
- e. any other arrangement similar to any of the above.

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.

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.

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.

Actuarial Risk

The risk which an insurance underwriter covers in exchange for premiums.

Risk Management

The 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.

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.

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.

Independence

Refers to that environment which allows the person to carry out his/her work freely and objectively.

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.

Standards for the Professional Practice Internal Auditing (SPPIA)

Refers to the criteria by which the operations of an internal auditing department are evaluated and measured. They are intended to represent the practice of internal auditing as it should be, provide a framework for performing and promoting a broad range of value-added internal audit activities and foster improved organizational processes and operations.

Stakeholders

Refers to the group of company owners, officers and employees, Policy holders, suppliers, creditors and the community.

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.

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.

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.

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.

Affiliate

It 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.

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.

THE BOARD

The Board of Directors shall be primarily responsible for the governance of the corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, the Board shall provide an independent check on management.

Composition

The corporate powers of the corporation shall be vested in a Board of Directors consisting of fifteen (15) directors, who shall be elected at the annual meeting of the stockholders, by a plurality vote, for a term of one year, and shall hold office until their successors are elected and qualified.

The Board shall have at least two (2) independent directors who shall not have been an officer or employee of the corporation for the last three (3) years immediately preceding his term or incumbency; not related by consanguinity or affinity to an officer in a senior management position of the company; and does not provide services, and receives no income for other professional services to the corporation.

General Responsibilities of the Board

Compliance with the principles of sound corporate governance instituted in this manual shall be the paramount responsibility of and shall start with the Board.

The Board shall exercise corporate powers to conduct and manage the business and affairs of the company in consonance with the principles of sound corporate governance and shall be responsible for fostering the long-term success of the company and securing its sustained competitiveness and profitability.

The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

Consistent with a director's three-fold duty of obedience, diligence and loyalty to the corporation he serves, the Director shall:

1. Act within the scope of power and authority of the Company and the Board as prescribed in the articles of Incorporation, By-Laws and existing laws, rules and regulations;
2. Exercise their best care, skill, judgment and observe utmost good faith in the conduct and management of the business and affairs of the company; and
3. Act in the best interest of the Company and for the common benefit of the company's stockholders and other stakeholders.

Duties and Functions of the Board

To ensure a high standard of governance for the Company and to promote and protect the interest of the Company, its stockholders and other stakeholders, the Board shall:

1. Install a process of selection to ensure appointment of a mix of competent Directors and Officers who are qualified to administer insurance affairs soundly and effectively;
2. Provide sound strategic policies and guidelines in core areas of operations and periodically evaluate and monitor their implementation, including business plans, operating budgets and Management's over-all performance;
3. Ensure the company's compliance with all applicable laws, rules and regulations and beset business practices;
4. Constitute an Executive Committee, Audit Committee, Governance Committee and such other committee/s it deems necessary to assist the Board in the performance of its duties.
5. Identify principal business risks and ensure implementation of appropriate risk management systems to specifically manage the underwriting, reinsurance, investments, financial and operational risks of the company;
6. Adopt a system of internal checks and balances and regularly evaluate applicability thereof under changing conditions;
7. Develop and implement an investor relations program and formulate a shareholder communications policy for the company; present to shareholders and stakeholders a balanced and understandable assessment of the company's performances and financial condition;
8. Properly discharge Board functions by meeting regularly and give due consideration to independent views during Board Meetings which shall be duly minuted.
9. Adopt procedures for the directors, either individually or as a group in furtherance of their duties, to take independent professional advice and to have access to management;
10. Appoint a Corporate Secretary who shall be responsible for the safekeeping and preservation of the integrity of the minutes of meeting of the Board and its committees, as well as the other official records of the company and ensure that all Board procedures, rules and regulations are strictly followed by the members; and
11. Appoint a Compliance Officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.

Duties and Responsibilities of a Director

A Director shall have the following specific duties and responsibilities:

1. To refrain from using his position to make profit or acquire benefit or advantage for himself and/or his related interest. He shall fully disclose any actual or potential conflict of interest should this arise and shall not participate in decision making which shall involve actual or potential conflict of interest;
2. To attend and actively participate in the Board and Committee Meetings;
3. To keep himself well-informed of the Corporation's condition and acquaint himself with industry developments and business trends in order to safeguard the corporation's competitiveness;
4. To act judiciously and exercise independent judgment in deciding matters brought before the Board of Directors;
5. To have a working knowledge of the statutory and regulatory requirements affecting the Company and its operations, including the provisions of its Articles of Incorporation and By-Laws, the requirements of the Insurance Commission and the Securities of Exchange Commission and where applicable, the requirements of other regulatory agencies having jurisdiction over the company;
6. To observe the confidentiality of non-public information acquired by him by reason of his position as a director. He shall not disclose any information to any person without the authority of the Board of Directors;
7. To ensure the continuing soundness, effectiveness and adequacy of the corporation's control environment;
8. To perform such other functions incidental or necessary to the foregoing duties and responsibilities.

Multiple Board Seats

1. The President and other executive directors shall submit themselves to a low indicative limit (four or lower) on membership in other corporate boards.
2. The same low limit shall also apply to independent non-executive directors who serve as full time executives in other corporations.
3. A higher indicative limit (five or lower) for other directors who hold non-executive position in any corporation may be allowed provided that the capacity of directors to diligently and efficiently perform their duties and responsibilities to the boards they serve are not compromised.

Board Committees

The Board shall constitute the proper committees to assist in good corporate governance including but not limited to the Executive Committee, Audit Committee, Governance Committee and its sub-committees.

Each board committee shall have a charter which shall define and govern among others, the objectives, composition, membership, qualifications & disqualifications, duties & responsibilities and conduct of meetings of such Board Committee.

The Board shall appoint the members and chairman (from among the members) of each Board Committee following the annual meeting of stockholders at which the directors are elected. In case of any vacancy in a committee, the Board shall appoint a replacement who will fill the vacancy at any meeting of the Board.

Executive Committee

There shall be a permanent Executive Committee of three (3) members to consist of the Chairman of the Board, the President and one Director elected by the Board with power to pass and act upon matters as the Board may entrust to it for action. Actions of the Executive Committee regarding controversial matters shall be subject to the confirmation by the Board.

Audit Committee

The Audit Committee shall be composed of independent directors in the Board, preferably with accounting and finance background, one of whom shall be an independent director and another who have related audit experience.

The Audit Committee shall have the following functions:

- a. Provide oversight over the senior management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation;
- b. Recommend the appointment of external auditors and ensure coordination where more than one audit firm is involved;
- c. Provide oversight of the Corporations internal and external auditors, review and approve audit scope and frequency as well as the annual audit plan;
- d. Monitor the system of internal controls and corporate compliance with laws, regulations and code of ethics;

- e. Review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;
- f. Performs such other functions as maybe assigned by the Board of Directors.

Governance Committee

The Governance Committee shall advise the Board on corporate governance matters, including the institution of a system of rules and regulations to define the duties and responsibilities of every officer and employee for good governance consistent with the fiduciary responsibility of the corporation.

It shall be composed of at least three (3) directors, one of whom shall be independent director and shall also serve as the mother committee for the following sub-committees:

- a. **Compensation Sub-Committee** – composed of at least three (3) directors, which shall ensure the adoption of a system of compensation providing performance oriented incentives to management;
- b. **Monitoring and Performance Evaluation Sub-Committee** – composed of at least three (3) directors which shall evaluate performance of Board Members and executive officers;
- c. **Nomination Sub-Committee** – composed of at least three (3) voting directors, one of whom must be independent, which shall evaluate and review the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors.

The Chairman

The Chairman of the Board of Directors shall preside at all meetings of the stockholders, of the Board of Directors and of any standing committee created by the Board. He shall ensure compliance with the corporate governance policies and practices and that the meetings of the Board are held in accordance with the By-Laws.

During the absence or inability of the President and the Senior Vice President, the Chairman shall exercise all the functions of the President.

The President

The President shall be chosen by the Board of Directors from their own number. In the absence or inability of the Chairman, the President shall act in his stead, and shall exercise all the functions of the Chairman provided for in the CBIC By-Laws. He shall be the Chief Executive Officer (CEO) of the Corporation and shall have general supervision of the business affairs and property of the corporation. He shall likewise perform the following functions:

- a. Execute all contracts entered into on behalf of the Corporation which have been approved or authorized by Board;
- b. Countersign checks, warrants, drafts and other negotiable papers for and in behalf of the Corporation and perform all other duties as are incident to his office or are properly required of him by the Board of Directors;
- c. Submit to the Board of Directors such statements, reports, memoranda and accounts as the Board may require including all matters within his knowledge which the interest of the company may require to be brought to their attention; prepare such statements and reports as may be required from time to time by the law with respect to corporation organized according to Philippine laws;
- d. Generally to exercise such authority and powers as may devolve upon him in the management of the corporation; and perform all other duties customarily incident to his office.

The Corporate Secretary

The Corporate Secretary shall be a Filipino citizen and must be residing in the Philippines. He shall have the following duties:

- a. Keep accurate minutes of all meetings of the stockholders, of the Board, and of the Executive Committee and attend to the sending of all notices required by the By-Laws;
- b. Act as custodian of the Corporate Seal, Stock Certificates Books, Stock and Transfer Books, records, documents and papers of the Corporation, prepare ballots for the annual elections and keep a complete and up to date list of stockholders and their addresses;
- c. Work fairly and objectively with the Board, Management and stockholders;
- d. Perform such other duties that may be assigned to him from time to time by the Board or Chairman, and such other duties incidental to his office; and

- e. Prepare such reports and statements as are required by the Board and/or Chairman.

Members of the Board

1. All Directors shall make decisions objectively in the interest of the company.
2. Non-executive Directors shall scrutinize the performance of management in meeting agreed goals and monitor the performance report, constructively challenge and help develop strategic proposals for the company and shall see to it that the integrity of financial information and controls as system of risk management are sound and defensible.
3. The Nomination Committee shall pre-screen candidates nominated to become a member of the Board of Directors in accordance with the following qualifications and disqualifications:

Qualifications of a Director

- a. Holder of at least one (1) share of stock of the corporation;
- b. College graduate or equivalent academic degree;
- c. At least 25 years old; and
- d. Proven to possess integrity and probity.

Grounds for Disqualification of a Director

- a. Conviction by final judgment by a competent court or found liable by any administrative body of (a) a crime or offense involving the purchase of securities, such as membership certificates, whether propriety or non-propriety, commodity future contract, or interest in a common trust fund, pre-need plan or life plan; (b) any crime or offense arising out of the person's conduct as an underwriter, broker, dealer, investment company, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading adviser, floor broker; and (c) any crime or offense arising out of his relationship with a bank, quasi-bank, trust company, investment house, or as an affiliated person of any of them;
- b. by reason of misconduct, after hearing or trial, is temporarily or permanently enjoined by order, judgment, or decree of any court or other administrative body of competent jurisdiction from engaging in or continuing any conduct or practice in connection with the purchase or sale of securities or any practice in connection with any such activity involving banking and securities;

- c. currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from associating with a member or participant of the organization;
- d. convicted by final judgment or found administratively liable for an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false oath, perjury or other fraudulent act or transgression;
- e. found by any court or administrative tribunal of having willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of law administered, or any rule, regulation or order issued by the Securities and Exchange Commission (SEC), the Bangko Sentral ng Pilipinas (BSP), the Insurance Commission (IC), including the filing of materially false or misleading application, report or registration required by the SEC, BSP & IC;
- f. judicially declared to be insolvent;
- g. finally found guilty by a foreign court or equivalent regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct stated in the foregoing provisions
- h. convicted by final judgment of an offense punishable by imprisonment for a period of six (6) years, or a violations of the Corporate Code, committed within five (5) years prior to the date of his election or appointment.

Temporary Disqualification of a Director

A Director may be temporarily disqualified for the following reasons:

- a. Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules & Regulations, the disqualification to be in effect as long as his refusal persists;
- b. Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during the incumbency, or any twelve-month period during said incumbency, the disqualification to apply for the purposes of the succeeding election;
- c. Dismissal/termination from directorship in another corporation for cause, the disqualification to be in effect until he has cleared himself of any involvement in the alleged irregularity;
- d. Being under preventive suspension by the Corporation.

Vacancies

Vacancies in the Board of Directors occurring during the year for any cause other than removal, shall be filled for unexpired term of their office by appointment made by the remaining directors, if still constituting a quorum, and the person so appointed shall hold office until his successor shall have been duly elected by shareholders and qualified. Should the number of directors be reduced to less than a quorum, vacancies in the Board shall be filled at a special shareholders' meeting duly called for the purpose.

Whether such vacancies shall be filled or not, shall be left at the discretion of the Board of Directors, except when the remaining members of the Board do not constitute a quorum, in which case enough vacancies may be filled as hereinabove provided to constitute a quorum.

Board Remuneration

Subject to approval of the stockholders, the Board of Directors shall determine the amount of fee or per diem to be paid to each director for attendance at any meeting of the Board for each day of session and for attendance at any meeting of the Executive Committee of the Board; provided, however, that nothing herein contained shall be construed to preclude any Director from serving in any other capacity and receiving compensation thereon.

The Board shall fix the compensation and other remuneration of any Director or any other officer of the Corporation should they be designated to perform executive functions or any special service to the Corporation.

Performance Evaluation

An annual performance evaluation of the Board, its Committees and its individual directors shall be conducted.

The Chairman shall act on the results of the performance evaluation recognizing the strengths and addressing the weaknesses of each director. 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.

Voting

Cumulative voting shall be used in the election of the members of the Board of Directors. At all shareholders meeting, such stockholder shall be entitled to vote for each share of stock standing in the name on the books of the corporation, unless the law provides otherwise.

Information and Professional Development

The Chairman shall be responsible for ensuring that the members of the Board of Directors receive an accurate, timely and complete information from management about matters to be taken in their meetings. The chairman likewise ensure that the directors continually update their skills, knowledge and familiarity with the company's goals and objectives and have access to independent professional advice, at company's expense, to discharge their responsibilities and undertake their duties.

ACCOUNTABILITY AND AUDIT

The Board is primarily accountable to the stockholders and shall provide them with a balanced and comprehensive assessment of the corporation's performance, position and prospects on a regular basis, including interim and other reports that could adversely affect its business as well as reports to regulators that are required by law.

Financial Reporting

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.

Internal Control and Risk Management

The Company shall have in place an independent internal audit function which shall be performed by an internal auditor or a team of internal auditors through which the Board, Senior Management and Stockholders shall be provided with reasonable assurance that the company's key organization and procedural controls are appropriate, adequate, effective and complied with.

The Board shall ensure that an effective system of control is in place for safeguarding the corporation's assets. Major risks facing the company which are likely to affect its performance and financial condition (including underwriting, reinsurance, investments, operational and legal risks) and the approach taken by management in dealing with these risks shall be reported to the Board.

Audit Commitment and Auditors

The Audit Committee shall recommend an External Auditor duly accredited by the Insurance Commission for appointment by the Board in accordance with Section 13, Article II of the By-Laws.

The External Auditor or the lead partner thereof handling the audit of the Company shall be rotated or changed every five (5) years or earlier

The External Auditor shall undertake an independent audit and provide an objective assurance on the manner by which the company's financial statements were prepared and presented. The external auditor shall not, at the same time, provide internal audit services to the company.

No director or officer of the corporation, and no firm or corporation of which such officer or director is a member, shall be eligible to discharge the duties of Auditor.

RELATIONS WITH STOCKHOLDERS

The Board shall respect the rights of the stockholders as provided for in the Corporation Code and shall be transparent in the conduct of the annual and special stockholder's meeting of the company. Stockholders shall be encouraged to personally attend such meetings and shall be apprised ahead of time of their right to appoint a proxy in accordance with the By-Laws if they cannot attend.

Notices, Annual Reports including the latest Financial Statements of the company shall be given to stockholders at least two (2) weeks prior to the Annual Stockholders Meeting. Material information about the corporation which could adversely affect its viability or the interest of the stockholders should be timely disclosed. Such information should include among others, earning results, acquisition or disposition of assets, off balance sheet transactions, related party transactions and remuneration of members of the Board and Management.

The Chairman, Directors and Members of Audit and Nomination Committees shall be present at the Annual Stockholders Meeting to answer questions of the stockholders.

PUBLIC ACCOUNTABILITY

As custodian of public funds, the Company shall ensure that its dealing with the public shall always be conducted in a fair, honest and equitable manner. The Officers of the company shall avoid

conflict of interests and shall not engage in any unfair or deceptive acts or conduct that constitutes unfair trade practices detrimental to policyholders and claimants.

Responsibility for Good Governance

The Board of Directors and the management of the insurance companies and intermediaries shall commit themselves to the principles and leading practices contained in this Manual of Corporate Governance. The Board, the management, employees and shareholders, who believe that corporate governance is a necessary component of what constitutes sound strategic business management, shall undertake every effort necessary to create awareness within the organization.

To ensure adherence to Corporate Governance Principles and Leading Practices, the Chairman of the Board shall designate a Compliance Officer who shall hold at least the position of Vice President or its equivalent. He/She shall have direct reporting responsibilities to the Chairman of the Board.

Reportorial/Disclosure System of Company's Corporate Governance

The Company shall accomplish annually a Scorecard on the scope, nature and extent of the actions it has taken to meet the objectives of IC-Circular No. 31-2005 on Corporate Governance Principles and Leading Practices.

The reports or disclosures required under this Manual shall be prepared and submitted to the Insurance Commission by the responsible Board Committee or Officer through the company's Compliance Officer on or before May 15 of each year.

IMPLEMENTATION AND ENFORCEMENT

The Directors, Officers and department/division heads of the company shall be provided with a copy of this manual to ensure dissemination to all employees and related third parties, and shall likewise enjoin their compliance with the provisions hereof.

DISCLOSURE AND TRANSPARENCY

It is therefore essential that all material information about the corporation which could adversely affect its viability or the interest of its 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.

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filling of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders.