



**BPI/MS Insurance Corporation**

A joint venture of Bank of the Philippine Islands and Mitsui Sumitomo Insurance

# **The BPI/MS Insurance Corporation's**

## **CORPORATE GOVERNANCE MANUAL**

**Version 7 (March 2021)**



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## I. CORPORATE GOVERNANCE PHILOSOPHY

The Board of Directors and Management, employees and shareholders of the BPI/MS Insurance Corporation (BPI/MS) believe that sound and effective corporate governance is the cornerstone of BPI/MS's strength and long term existence. It subscribes to a philosophy of adhering to honesty, integrity, and professionalism in the conduct of its business, exercising prudence in arriving at decisions, enforcing internal discipline and a system of checks and balances in its operating processes, and providing transparency to its various publics regarding basic management policies and practices, major business strategies and decisions, and its operating results.

The Board of Directors and Management hereby commit themselves to the principles and practices contained in this Manual and acknowledge that the same will guide them in pursuing their corporate goals. They shall also undertake every effort necessary to create the necessary awareness of these principles and practices within the organization in order to ensure proper internalization by every member of the organization.

This Manual of Corporate Governance supplements and compliments BPI/MS's Articles of Incorporation and By-Laws by setting forth principles of good and transparent governance.

## II. GOVERNANCE STRUCTURE

### A. Board of Directors

The Board of Directors (the Board) bears the primary responsibility for creating and enhancing the long term shareholder value of BPI/MS and ensuring that this objective is achieved in all its business activities. It must ensure BPI/MS's ability to satisfy the needs of its customers, sustain its leadership and competitiveness, and uphold its reputation in order to maintain BPI/MS's long term success and viability as a business entity. Its mandate consists of setting the strategic business directions of BPI/MS, appointing its senior executive officers, confirming its organizational structure, approving all major strategies and policies, overseeing all major risk-taking activities, monitoring the financial results, measuring and rewarding the performance of management, and generating a reasonable investment return to shareholders. It shall also provide an independent check on management.

### B. Composition

The Board of Directors shall have ten (10) members who shall be elected by the BPI/MS stockholders entitled to vote at the annual meeting, and shall hold office for one (1) year and until their successors are elected and qualified in accordance with the By-Laws of the corporation.

As a corporation supervised by Insurance Commission (IC), BPI/MS shall conform to the legal requirement to have at least two (2) independent directors. The independent directors shall be identified in the annual report.



## C. Qualification of Directors

A director of BPI/MS shall have the following qualifications:

1. Ownership of at least one (1) share of the capital stock of BPI/MS;
2. At least twenty-five (25) years of age;
3. Possesses necessary skills, competence and experience in terms of management capabilities preferably in the field of insurance or insurance-related disciplines.
4. Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions.
5. Adequate physical health and mental stamina to withstand the rigors of his responsibilities;
6. No potential conflict of time and attention due to competing officerships directorships, memberships position in other corporations;
7. Attendance of an accredited corporate governance seminar, as required by the IC;
8. No disqualifications as provided for in the Corporation Code and IC Circulars.

## D. Disqualification of Directors

### 1. Permanent Disqualification

The following shall be deemed unfit and disqualified from serving as a Director:

- a. 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;
- b. Persons who have been convicted by final judgment of the court for violation of insurance laws;
- c. 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;
- d. Persons who are delinquent in the payment of their obligations as defined hereunder:
  - 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;



- 2) Obligations shall include all borrowings from an insurance company, or its related companies obtained by:
  - a) A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorsers, or surety for loans from such institutions;
  - b) The spouse or child under the parental authority of the director or officer;
  - c) Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
  - d) A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
  - e) A corporation, association or firm wholly-owned or majority of the capital is contributed by any or a group of persons mentioned in the foregoing items 1, 2, and 4:

## 2. Temporary Disqualification

The following are grounds for temporary disqualification of incumbent directors:

- a. Persons who refuse to fully disclose the extent of their business interests when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as the refusal persists;
- b. Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special of the Board of Directors during their incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding elections;
- c. Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- d. Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
- e. Directors 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;
- f. Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;
- g. Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- h. Those under preventive suspension;
- i. The Board may establish a fixed retirement age policy for directors.

## E. Independent Directors

Independent directors shall hold no interests or relationships with BPI/MS that may hinder their independence from BPI/MS or Management which would interfere with the exercise of independent judgement in carrying out the responsibilities of a director. An independent director shall submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with BPI/MS, management or controlling shareholder at the time of his election or appointment and/or re-election as a director.

1. Moreover, for purposes of compliance with the legal requirement on independent directors-



- a. Officers, executives and employees of BPI/MS may be elected as directors but cannot and shall not be characterized as independent directors;
- b. If a director elected or appointed as an independent director subsequently becomes an officer or employee of BPI/MS, BPI/MS shall forthwith cease to consider him as an independent director;
- c. If the beneficial security ownership of an independent director in BPI/MS or in its related companies or any of its substantial stockholders shall exceed the two percent (2%) limit, BPI/MS shall forthwith cease to consider him as an independent director. The disqualification shall be lifted if the limit is later complied with.
- d. If the director is related to any director, officer or substantial shareholder of BPI/MS or any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister.
- e. If the director is acting as a nominee or representative of any director or substantial shareholder of BPI/MS and/or any of its related companies and/or any of its substantial shareholders pursuant to a Deed of Trust or under any contract or arrangement;
- f. If the director has been employed in any executive capacity by BPI/MS, any of its related companies and/or by any of its substantial shareholders within the last five (5) years;
- g. If the director is retained, either personally or through his firm or any similar entity, as professional adviser by BPI/MS, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or
- h. If the director engaged and about to engage in any transaction with BPI/MS and/or with any of its related companies and/or any of its substantial shareholders whether by himself and/or with other persons and/or through a firm of which that director is a partner and/or a company of which he is director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial
- i. A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an Independent Director after a two (2) year "cooling off period".
- j. Persons appointed as Chairman "Emeritus", "Ex-Officio" Directors/ Officers or Members of any Executive/Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties shall be subject to a one (1) year "cooling-off period" prior to his qualification as an Independent Director.

## 2. Number of Independent Directors

BPI/MS shall have independent directors constituting at least twenty percent (20%) of the members of the board.<sup>1</sup>

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<sup>1</sup> IC Circular Letter No. 36-2019 Sec. 1



### 3. Qualifications and Disqualifications of Independent Director

#### a. An independent director shall have the following qualifications:

- 1) An independent director shall be at least a college graduate or shall have been engaged or exposed to the business for at least five (5) years;<sup>2</sup>
- 2) He or she shall possess integrity, probity, and independence;<sup>3</sup>
- 3) An independent director shall be one who is or was not a regular director, 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;
- 4) *He or she is not or was not a regular director, officer or employee of the corporation's substantial stockholders and their related companies during the past three (3) years counted from the date of his/her election/appointment;*<sup>4</sup>
- 5) He or she is not related within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or stockholder holding shares of stock sufficient to elect one (1) seat in the board of the company or any of its related companies or of any of its substantial stockholders;
- 6) *He or she is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the company, any of its related companies, or any of its majority shareholder;*<sup>5</sup>
- 7) 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
- 8) *He or she is not or was not retained as professional adviser, auditor, consultant, agent or counsel of the company, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his/her firm during the past three (3) years counted from the date of his election/appointment.*<sup>6</sup>
- 9) *He or she is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;*<sup>7</sup>
- 10) He or she is independent of management and 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, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;
- 11) *He or she was not appointed in the company, its subsidiaries, affiliates or related companies as Chairman "Emeritus", "Ex-Officio", Regular Directors, Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the*

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<sup>2</sup> IC Circular Letter No. 36-2018 C.1

<sup>3</sup> C Circular Letter No. 36-2018 C.2

<sup>4</sup> IC Circular 2018-36, (June 26, 2018) Sec. B. 1.

<sup>5</sup> Ibid, sec. B. 3.

<sup>6</sup> Ibid, sec. B. 6.

<sup>7</sup> Ibid, sec. B. 7.



*board of directors, in the performance of its duties and responsibilities during the past three (3) years counted from the date of his/her election/appointment.<sup>8</sup>*

- 12) *He or she is not affiliated with any non-profit organization that receives significant funding from the company or any of its related companies or substantial shareholders; and<sup>9</sup>*
- 13) *He or she is not employed as an executive officer of another company where any of the company's executives serve as regular directors.<sup>10</sup>*

b. No person enumerated under Disqualification for Directors of this Corporate Governance Manual (Disqualifications for Directors) shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:

- 1) He becomes an officer or employee of BPI/MS where he is such member of the board of directors/trustees or becomes any of the persons enumerated under Disqualification for Directors of this Corporate Governance Manual;
- 2) His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of BPI/MS where he is such a director, and;
- 3) Such other disqualifications which this Manual of Governance provides.

c. **Term Limits of Independent Director:<sup>11</sup>**

- 1) *An Independent Director shall serve for a maximum cumulative term of nine (9) years.*
- 2) *An Independent Director who served the maximum period shall be perpetually barred from any re-election in the company but may continue therein as a non-independent director.*
- 3) *However, if the company desires to continue the services of an Independent Director who had already served his/her maximum term limit, said Independent Director, as an exception, may still continue to act as such provided that the company submits to the Insurance Commission a formal written justification and must, in addition thereto, acquire the majority of the shareholders' approval during the annual meeting.*

*For current IDs, commencement date shall be counted from January 2, 2015, per Insurance Circular 49-2014.*

d. **Procedures in the Nomination and Election of Independent Directors**

- 1) The Nomination Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the BPI/MS's information or proxy statement or such other reports required to be submitted to the Securities and Exchange Commission (SEC).

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<sup>8</sup> Ibid, sec. B. 9.

<sup>9</sup> Ibid, sec. B. 10.

<sup>10</sup> Ibid, sec. B. 11.

<sup>11</sup> IC Circular 2018-36, (June 26, 2018), item D.



- 2) Nominations of independent director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.
- 3) The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.
- 4) After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, to be made available to the SEC and to all stockholders through the filing and distribution of the Information Statement, or in such other reports the company is required to submit to SEC. The name of the person or group of persons who recommended the nomination of the Independent Director shall be identified in such report including any relationship with the nominee.
- 5) Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders'/memberships' meeting.
- 6) Election of Independent Director/s
  - a. Except as those required under the SEC Rule and subject to pertinent laws, rules and regulations of the SEC, the conduct of the election of independent director/s shall be made in accordance with the standard election procedures of BPI/MS's By -Laws.
  - b. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that independent directors are elected during the stockholders' meeting.
  - c. Specific slot/s for independent directors shall not be filled-up by unqualified nominees.
  - d. In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.
- 7) Termination/Cessation of Independent Directorship

In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the SEC within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors if still constituting a quorum, upon the nomination of the Committee otherwise, said vacancies shall be filled by the stockholder in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.



BPI/MS shall, as appropriate, provide independent directors with technical support staff to assist them in performing their duties for such committees. Independent directors may, when necessary, also request and receive support from executives, employees or outside professionals such as auditors, advisers and counsel to perform such duties. BPI/MS shall cover the reasonable expenses of providing such support.

### III. POLICY ON MULTIPLE BOARD SEATS

- A. A director shall exercise due discretion in accepting and holding directorships outside of BPI/MS. A director may hold any number of directorships outside of BPI/MS provided that, in the director's opinion, these other positions do not detract from the director's capacity to diligently perform his duties as a director of BPI/MS;
- B. Any limitations in the number of directorship outside of BPI/MS shall not include directorships in BPI/MS's subsidiaries, affiliates, parent company, and affiliates and subsidiaries of the parent company;
- C. The CEO and other executive directors shall submit themselves to a low indicative limit (four or lower) on membership in other corporate boards. The same low limit also applies to independent non-executive directors who serve as full-time executives in other corporations. There can be a higher indicative limit (five or lower) for other directors who hold non-executive position in any corporation. In any case, the capacity of directors to serve with diligence shall not be compromised.

### IV. BOARD MEETINGS AND QUORUM REQUIREMENTS

- A. Members of the Board should attend regular and special meetings of the Board in person or via teleconference or video conference or by any other technological means allowed by law;
- B. The Board shall schedule its regular meetings on a quarterly basis.
- C. In every meeting of the Board of Directors, the Board shall endeavor to attain at least 51% quorum requirement, to ensure maximum engagement and participation in the discussions.
- D. An independent director shall, as far as possible, be in attendance. However, the absence of an independent director may not affect the quorum requirements if he is duly notified of the meeting but notwithstanding such notice fails to attend.

### V. DUTIES AND RESPONSIBILITIES OF THE BOARD

The Board's specific duties and responsibilities shall include the following:

- A. Install a selection process to ensure the appointment of competent directors and officers;
- B. Define BPI/MS's principal mission, vision, and strategic objectives, and properly communicate these to the entire organization;



- C. Delegate specific approving authorities to operating management in pursuit of the strategic objectives of BPI/MS to ensure that operating management achieves these objectives.
- D. Nurture a corporate value system that is anchored on sound business ethical principles and strengthen BPI/MS's own basic core values of excellence, integrity, customer service, loyalty to the institution, teamwork, and concern for people;
- E. Provide appropriate policies on risk management, approve and review the management and control systems & processes adopted by operating management to identify, measure, monitor and control those major risks impacting the business. Risk areas must encompass credit, market and liquidity risk, operating system risk, legal & regulatory risk, fiduciary / reputational risk;
- F. Monitor and assess the performance of management through a comprehensive and reliable financial reporting system;
- G. Oversee the development, review and approval of BPI MS's business objectives and strategy<sup>12</sup>.
- H. Oversee and monitor the implementation of BPI MS's business objectives and strategy in order to sustain the long-term viability and strength.<sup>13</sup>
- I. Ensure that BPI/MS contributes positively to the economy and the national well-being;
- J. Ensure that all activities of BPI/MS are in compliance with all pertinent laws and regulations and are within the bounds indicated in its Articles of Incorporation and By-Laws;
- K. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and that of interlocking director relationships by members of the Board;
- L. Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties;
- M. Identify the BPI/MS's major stakeholder groups (e.g. shareholders, customers, employees, creditors, regulators) and adhere to a philosophy of transparency with respect to disclosing and communicating all material information relevant to these stakeholders;
- N. Discharge Board functions diligently by meeting regularly, defining a clear agenda for each meeting and minuting each meeting properly. Encourage independent views and discussions during Board meetings to ensure balanced deliberations and decisions. Ensure that all acts of the Board are within the powers prescribed in the Articles of Incorporation and By-Laws, relevant laws and regulations;
- O. Conduct itself with utmost honesty, competence, independence and professionalism;

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<sup>12</sup> IC CL No. 2020-71: Revised Code of Corporate Governance for Insurance Commission Regulated Companies- Recommendation 2.2

<sup>13</sup> Ibid



- P. Evaluate the performance & effectiveness of the Board and its various committees, the CEO & operating management, through a formal evaluation process.
- Q. To approve budget plans and monitor expenditures.

## VI. DUTIES AND RESPONSIBILITIES OF A DIRECTOR

### A. A BPI/MS director shall have the following duties and responsibilities:

1. Accept the responsibility for creating and enhancing shareholder value and ensuring the long term success and viability of BPI/MS;
2. Devote time and attention necessary to properly discharge his duties and responsibilities as Director;
3. Exercise sound and independent judgment at all times and ensure that personal interest does not bias any Board decision;
4. Understand and internalize the core values of BPI/MS;
5. Maintain a good working understanding of the various businesses of BPI/MS, the risks attendant to those businesses, and the risk measurement and control systems appropriate for such businesses, understand the competitive forces affecting BPI/MS and the key strategic performance factors necessary to attain leadership;
6. Maintain a good working knowledge of the statutory and regulatory requirements affecting BPI/MS, the requirements of the Insurance Commission (IC), Securities and Exchange Commission (SEC), the contents of its Articles of Incorporation and By-laws;
7. Conduct fair business transactions with BPI/MS and ensure that personal interest do not conflict with BPI/MS's interests; desist from any transaction where there is such a conflict of interest and any transaction that exploits insider information to generate personal gain;
8. Act with full transparency, fairness, independence, and sound judgment;
9. Observe confidentiality over all sensitive matters taken up by the Board.
10. Act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company<sup>14</sup>

### B. Liability of Directors

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

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<sup>14</sup> IC CL No. 2020-71: Revised Code of Corporate Governance for Insurance Commission Regulated Companies- Recommendation 2.1



## C. Compensation of Directors

The Board of Directors shall determine a level of remuneration and/or benefits for Directors that shall be sufficient to attract and retain directors and compensate them for attendance at meetings of the Board and Board Committees, and performance of numerous responsibilities and undertaking certain risks as a Board member. The compensation which may be in various forms shall be fixed by way of a resolution of the Board of Directors. The Board of Directors may provide that only non-executive directors shall be entitled to such compensation.

## VII. TRAINING/ORIENTATION

- A. The Board undertakes to require a newly elected member of the Board to attend, within a reasonable period after his election to the Board, a seminar on corporate governance conducted by a duly recognized private or government institution.
- B. The newly elected members of the Board should familiarize themselves with the BPI/MS's operations, senior management and business environment. They should also be inducted in terms of their fiduciary duties and responsibilities as well as in respect of the Board's expectations.
- C. Appropriate training opportunities for both existing and potential directors may, from time to time, be identified and undertaken.

## VIII. BOARD COMMITTEES

The Board may carry out its various responsibilities through its Executive Committee and delegate specific responsibilities to other sub-committees for specialized areas of focus within the limits allowed by law.

### A. Executive Committee

The Board shall appoint from its members an Executive Committee which shall in the interim between meetings of the Board of Directors, possess and exercise all the powers of the Board in the management and direction of the affairs of BPI/MS subject to the provisions of the BPI/MS By-Laws and the limitations prescribed by law. The Executive Committee shall be composed of four (4) members of the Board of Directors, which, subject to the approval and confirmation by the Board of Directors, shall make the necessary proposals for the following:

1. Corporate Secretary;
2. Financial and Operating Budgets;
3. Equity;
4. Operations;
5. Matters for information of the Board of Directors; and
6. Manpower;
7. Other Committees it may deem appropriate.

Each of BPI and MITSUI shall nominate two (2) members to the Executive Committee.



## B. Nominations Committee

The Nomination Committee shall be composed of at least three (3) members of the Board one of whom shall be an independent director. The committee shall have the following functions:

1. Ensure that all directors to be nominated for election at the next Annual General Stockholders Meeting have the qualification and none of the disqualifications and that their nominations are fair, transparent and in compliance with applicable laws, rules and regulations as well as the Corporation's By-laws and Manual of Corporate Governance;
2. Encourage the formal, fair and transparent selection of a mix of competent directors in accordance with the Board Diversity Policy, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies;
3. Review and evaluate the qualifications of all persons nominated to positions in the Corporation which require appointment by the Board, providing guidance and advice as necessary for appointments made by the Chairman or President.

Annex A is the Nomination Committee Charter

## C. Personnel and Compensation Committee

The Personnel Compensation Committee (PerCom) shall be composed of three (3) members of the Board who are not officers of BPI/MS and one (1) of whom shall be an independent director. The Board of Directors shall elect the committee chairman and fill vacancies in the committee. PerCom shall direct and ensure the development and implementation of long term Human Resources (HR) Strategy/Plan based on the Board's vision of the organization. Such a strategy should embody:

### 1. The Organization's Values

- a. EXCELLENCE - BPI/MS believes that its corporate mission is to be the leading non-life insurance company in the Philippines in terms of professional competence, service quality, responsible corporate citizenry, and overall growth and stability.
- b. CUSTOMER SERVICE AND INTEGRITY - BPI/MS also believes that it has a responsibility to manage the business for the maximum benefit of its customers while adopting the highest standard of integrity; to offer the widest possible range of financial services that is responsible to their needs; and to adopt an objective attitude towards change and innovation, ever mindful of improving service quality and operating efficiency.
- c. CONCERN FOR PEOPLE - BPI/MS also believes that it has a responsibility to develop the potential of our employees to the fullest by providing an environment conducive to their personal and professional growth; and to foster a value system held in common throughout the institution in order that we may all share a coherent sense of purpose and direction.
- d. TEAMWORK AND LOYALTY - BPI/MS also believes that it has a responsibility to attain, over time and within exacting standards of prudent management, the highest possible return on the investment of our shareholders.



## **2. The Human Resources Philosophy and Policies**

- a. Human Resources Management is a line management responsibility
- b. Each job should be filled with the best qualified employee available
- c. Employees should be paid well and fairly
- d. Employees should be informed of matters that affect them
- e. BPI/MS through its parent company BPI, should maintain benefit plans that will assist the employee in providing for his economic security
- f. BPI/MS will provide training programs that will assist employees in learning to do their jobs better and to prepare for assignments of greater responsibility
- g. BPI/MS will provide safe and healthful working conditions
- h. BPI/MS should maintain healthy relations with employees

## **3. Compensation Philosophies and Guidelines**

BPI/MS aims to attract and retain highly qualified employees at all levels and in particular those whose performance is most critical to the Company's success. To attain this objective, the BPI/MS is willing to provide superior compensation for unique skills and superior performance.

## **4. Recognition and Rewards Philosophies and Guidelines**

Performance is generally measured on the performance of the employee, the business unit, or the Company as a whole or using a combination of all as the executive's responsibilities may dictate. Factors include revenues, volume, earnings, earnings per share, return on equity, return on assets, capital strength, risk containment, corporate governance, customer satisfaction, adherence to corporate values, contributions both to operating unit and company-wide achievement.

## **5. Succession Development Plans for Critical Positions**

In consultation with the President/CEO, the PerCom reviews the talent development process within the company to ensure it is effectively managed. In consultation with the Board and the CEO, either the PerCom as a whole or a sub-committee thereof, shall, as part of the executive planning process, evaluate, and nominate potential successors to the CEO. It shall also initiate, require, and review reports as well as receive periodic feedback regarding the quality and status of the overall organizational morale and degree of job satisfaction within the company.



## 6. Duties and Responsibilities of Personnel Compensation Committee:

- a. Annually review and approve corporate goals and objectives relevant to CEO compensation, the board of directors, senior management and key officers of the Company to enable the Company to attract and keep superior human talent in its fold.
- b. Annually review and approve base salary, incentive compensation for senior management, board of directors, and key officers and recommend appropriate remuneration package to the Board for approval
- c. Ensure the establishment, documentation through a formal manual, timely dissemination and proper implementation of personnel policies and guidelines covering: BPI/MS's Core Corporate Values Policies on Conflict of Interest, Information on Hiring and Training Programs, Salaries and Benefits, Performance Evaluation, Promotions, Career Advancement, Code of Conduct including sanctions on non-compliance with the code of conduct and/or management policies
- d. Review and approve recommendations for promotions to and from the rank of Assistant Vice President and up and submit to the Board for confirmation/approval
- e. Review and endorse proposals on Early Retirement Program as well as any severance payment or similar termination payments proposed to be made by BPI/MS to its officers and staff.
- f. Review the impact on compensation, the plans of mergers, spin-offs and other similar organizational or operating changes.
- g. Review together with the CEO, the talent development process within the BPI/MS. Senior management will provide the PerCom an annual report regarding its talent and performance review process for key officers and other high potential individuals to ensure that there is a sufficient pool of qualified internal candidates to fill senior and leadership positions and to identify opportunities, performance gaps and next steps as part of the Company's executive succession planning and development process, all of which shall be reviewed with the PerCom.
- h. Review of Personnel Handbook.
- i. Perform an annual review of PerCom's performance and periodically assess the adequacy of its charter and recommend changes to the Board, as needed.
- j. Exercise such powers and duties as may from time to time be delegated by the Board to the PerCom.

Annex B is the Personnel and Compensation Committee Charter

## D. Audit Committee

The Audit Committee shall be composed of at least three (3) members of the Board, two (2) of whom shall be independent directors, including the Chairman preferably with accounting, auditing or related financial management expertise or experience. The Audit Committee shall monitor and evaluate the adequacy and effectiveness of the company's internal control system. It shall



provide oversight on the overall management of operating risks, financial reporting and control, internal audit department and external auditors, quality of compliance with the Corporate Governance Manual and reviews conducted by the Insurance Commission.

## 1. Authority of the Audit Committee

The Committee is empowered by the Board to:

- a. Investigate any matter within its terms of reference
- b. Seek any information it requires from employees, all of whom are directed to fully cooperate with the Committee's requests
- c. Obtain assurances, and when appropriate, reports from officers, external auditors, or outside counsel
- d. Invite any director or executive officer to attend its meetings
- e. Secure adequate resources to enable it to effectively discharge its functions
- f. Provide oversight over the Audit Committees of subsidiaries.

## 2. Duties and Responsibilities

### a. General Procedures

- 1) Review and reassess adequacy of Audit Committee Charter at least annually
- 2) Undertake an annual evaluation assessing its performance with respect to its purposes and its duties and tasks set forth in the Audit Committee Charter, with such evaluation being reported to the Board of Directors
- 3) Ensure that a review of the effectiveness of the Company's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually

### b. Internal Audit

- 1) Approve and periodically review the Internal Audit Charter
- 2) Oversee the appointment and formally evaluate the performance of the Chief Internal Auditor, who shall report directly to the Audit Committee, including his/her replacement, reassignment, or dismissal
- 3) Review the internal audit function including its independence and the authority of its reporting relationships
- 4) Review and approve the annual internal audit risk assessment and plan and any significant changes to the internal audit plan
- 5) Review at the end of calendar year the implementation of the approved internal audit plan



- 6) Review the final audit reports prepared by the Internal Audit for matters deemed significant by the Chief Internal Auditor and management's response to such reports
- 7) Ensure that internal auditors have free and full access to all the Company's records, properties and personnel relevant to and required by its function and that the Internal Audit shall be free from interference in determining its scope, performing its work and communicating its results.

## **c. External Audit**

- 1) Appoint an IC-accredited external auditor for the purpose of preparing or issuing an audit report or related work.
- 2) Assess the external auditor's effectiveness, independence and objectivity, ensuring that key partners are rotated at appropriate intervals; and remove the external auditors if circumstances warrant. The Committee shall oversee the resolution of disagreements between management and the external auditors in the event that they arise
- 3) Review with the internal auditor the scope of the proposed external audit for the current calendar year, considering the coordination of internal and external audit procedures to promote an effective use of resources and ensure a complete but non-redundant audit
- 4) Approve all audit and non-audit services to be provided by the external auditor to the Company and its subsidiaries
- 5) Review with the external auditor any problems or difficulties encountered and management's response; review the external auditor's attestation and report on management's internal control report, and hold timely discussions with the external auditors regarding the following:
  - a) all critical accounting policies and practices;
  - b) all alternative treatments of financial information must be based on Philippine Financial Reporting Standards (PFRS), as approved by the Accounting Standards Council that have been discussed with management, implications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor.
  - c) other material written communications between the external auditor and management including, but not limited to, the management letter and schedule of unadjusted differences; and
  - d) an analysis of the auditor's judgment as to the quality of the BPI/MS's accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements
- 6) Receive and review reports of external auditors, including reports of regulatory agencies, and ensure that management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies.



## d. Financial Statements and Disclosure Matters

- 1) Review and discuss with management the quarterly and half-year financial reports, and with the external auditor the annual financial statements, before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax and legal requirements;
- 2) Discuss with management and the external auditor significant financial reporting issues and judgments made in connection with the preparation of the BPI/MS's financial statements, including any significant changes in the BPI/MS's selection or application of accounting principles, any major issues as to the adequacy of the BPI/MS's internal controls and any special steps adopted in light of material control deficiencies.

## e. Controls

- 1) Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies and control and governance processes
- 2) Review with management the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
- 3) Oversee the quality of compliance by operating management in their performance of the following tasks:
  - a) employing the proper documentation to ensure enforceability of rights and contracts
  - b) employing appropriate technology and operating hardware and software systems to ensure the proper recording, storage, retrieval and analysis of transaction data;
  - c) installing the appropriate control mechanisms, systems and processes (e.g., policy manuals, risk measurement and control systems, performance reports, internal audit programs, reviews, and reports, external audit program and reports, etc.) to ensure the identity and authority of counterparties, the validity and integrity of transactions and data, and the competent management of risks;
    - i. ensuring the preparation of contingency plans to ensure business continuity in the event of any major crisis;
    - ii. ensuring the alignment of financial accounting, measurement, reporting and auditing methodologies and practices with international standards and best practices;



- iii. ensuring full compliance with the law and regulations and the specific requirements of the IC, SEC, AMLC and other regulatory bodies, here applicable.
- d) Elevate to international standards the accounting processes, practices and methodologies, and develop the following:
  - i. definitive timetable within which the accounting system of BPI/MS and its subsidiaries will be compliant with the IAS;
  - ii. an accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
- e) Ensure sound operation of a transparent financial management system that will ensure the integrity of internal control activities throughout BPI/MS through procedures and policies and handbook that will be used by the entire organization;
- f) Oversee the compliance with quality management standards, i.e. ISO 9001:2008.

The Internal Audit Division of BPI shall support the Audit Committee in the rendition of its function.

The Committee shall consist of at least three (3) members of the Board of Directors, two (2) of whom shall be independent directors. All members of the Committee shall be appointed and replaced by the Board of Directors who shall designate one (1) member of the Committee as Chair. The Committee may create subcommittees when necessary provided that such subcommittees shall be composed only of Committee members. All actions taken by the subcommittees shall be reported to the Committee and subject to ratification by the Committee.

Annex C is the Audit Committee Charter

## **E. Related Party Transaction Committee**

This Committee is appointed and authorized by the Board of Directors to assist the Board in fulfilling its responsibility to strengthen corporate governance and practices particularly on related party transactions (RPTs). The authority of the Committee is taken from the Company's By-Laws, this Charter and from separate Board delegations, resolutions and approvals that may be granted by the Board from time to time.

The Committee shall be composed of at least three (3) members of the Board of Directors, two (2) of whom shall be Independent Directors, including the Chairperson.

The Committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising majority of the members. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction.



The Committee is responsible for the following:

- A. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships shall be reflected in the relevant reports to the board and regulators/ supervisors.
- B. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee shall take into account, among others, the following:
  - a. The related party's relationship to the Company and interest in the transactions;
  - b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - c. The benefits to the CI of the proposed RPT;
  - d. The availability of other sources of comparable products or services; and
  - e. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The CI shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs.

All RPTs that are considered material based on the Company's internal policies shall be endorsed by the RPT Committee to the appropriate approving authority.

- C. Ensure 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. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Company's affiliation or transactions with other related parties.
- D. Report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- E. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
- F. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.
- G. Assist the Board in assessing material agreements of any kind with a related party in determining whether to approve, ratify, disapprove or reject a Related Party Transaction. The Committee shall take into account whether the RPT is entered into on terms no less favorable



- to the Company than terms generally available to an unaffiliated third-party under the same or similar circumstances.
- H. For transaction involving a sale of the Company's assets, review results of the appraisal, valuation methodology used as well as alternative approaches to valuation.
  - I. Assess the extent of the Related Party's interest in the transaction:
    - a. Term of the transaction;
    - b. The Related Party's interest in the transaction;
    - c. The purpose and timing of the transaction;
    - d. Whether the Company is a party to the transaction and if not, the nature of the Company's participation in the transaction;
    - e. If the transaction involves the sale of an asset, a description of the asset including date acquired and costs basis;
    - f. Information concerning potential counterparties in the transactions;
    - g. The approximated value of the transaction and the approximated value of the Related Party's interest in the transaction;
    - h. Description of any provisions or limitations imposed as a result of entering into the proposed transactions;
    - i. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction; and
    - j. Purpose of the transaction and potential benefits to the Bank.
  - J. Require adequate and accurate information from the Management.
  - K. Review the adequacy of Management's monitoring and reporting systems on RPTs.
  - L. Oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs.
  - M. Review and assess the adequacy of this Charter at least annually and obtain approval of any revisions to this Charter from the Board of Directors.
  - N. Evaluate annually the performance of the Committee as a body (using the Standard Board Committee Assessment Form) and report the results to the Board or to such committee that may be appointed by the Board for review.

## **Annex D is the Related Party Transaction Committee Charter**

### **F. Corporate Governance Committee**

The Corporate Governance Committee is the Committee tasked to assist the Board of Directors in fulfilling its corporate governance responsibilities. Thus, it shall ensure the Board's effectiveness and due observance of sound corporate governance principles and guidelines. The Committee believes that sound and effective corporate governance practices constitute the



cornerstone of the BPI MS' strength and long term existence and the key to enhancing long term shareholders' value.

The Committee shall consist of at least three (3) members of the Board of Directors, who shall all be Non-Executive Directors, majority of whom shall be independent directors, including the chairperson. All members of the Committee shall be appointed and replaced by the Board of Directors who shall designate one (1) member of the Committee as Chair. The Committee may create subcommittees when necessary provided that such subcommittees shall be composed only of Committee members. All actions taken by the subcommittees shall be reported to the Committee and subject to ratification by the Committee.

## **Duties and Responsibilities of the Committee**

1. Recommend, for approval of the Board, a written Charter of the Committee that describes, among others, the duties and responsibilities of the Committee and its members. This Charter shall be reviewed for its adequacy, at least annually by the Committee and any proposed changes submitted to the Board for Approval.
2. Review the Manual of Corporate Governance, its effective dissemination and implementation on an annual basis, or more frequently if appropriate, and recommend changes for the approval of the Board, where necessary.
3. Develop and recommend for the approval of the Board a performance evaluation process of the Board and its committees and executive management for the purpose of, among others, assessing their effectiveness in enhancing shareholder value. The evaluation should be of the Board's and the Committees' contribution and performance as a whole and their compliance with their duties and responsibilities under the Manual of Corporate Governance.
4. To ensure that the Board of Directors accomplishes annually the self-assessment forms to evaluate the performance of the Board of Directors as a body, as well as its various committees, the CEO and individual directors. This exercise shall cover the assessment of the ongoing suitability of each board member taking into account his or her performance in the Board of Directors and board-level committees. When a director or officer has multiple positions, the committee should determine whether or not said director or officer is able to and has been adequately carrying out his/her duties and, if necessary, recommend changes to the Board based upon said performance/review. Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards. The Corporate Governance Committee may coordinate with external facilitators in carrying out board assessment, within the frequency approved by the entire board. The Corporate Governance Committee shall also decide whether or not a director is able to and has been adequately carrying out his/her duties as director based on its own assessment or the assessment of external facilitators, bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation).
5. Conduct a self-evaluation of its performance as a Committee in such manner as the Committee deems appropriate.
6. Review and deliberate the BPI MS' Corporate Governance Scorecard prescribed by regulatory authorities and those by private entities advocating good corporate governance practices.
7. Recommend comprehensive orientation programs for new directors and, from time to time, continuing education programs for directors when appropriate. The orientation program for



- first time directors shall be for at least eight (8) hours while the annual continuing training shall be at least for four (4) hours, on topics relevant in carrying out their duties and responsibilities as directors.
8. Oversight on the design and operation of the remuneration and other incentives policy is delegated by the Board of Directors to the Personnel and Compensation Committee. If called upon by the Personnel and Compensation Committee, the Corporate Governance Committee may make recommendations on matters relating to succession planning and remuneration for the Chief Executive Officer and other senior officers.
  9. Oversight on the nomination process for members of the Board of Directors and for positions appointed by the Board of Directors has been delegated by the BPI MS Board to the Nomination Committee. The Corporate Governance Committee may make recommendations to the Nomination Committee on the review and evaluation of qualifications of all persons nominated to the Board, the assignment of directors to board committees, board succession planning and positions requiring appointment by the Board of Directors.
  10. Develop and recommend a process to ensure the Board's observance of corporate governance principles and guidelines as embodied in the Manual of Corporate Governance.
  11. Perform such additional duties and responsibilities as the Committee may deem appropriate within the scope of its primary functions or as may be assigned by the Board from time to time.

Annex E is the Corporate Governance Committee Charter

## IX. RISK MANAGEMENT

The BPI/MS Risk Management Committee (RMC), shall oversee and manage BPI/MS's exposures to risks. The committee shall nurture a culture of risk across the entity and shall implement and oversee the enterprise risk management program to assist the Board in fulfilling its corporate governance responsibilities relating to the management of risks.

### A. Authority of Risk Management Committee

1. Form sub-committees and delegate its risk management functions to sub-committees or line management as may be deemed necessary
2. Require / receive reports from the management committees and personnel that are necessary to monitor and assess capital adequacy and risk exposures and their implications
3. Recommend to the Board capital management and risk management policies

### B. Duties and Responsibilities (may be delegated to the appropriate sub-committee or line management.)

1. Develop, implement and oversee the risk management program
2. Identify and assess risk exposures.



3. Perform other functions as may be mandated by the Board relating to the management of the entity's capital and risks covering credit, market, operating, reputational, strategic and other risks.

## X. OPERATING MANAGEMENT

The responsibility of managing BPI/MS and implementing all major business strategies rests on the President and Chief Executive Officer who is in turn supported by his Senior Management Team.

Operating management is guided by specific objectives and deliverables that are pre-defined through a formal planning and budgeting process. These objectives must be supported with a well-defined set of operating policies and procedures to ensure accuracy of reports, integrity, fairness & transparency, customer satisfaction, efficiency, and management accountability in the conduct of business.

In addition, specific management committees addressing key risks like underwriting, reinsurance, financial markets and liquidity, operations, support operating management to ensure that all major risks are identified, measured, controlled through the imposition of appropriate limits. These management committees include: a) Underwriting Committee; b) Claims Committee; c) Bid Committee; d) Bonds Committee; and e) Compliance and Risk Management Committee.

Operating management, in turn, is subjected to a formal performance evaluation system that administers rewards and compensation adjustments based on the attainment of business objectives.

## XI. EXECUTIVE OFFICERS OF BPI MS

The Executive Officers of BPI/MS are the Chairman, the President and Chief Executive Officer, the Treasurer, Corporate Secretary. The Executive Officers shall be appointed by the Board of Directors. In addition, the Board of Directors shall appoint (from time to time) such other senior officers as provided for in the BPI/MS By-Laws.

### A. CHAIRMAN OF THE BOARD

The Chairman of the Board shall, when present, preside at all meetings of the Board and shall render advice and counsel to the President. He shall:

1. Ensure that the meetings of the Board are held in accordance with the By-Laws of the **Company** or as the Chairman may deem necessary;
2. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors;
3. Maintain qualitative and timely lines of communication and information between the Board and Management;
4. Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and
5. Assist in ensuring compliance with the Company's guidelines on corporate governance.



The Chairman shall have such other responsibilities as the Board of Directors may impose upon him.

## **B. PRESIDENT/CEO**

Minimum internal control mechanisms for management's operational responsibility shall center on the President/CEO, being ultimately accountable for the Corporation's organizational and procedural controls. In addition to the duties imposed on the President/CEO by the Board of directors, the President shall:

1. Have general supervision of the business, affairs, and property of the Corporation, and over its employees and officers;
2. See that all orders and resolutions of the Board of Directors are carried into effect;
3. Submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of BPI/MS for the preceding year, and the state of its affairs;
4. Report to the Board from time to time all matters within its knowledge which the interest of BPI/MS may require to be brought to their notice.

The President / CEO shall have such other responsibilities as the Board of Directors may impose upon him.

## **C. TREASURER**

The Treasurer shall have charge of the funds, securities, receipts and disbursements of BPI/MS. He shall have the following functions:

1. Deposit or cause to be deposited all moneys and other valuable effects in the name and to the credit of BPI/MS in such banks or trust companies or with such bankers or other depositories as the Board may from time to time designate;
2. Regularly and at least every quarter render to the President or to the Board an account of the fund condition of BPI/MS and of all his transactions as such;
3. Ensure funds availability on a timely basis and at the most economical means;
4. Optimize yields in temporary excess funds;
5. Provide relevant and timely capital market information;
6. Ensure appropriate coverage and management of risk to resources.

The Treasurer shall have such other responsibilities as the Board of Directors may impose upon him.

## **D. CORPORATE SECRETARY**

The Corporate Secretary shall be a resident and citizen of the Philippines. His loyalty to the mission, vision and specific business objectives of BPI/MS comes with his duties. Considering his varied functions and responsibilities, he must possess organizational and interpersonal skills,



and the legal skills of a chief legal officer. He must also have some financial and accounting knowledge. The Corporate Secretary shall be a separate individual from the Compliance Officer and not a member of the Board of Directors<sup>15</sup>.

The Corporate Secretary shall have the following functions:

1. Serve as an adviser to the directors on their responsibilities and obligations;
2. Keep the minutes of meetings of the stockholders, the Board of Directors, the Executive Committee, and all other committees in a book or books kept for that purpose, and shall furnish copies thereof to the Chairman, the President and other members of the Board as appropriate;
3. Have charge of the stock certificate book and such other books and papers as the Board may direct;
4. Attend to the giving and serving of notices of Board and shareholder meetings;
5. Be fully informed and be part of the scheduling process of other activities of the Board;
6. Prepare an annual schedule of board meetings and the regular agendas of meetings, and put the Board on notice of such agenda at every meeting;
7. Oversee the adequate flow of information to the Board prior to meetings;

The Corporate Secretary shall have such other responsibilities as the Board of Directors may impose upon him.

The Board shall have separate and independent access to the Corporate Secretary.

## XII. OTHER SENIOR OFFICERS

### A. Compliance Officer

To ensure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer who shall hold the position with the rank of at least a Vice President and shall not be a member of the Board<sup>16</sup>.

The Chief Compliance Officer's qualifications shall be subject to the applicable provisions of the Insurance Commission, particularly considering fit and proper criteria such as integrity/probity, competence, education, diligence and experience and training.

In this respect, the Chief Compliance Officer is to attend annually a training on corporate governance.<sup>17</sup>

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<sup>15</sup> IC CL No. 2020-71: Revised Code of Corporate Governance for Insurance Commission Regulated Companies-Recommendation 1.5

<sup>16</sup> IC CL No. 2020-71: Revised Code of Corporate Governance for Insurance Commission Regulated Companies-Recommendation 1.6

<sup>17</sup> Ibid



The Compliance Officer shall have the following duties:

1. The Compliance Officer shall assist the Board.<sup>18</sup>
2. Monitor compliance with the provisions and requirements of this Manual;
3. Appear before the Insurance Commission upon summon on similar matters that may need to be clarified by the same;
4. Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
5. Issue an annual certification to the IC on the extent of BPI/MS's compliance with this Manual for the previous year, explaining the reason/s of the latter's deviation, if any, from the same;
6. Provide the Commission every 30<sup>th</sup> day of January the Certificate of Attendance of Directors in meetings of directors to be signed by the Corporate Secretary, and countersigned by the Chairperson of the Board of Directors. The said certification may be submitted with the BPI/MS's current report (SEC Form 17-1) or on a separate filing;
7. Identify, monitor and control compliance risks;
8. Determine violations of this Manual and create a system for according due notice, hearing, and due process for dealing with violations of the Manual;
9. Recommend the penalties for violations of the manual, for further review and approval of the Board.

The appointment of the Compliance Officer shall be immediately disclosed to IC. All correspondence relative to his function as such shall be addressed to said officer.

### **XIII. GOVERNANCE POLICY ON CONFLICT OF INTEREST**

The personal interest of directors and officers should never prevail over the interest of the Company. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in BPI/MS. They must promote the common interest of all shareholders and BPI/MS without regard to their own personal and selfish interest.

A. A conflict of interest exists when a director or an officer of BPI/MS:

1. Supplies or is attempting to supply goods or services to BPI/MS;
2. Supplies or is attempting to supply goods, services or information to an entity in competition with BPI/MS;
3. By virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to BPI/MS
4. Is offered or receives consideration for delivering BPI/MS's business to a third party;

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<sup>18</sup> Ibid



5. Is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interest of BPI/MS.
- B. If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision making. A director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.
1. A contract of BPI/MS with one or more of its directors or officers is voidable, at the option of BPI/MS, unless the following conditions are present:
    - a. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
    - b. The vote of such director was not necessary for the approval of the contract;
    - c. The contract is fair and reasonable under the circumstances;
    - d. In case of an officer, the contract has been previously approved by the Board of Directors.
  2. Where any of the first two conditions set forth in the preceding paragraph is absent, in the case of a contract with a director, such contract may be ratified by the vote of stockholders representing two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose; provided that full disclosure of the adverse interest of the director involved is made at such meeting; and provided further that the contract is fair and reasonable under the circumstances.
- C. Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to BPI/MS, thereby obtaining profits to the prejudice of BPI/MS, the director must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the director risked his own funds in the venture.
- D. The foregoing is without prejudice to BPI/MS's existing Rules or Code of Conduct and Ethics for its officers, employees and staff.
- E. A Director or Officer shall not disclose, reveal, or share, by whatever means or method, to any person or entity, any information especially all vital and/or confidential information it has learned, obtained, or acquired in any manner by reason of, and in the course of performing the whole or any portion of his obligation and duties as Director or Officer of BPI/MS without the prior written consent of the Company.

## XIV. COMMUNICATION AND INFORMATION

### Management's Responsibilities for Information

- A. Management is primarily responsible to the Board for financial reporting and control, and to the extent, shall:
  1. Present a balanced and understandable assessment of the BPI/MS's position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;



2. Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
  3. Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
  4. Maintain a sound system of internal control to safeguard stakeholders' investments and the BPI/MS's assets;
  5. Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts;
  6. Require the Chief Audit Executive to render to the Audit Committee an annual report on the internal audit division's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the audit Committee of the Board.
  7. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management.
- B. Management shall be primarily responsible for the adequate flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts and monthly internal financial statements. Any variance between projections and actual results should also be disclosed and explained by Management to the Board.

## **XV. REPORTS AND DISCLOSURES**

The Board shall commit at all times to fully disclose all material information about the company for the benefit of the stockholder.

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

### **Shareholders' Rights**

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

#### **A. Voting Rights**

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



## **B. Pre-emptive Rights**

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

## **C. Right of Inspection**

Shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be provided with an annual report, including financial statements.

## **D. Right to Information**

Upon request and for a legitimate purpose a shareholder shall be provided with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the BPI/MS's shares, dealings with the BPI/MS, relationships among directors and key officers, and the aggregate compensation of directors and officers. The Information Statement/Proxy Statements where these are stated must be distributed to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registrations of share for public offering with the Commission.

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

In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting provided always that this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.

## **E. Right to Dividends**

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

## **F. Appraisal Right**

In accordance with the Corporation Code, stockholders may exercise appraisal rights under the following circumstances:



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

## **XVII. DUTY OF DIRECTORS TO PROMOTE STOCKHOLDERS RIGHTS**

It shall be the duty of the directors to promote stockholder rights, remove impediments to the exercise of stockholders' rights and provide effective redress for violation of their rights. They shall encourage the exercise of stockholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and/or voting in person.

## **XVIII. COMPLIANCE SYSTEM**

The Compliance System of BPI/MS is basically a two-tiered system. The primary level is achieved through self-regulation within each work unit, department, division, group by consciously abiding by provisions of this Manual, adhering to stated company policies, and to BPI/MS's code of conduct.

The secondary level is conducted through the audit function which is performed by both the Internal Audit Division and the Compliance Officer as well as the external auditors appointed by the Board. The compliance review by internal auditors and external auditors, in turn, are reviewed and evaluated by the Audit Committee of the Board of Directors.

## **XIX. EXTERNAL AUDIT**

- A. The Board, through the Audit Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements shall have been prepared and presented.
- B. The External Auditor shall –
  1. Perform fair audits independently from BPI/MS, its management and controlling shareholders, so that shareholders and other users may maintain confidence in BPI/MS's accounting information;
  2. Check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;
  3. Attend the annual stockholders meeting and answer any questions on audit reports and on themselves, their work and their remuneration;



4. Perform such other functions as may be approved by the Board in its engagement of the auditor, provided, however, that non-audit work shall not be in conflict with the functions of the auditor as external auditor.
- C. The External Auditor shall be rotated every five (5) years or earlier, or the handling partner shall be changed.
- D. The reasons for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in BPI/MS's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of the former auditor, would have caused making reference to the subject matter of the disagreement in connection with its reports
- E. If an external auditor believes that the statements made in an annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall also present his views in said reports.

## **XX. COMMUNICATION OF THIS MANUAL**

This Manual shall be available for inspection by any stockholder of BPI/MS at its principal office during reasonable hours on a business day.

## **XXI. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

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