

## MANUAL ON CORPORATE GOVERNANCE

### SUN LIFE GREPA FINANCIAL, INC.

The Board of Directors (the "Board") and management, *i.e.*, officers and staff, of Sun Life Grepa Financial, Inc. ("Corporation" or "SLGFI") hereby commit themselves to the principles and best practices contained in this Manual on Corporate Governance ("Manual") and the applicable laws and regulations which are deemed read into this Manual, and acknowledge that the same may guide the attainment of the Corporation's corporate goals.

#### 1. OBJECTIVE

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

The Board 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. The Company likewise recognizes, and thus puts importance, on the interdependence between business and society. As such, the Company is dedicated to growing its business while contributing to the advancement of society where it operates.

#### 2. COMPLIANCE SYSTEM

##### 2.1 Compliance Officer

2.1.1 To ensure adherence to corporate principles and best practices, the Board shall designate a Compliance Officer, who shall have direct access to the Board, Chief Executive Officer and to the Risk Management Committee. The Compliance Officer shall hold the position of a Vice President or its equivalent with adequate stature and authority in the Corporation. He should not be a member of the Board.

2.1.2 The Compliance Officer shall perform the following duties:

- Monitor compliance with the provisions and requirements of this Manual;
- Monitor, compliance with the provisions and requirements of this Manual review, evaluate and ensure the compliance by the corporation,

its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;

- Appear before the Corporation's supervising Government Agencies upon summons on matters relative to this Manual that need to be clarified by the same;
- Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
- Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
- Identify possible areas of compliance issues and works towards the resolution of the same;
- Ensure the attendance of board members and key officers to relevant trainings;
- Perform such other duties and responsibilities as may be provided by the IC;
- Annually attend a training on corporate governance;
- Issue a certification when necessary, on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reason/s for the latter's deviation from the same, if any;
- Identify, monitor and control compliance risks;
- Sit as a resource person in the Review Committee for Related Party Transactions;
- Ensure that the Corporation complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties;
- Aid in the review of the Corporation's transactions and identify any potential RPT that would require review by the Board or RPT Committee; and
- Ensure that the RPT policy is kept updated and is properly implemented throughout the Corporation.

2.1.3 The appointment of the Compliance Officer shall be immediately disclosed to the Corporation's supervising Government Agencies. All correspondence relative to his functions as such shall be addressed to the Compliance Officer.

## 2.2 Plan of Compliance

### 2.2.1 Board of Directors

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

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

The Board shall be headed by a competent and qualified Chairperson. It shall be composed of directors with a collective knowledge, experience or expertise that is relevant to the company's industry. There must be an appropriate mix of competence and expertise in the Board and its members remain must qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

The Board shall possess the necessary qualifications to effectively participate and help secure objective, independent judgment on company affairs and to substantiate proper checks and balances.

The Corporation adopts a policy on Board diversity. It accepts nominations for directorship of individuals of all ages, ethnicity, culture, skill, competence, knowledge, and gender. The Company recognizes that a diversified Board contributes to optimal decision-making.

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

2.2.1.2 Specific Duties and Functions. To ensure a high standard of best practice for the Corporation and its stakeholders, the Board shall:

- Install a process of selection to ensure a mix of competent directors and officers appointed in accordance with the By-Laws;

- Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives;
- Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- Adopt a system of internal checks and balances and oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential/actual conflicts of interest of board members, management, and shareholders/members;
- As the Board is responsible for defining the Corporation's level of risk tolerance and providing oversight over its risk management policies and procedures, it shall oversee that a sound Enterprise Risk Management (ERM) framework is in place to effectively identify, assess and manage key risk areas and key performance indicators and monitor these factors with due diligence;
- Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be minuted;
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation and By-laws, and in existing laws, rules and regulations; and
- Accomplish the Corporation's Board Effectiveness Questionnaire on an annual basis.
- Oversee the development of and approve the company's business and strategy, and monitor their implementation, in order to sustain the company's long-term viability and strength;
- Maintain an orientation program for first-time directors and relevant continuing training for all directors aimed to promote effective board performance and continuing qualification of the directors in carrying-out their duties and responsibilities. The orientation program for first-time directors shall be for at least eight (8) hours, while the annual continuing training shall be for at least four (4) hours.

- Ensure and adopt an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholder's value, to include adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the company.
- Determine the relationship between remuneration and performance of key officers and board members which should be aligned with the long-term interests of the company; and consider the following key factors: 1) the level of remuneration must be commensurate to the role; 2) no director should participate in the determination of his own per diem or compensation; and 3) remuneration pay-out schedules should be sensitive to risk outcomes over a multi-year horizon.
- Primarily responsible for approving the selection and assessing the performance of the: (i) Management led by the CEO, and (ii) control functions lead by the Risk Officer, Compliance Officer, and Country Audit Head;
- Establish an effective performance evaluation framework that will ensure that the Management, including the Chief Executive Officer or his equivalent, and personnel's performance is at par with the standards set by the Board and Senior Management;
- Identify the Corporation's various stakeholders, promote cooperation between them and the Corporation in creating wealth, growth and sustainability, and provide a mechanism on the fair treatment and protection of stakeholders;
- Builds the corporate culture and motivates the employees of the corporation.
- Disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.
- Have the overall responsibility in ensuring that transactions with related parties and other unusual or infrequently occurring transactions, which pass the materiality threshold are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of policyholders, members, planholders, card holders, claimants, creditors and other stakeholders; including:

- To observe good governance and approve an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged. A group-wide RPT policy shall be adopted, encompassing all entries within the group, taking into account their size, structure, risk profile and complexity of operations.
- To approve all material RPTs, those that cross the materiality threshold, and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the board of directors.
- To receive reports on breaches of internal limits or sub-limits for individual and aggregate exposures to a related party and for aggregate exposures to all related parties, and decide whether to accept the exposure or to take steps to address the breaches, as may be necessary, and to duly document the foregoing in the minutes of the meetings.
- To delegate to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the board of directors.
- To establish an effective system to:
  - a. Determine, identify and monitor related parties and RPTs;
  - b. Continuously review and evaluate existing relationships between and among businesses and counterparties;
  - c. Identify, measure, monitor and control risks arising from RPT; and
  - d. Approve any changes in the policies and procedures regarding the foregoing.
- To maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process.
- To oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing.
- To ensure that senior management addresses legitimate issues on RPT that are raised.
- To ensure that staff who raise concerns are protected from detrimental treatment or reprisals.
- To constitute an RPT Committee.

### **2.2.1.3 Duties and Responsibilities of a Director**

- Act on a fully informed basis, in good faith, and with due diligence and care (Duty of Care);

- Act in the interest of the company and all its shareholders, and not those of the controlling company of the group or any other stakeholder (Duty of Loyalty);
- Conduct fair business transactions with the Corporation and ensure that personal interest does not bias Board decisions;
- Devote time and attention necessary to properly discharge his duties and responsibilities;
- Attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele- /videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations;
- Notifying the Board and assess whether his present responsibilities and commitment to the Corporation will be affected, before accepting a directorship in another company;
- A director with a material interest in any transaction affecting the corporation should abstain from taking part in the deliberations for the same;
- Act judiciously;
- Exercise independent judgment;
- Have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Corporation's supervising Government Agencies, and where applicable, the requirements of other regulatory agencies;
- Observe confidentiality; and
- Ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

#### 2.2.1.4 Director Attributes

Each Director should exhibit the following characteristics in discharging the responsibilities of his role:

- Integrity
- Accountability
- Independent and informed judgment
- Commitment
- Diligence
- Knowledgeable of business issues and financial matters
- Ability to communicate openly and work effectively with fellow Directors and Management.

**Election of Directors and Term of Office.** Under the By-Laws of the Corporation, Directors will be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected or qualified; provided that, Independent Directors shall have a term limit of nine (9) years, subject to such maximum term limits that may be imposed by law or by the Insurance Commission.

#### 2.2.1.5 Duties and Responsibilities of a Chairman

- The Chairman guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- The Chairman ensures that the meeting's agenda focuses on strategic matters, including the overall risk appetite of the corporation, taking into account the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations
- The Chairman facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors and ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management.
- The Chairman makes sure that performance of the Board is evaluated at least once a year and discussed or followed up on if necessary.

#### 2.2.1.6. Position Description for the Independent Director

An Independent Director is a person who:



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

Related company refers to (a) the covered entity's holding/parent company; (b) its subsidiary or affiliate; (c) subsidiaries of its holding/parent company; or (d) a corporation where a covered entity or its majority stockholder own such number of shares that will allow/enable such person or group to elect at least

one (1) member of the board of directors or a partnership where such majority stockholder is a partner.

Independent directors shall have a maximum cumulative term of nine (9) years, after which the independent director shall be perpetually barred from re-election as such in the same company. He may however, continue to qualify for nomination and election as a non-independent director. Subject to meritorious justification and shareholder approval during the annual stockholders meeting, the Board may retain an independent director who has served as such for nine (9) years.

**2.2.2 Board Committees.** To aid in complying with the principles of good corporate governance, the Board shall constitute an Audit and Risk Management Committee, a ~~Remuneration~~ Corporate Governance, Nomination and Remuneration Committee, and a Review Committee on Related Party Transactions.

#### **2.2.2.1 Audit and Risk Management Committee**

2.2.2.1.1 The Audit and Risk Management Committee shall be composed of at least three (3) members of the Board, all or majority of whom shall be independent directors, including a Committee Chair who is an independent director, who are all nominated and appointed thereto pursuant to the By-Laws of the Corporation. Each member shall preferably have experience in accounting or finance, or at least an adequate understanding of, or competence in, most of the Corporation's financial and risk management systems and regulatory environment.

##### **2.2.2.1.2 Duties and Responsibilities:**

Acting as an Audit Committee

- Provide oversight of the Corporation's internal and external auditors, and ensure the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- Appoint an internal auditor as well as an independent external auditor, the audit fee, and any question of resignation or dismissal;
- Coordinate, monitor and facilitate compliance with laws, rules and regulations;

- Evaluate the reporting line of the Country Audit Head so that the reporting level allows the internal audit activity to fulfill its responsibilities;
- Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provide an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders;
- Discuss and agree to the terms of the engagement letter issued by the external auditor prior to the approval of the engagement. Where relevant, the engagement letter should reflect changes in circumstances relevant to the external audit;
- Review the management representation letters before these are transmitted to the external auditor to ensure that items in the letter are complete and appropriate;
- Assess the extent of the cooperation provided by Management during the conduct of the external audit;
- Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, integrity of financial reporting, and security of physical and information assets and require a well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
- Review and approve audit scope and frequency and the annual internal audit plan;
- Discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to the Corporation's total expenditure on consultancy;
- Receive and 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. This shall include the review of the following: (a) examination findings of the Office of the Insurance Commission ("IC"); (b) the management letter of the external auditor; and (c) the monitoring of the implementation by management of their response;

- Be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations;
- Check all financial reports for compliance with pertinent accounting standards, including regulatory requirements;
- Review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices
  - Areas where a significant amount of judgment has been exercised
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements
- Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Corporation's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to its independence. The non-audit work, if allowed, should be disclosed in the Corporation's Annual Report and Annual Corporate Governance Report;
- Elevate to international standards the Corporation's accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
  - A plan to make the accounting system of the Corporation 100% compliant with the International Accounting Standard ("IAS") as and when required by the Securities and Exchange Commission ("SEC"); and
  - Keep current an accountability statement that specifically identifies officers and/or personnel directly responsible for the accomplishment of such task.
  - To conduct a review of the Corporation's material controls in relation to Operations, Compliance and Finance, with commentaries on internal controls and risk management system adequacy

## Acting as Risk Management Committee

- At least annually, identify and review the major areas of risk in respect of the business activities of the Corporation, leveraging the Risk Identification Process and implementing policies or procedures to mitigate any material risks;
- Where necessary, invite specific business unit representatives to make presentations at the meeting in the event that any particular material risks are identified in such business unit;
- Review the Top Ten Risks Report and/or Key Risks Assessment Report presented by the Risk Officer or his designee;
- Review and assess current business practices to identify any material exposure and ways to mitigate the risk/exposure, if any;
- Review at least annually the effectiveness of and compliance with the policies implemented for the management and control of risks pursuant to the Risk Reporting Questionnaire to ensure adherence to risk policies and the relevant operating guidelines;
- Discuss any material regulatory and compliance risks and any emerging risks;
- Review reports on outstanding litigation and any material legal risks or emerging risks; and
- Report to the Board and/or the Corporation's shareholders as to all such matters;

## Acting as Board Risk Oversight Committee (BROC):

- Develops a formal ERM plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals and objectives, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
- Oversees the implementation of the ERM plan through a Management Risk Oversight Committee. The BROC conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;

- Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROCC revisits defined risk management strategies, looks for emerging or changing material exposures, and keeps abreast of significant developments that seriously impact the likelihood of harm or loss;
- Advises the Board on its risk appetite levels and risk tolerance limits;
- Reviews at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and major events which may have occurred in the company;
- Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
- Oversees the Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- Reports to the Board on a regular basis, or as deemed necessary, the company/s material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

#### In General

- Perform such other duties and exercise such powers as may from time to time be assigned to or vested in the Risk Management Committee by the Board of Directors; and
- Evaluate the adequacy of its charter annually.
- The Committee shall regularly hold private sessions with the External Auditor without management present; with the Internal Auditor, Compliance Officer and the Risk Officer, without management or External Auditor present.

#### **2.2.2.2 Corporate and Governance, Nomination and Remuneration Committee**

2.2.2.2.1 The Corporate Governance, Nomination and Remuneration Committee shall be composed of at least three (3) members of the Board, all

or majority of whom shall be independent directors, including a Committee Chair who is an independent director, who are all nominated and appointed thereto pursuant to the By-Laws of the Corporation. The members are appointed by the Board on an annual basis following each annual meeting.

A meeting of the Committee may be called at any time by the Chairman of the Board, the Committee Chair, or by two (2) members of the Committee. The Committee meets as frequently as necessary, but not less than once a year. A quorum at any meeting of the Committee shall be a majority of its members.

On an annual basis, the Committee will review its Charter and Forward Agenda, and where necessary, recommend changes to the Board for approval.

#### **2.2.2.2.2 Duties and Responsibilities**

- Recommend persons to fill any vacancy on the Board, which the Board may fill pursuant to the Corporation's By-Laws, directors to be appointed to committees of the Board, and nominees for election or re-election as directors;
- Consider potential director candidates from a list of nominees submitted to it;
- Consider and if thought fit after consulting the President, approve requests from directors of Board committees for the engagement of special advisors at the expense of the Corporation, in respect of any matter or issue for which independent advice is required. In this regard, the Corporation should retain the services of a search firm to assist in the selection of suitable candidates to fill any vacancy in the Board;
- Establish a formal and transparent board nomination and election procedure, including an assessment of the effectiveness of the procedure in the nomination, election and replacement of a director;
- Review and evaluate the qualifications of persons nominated in the Board, including whether candidates: (1) possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and in light of the entity's business and risk profile; (2) have a record of integrity and good repute; (3) have sufficient time to carry out their responsibilities; and (4) have the ability to promote a smooth interaction between board members.

- Monitor the qualifications of the directors.
- Develop the approach of the Corporation to corporate governance matters:
  - monitoring, on a continuing basis, the effectiveness of the corporate governance process within the Corporation; and
  - making recommendations to the Board as to all such matters.
- Review and assess the following matters and make recommendations annually to the Board and/or the Corporation's shareholders with regard thereto:
  - the process related to meetings of the Board, including timing and frequency of meetings, content of agendas and informational requirements of the directors;
  - the mandates or charters of the committees of the Board;
  - the adequacy of directors and officers liability insurance coverage;
  - the process for the assessment of the contributions of individual directors; and
  - the effectiveness of the Board as a whole and each committee of the Board.
- Review and assess the following matters and make recommendations annually to the Board and/or the Corporation's shareholders with regard thereto:
  - the compensation of directors; and
  - the compensation of the President and the performance-based bonus of eligible employees, including secondees from Sun Life of Canada Philippines, Inc. (SLOCPI).
- Report to the Board and/or the Corporation's shareholders as to all such matters;
- Oversee the implementation of the corporate governance framework and periodically review the said framework to ensure that it remain appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;



- Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- Proposes and plans relevant trainings for the members of the Board;
- Determines the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board;
- Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates; and
- Perform such other duties and exercise such powers as may from time to time be assigned to or vested in the Committee by the Board. The Board has delegated the following to the Remuneration Committee: a) approval of the redundancy package in a resolution dated 12 December 2011, and b) approval of the executives' compensation and annual increase in a resolution dated 13 March 2013.

### **2.2.2.3 Review Committee for Related Party Transactions.**

2.2.2.3.1 Review Committee for Related Party Transactions. The Review Committee for Related Party Transactions ("RPT Committee") shall be composed of at least three (3) members of the Board, at least two (2) of whom are Independent Directors, including the Committee Chair, and who are appointed by the Board on an annual basis following each annual meeting. Each member shall have at least an adequate understanding of the Corporation's ownership structure, i.e., parents, affiliates, and subsidiaries, and table of organization for employees. In case a member has a conflict of interest in a particular related party

transaction ("RPT"), he shall refrain from evaluating that particular transaction. The Compliance Officer or Internal Auditor may sit as resource persons in the RPT Committee.

a. The RPT Committee shall apply the following definitions:

- "Related Parties" shall cover the Corporation's subsidiaries, affiliates, and special purpose entities that the Corporation exerts direct/indirect control over or that exerts Significant influence over the Corporation; the directors, officers; stockholders and related interests and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person/juridical entity whose interest may pose a potential conflict with the interest of the Corporation, hence is identified as a related party.
- "Significant Influence", as defined by PAS 24, is the power to participate in the operating and financial policy decisions of an entity; it is not control over those policies. It may stem from share ownership, statue or agreement and may be exercised by representation on the Board of Directors, participation in the policy-making process, material inter-company transactions, interchange of management personnel and dependence on technical information.
- "Close Family Members" are persons related to the Corporation's directors, officers, and stockholders ("DOS") within the second degree of consanguinity or affinity, legitimate or common-law. These shall include the spouse, parent, child, brother, sister, grandparent, grandchild, parent-in-law, son-daughter-in-law, brother-/sister-in-law, grandparent-in-law, and grandchild-in-law of the Corporation's DOS.
- "Corresponding persons in affiliated companies" are the DOS of the affiliated companies and their close family members.
- Under Section 290 of the Insurance Code, as amended by R.A. No. 10607, "Control" is presumed to exist if any person directly or indirectly owns, controls or holds with the power to vote forty percent (40%) or more of the voting securities of any other person. Provided, that no person shall be deemed to control another person solely by reason of his being an officer or director of such other person.
- "Control" of an enterprise exists when there is:

- Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
  - Power to appoint or remove the majority of the members of the Board of Directors; or
  - Power to cast the majority votes at meetings of the Board of Directors or equivalent governing body; or
  - Any other arrangement similar to any of the above.
- RPT's are transactions or dealings with related parties of the Corporation regardless of whether or not a price is charged. These shall include, but not limited to the following:
    - On-and off-balance sheet credit exposures and claims and write-offs;
    - Investments and/or subscriptions for debt/equity issuances;
    - Consulting, professional, agency and other service arrangements/contracts;
    - Purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements);
    - Construction arrangements/contracts;
    - Lease arrangements/contracts;
    - Trading and derivative transactions;
    - Borrowings, commitments, fund transfers and guarantees;
    - Sale, purchase or supply of any goods or materials;
    - Establishment of joint venture entities; and
    - RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

#### b. Structure and Operations

A meeting of the RPT Committee may be called at any time by the Chairman of the Board, the Committee Chair or by two (2) members of the RPT Committee. The RPT Committee meets as frequently as necessary, but not less than once a year. A quorum at any meeting of the Committee shall be a majority of its members.

On an annual basis, the RPT Committee will review its Charter and the Forward Agenda for the RPT Committee, and where necessary, recommend changes to the Board for approval.

#### c. Duties and Responsibilities

- 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.
- 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 Corporation 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:
  - The related party's relationship to the Corporation and interest in the transactions;
  - The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - The benefits to the Corporation of the proposed RPT;
  - The availability of other sources of comparable products or services; and
  - 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 Corporation 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 Corporation's internal policies shall be endorsed by the RPT Committee to the Board of Directors for approval.
- Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Corporation'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 Corporation's affiliation or transactions with other related parties.
- 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.

- Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
- Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.
- Perform such other duties and exercise such powers as may from time to time be assigned to or vested in the Committee by the Board of Directors.

### 2.2.3 Corporate Secretary and Assistant Corporate Secretary

2.2.3.1 The Corporate Secretary and Assistant Corporate Secretary are officers of the Corporation and perfection in performance and no surprises are expected of them. Likewise, their loyalty to the mission, vision and specific business objectives of the Corporation come with their duties.

2.2.3.2 The Corporate Secretary and Assistant Corporate Secretary shall be Filipino citizens and shall be appointed and perform their roles pursuant to the By-Laws of the Corporation.

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

#### 2.2.3.4 Duties and Responsibilities

- Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation;
- As to the agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting;
- Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations;
- Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so and maintain records of the same;

- Safekeep and preserve the integrity of the minutes of the meetings of the Board, Board committees and shareholders/members, as well as other official records of the corporation;
- Keep abreast of relevant laws, regulations, all governance issuances, industry developments and operations of the corporation, and advises the Board and the Chairperson on all relevant issues as they arise;
- Work fairly and objectively with the Board, Management and shareholders/ members and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and its shareholders/members as well as other stakeholders;
- Advise on the establishment of board committees and their terms of reference;
- Inform members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five (5) working days before the date of the meeting, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- Perform all required administrative functions;
- Oversee the drafting of the by-laws and ensures that they conform with regulatory requirements;
- Perform such other duties as may be provided by the IC;
- Annually attend a training on corporate governance; and
- Submit to the supervising Government Agencies, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

#### **2.2.4 External Auditor**

2.2.4.1 An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation. An external auditor shall be selected and appointed by the stockholders pursuant to the By-Laws of the Corporation upon the recommendation of the Audit Committee.

2.2.4.2 The reason/s for the resignation, dismissal or cessation from service, and the date thereof, of an external auditor shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

2.2.4.3 The external auditor shall not at the same time be the Corporation's internal auditor. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

2.2.4.4 The external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.

## 2.2.5 Internal Auditor

2.2.5.1 The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or group of internal auditors through which the Board, senior management, and stockholders shall be provided with reasonable assurance that the Corporation's key organizational and procedural controls are effective, appropriate, and complied with.

2.2.5.2 The Internal Auditor shall present his report to the Audit Committee.

2.2.5.3 The minimum internal control mechanisms for management's operational responsibility shall center on the Chief Executive Officer, being ultimately accountable for the Corporation's organizational and procedural controls.

2.2.5.4 The scope and particulars of the Corporation's system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of the business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

2.2.5.5 The Internal Audit function shall conduct a period formal review of the effectiveness of the Corporation's system and internal controls governing RPTs to assess consistency with the board-approved policies and procedures. The resulting audit, reports, including exceptions or breaches in limits, shall be communicated directly to the Audit Committee and the RPT Committee.

#### 2.2.5.6 Other specific functions of the Internal Auditor are as follows:

- Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
- Performs consulting and advisory services related to governance and control as appropriate for the organization;
- Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;
- Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- Evaluates specific operations at the request of the Board or Management, as appropriate; and
- Monitors and evaluates governance processes.

### 3. COMMUNICATION PROCESS

- 3.1 This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.
- 3.2 All directors, executives, department and section heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
- 3.3 An adequate number of printed copies of this Manual must be reproduced under the supervision of the Human Resources Department, providing a minimum of at least one (1) copy of the Manual per department.

### 4. TRAINING PROCESS

- 4.1 If necessary, funds shall be allocated by the Chief Financial Officer for the purpose of conducting an orientation program or workshop to put this Manual into operation.



## 5. REPORTORIAL OR DISCLOSURE SYSTEM OF CORPORATE GOVERNANCE POLICIES

- 5.1 The reports of disclosures required under this Manual shall be prepared and submitted to the Corporation's Supervising Government Agencies by the responsible Committee or officer through the Corporation's Compliance Officer.
- 5.2 All material information shall be disclosed. Such information shall include earning results, acquisition or disposal of assets, Board changes, related party transactions, shareholdings of directors, and changes in share ownership.
- 5.3 All disclosed information shall be released via the approved procedure for corporate announcements.
- 5.4 The Board shall commit at all times to fully disclose material dealings. It shall cause the filing of all required information in the interest of the stakeholders.
- 5.5 The Board shall commit to adopt a globally recognized standard/framework in disclosing non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.

## 6. SHAREHOLDERS' BENEFIT

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

### 6.1 Shareholders' Rights and Protection

#### 6.1.1 Rights of Shareholders/Minority Shareholders

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

##### 6.1.1.1 Voting Right

6.1.1.1.1 Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code and the Corporation's By-Laws.

6.1.1.1.2 Cumulative voting shall be used in the election of directors.

6.1.1.1.3 A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

6.1.1.1.4 Pursuant to the By-Laws of the Corporation, the majority shareholder, GPL Holdings, Inc. ("GPLH"), has the right to nominate from time to time, four (4) directors, one of whom will be an independent director. The minority shareholder, Sun Life Financial Philippine Holding Company, Inc. ("Sun Life"), has the right to nominate from time to time, four (4) directors, one of whom will be an independent director. The majority shareholder, GPLH shall have the right to nominate candidates for the third independent director, and Sun Life will approve one of GPLH's nominees, which approval Sun Life will not unreasonably withhold.

#### 6.1.1.2 Pre-emptive Right

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

#### 6.1.1.3 Power of Inspection

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

#### 6.1.1.4 Right to Information

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

6.1.1.4.2 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.

6.1.1.4.3 The 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 which management is mandated to provide information on. If such matters are not included in the agenda of the stockholders' meeting, then the minority shareholders shall be allowed to propose to include such matters in the agenda, the same being within the definition of legitimate purposes.

#### 6.1.1.5 Dividend Policy

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

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

6.1.1.5.3. The cutoff date to determine the stockholders entitled to dividends shall be as approved by the Board.

6.1.1.5.4. Once declared, dividends are payable within 28 days after all necessary regulatory approvals are secured; provided, that if such date of distribution does not fall on a business day in Manila or Amsterdam, the dividend will be distributed on the immediately preceding day that is a business day in Manila or Amsterdam; provided further, that after the distribution the Corporation shall still have sufficient retained earnings.

#### 6.1.1.6 Appraisal Right

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 81 of the Revised Corporation Code, under any of the following circumstances:

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

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

## 6.2 Conduct of Shareholders' Meetings

Notice of Annual and Special Shareholders' Meeting, containing the date, location, meeting agenda and its rationale and explanation, and details of issues to be deliberated upon and approved or ratified at the meeting, among others, shall be sent to the shareholders at least 21 days before the scheduled meeting.

After the Shareholders' Meeting, results of the votes on matters taken thereat shall be made publicly available the next working day. Minutes of the said meeting shall likewise be available on the company website within five (5) business days from the date of the meeting.

## 6.3. Alternative Dispute Resolution

The Board should have an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.

## **7. MONITORING AND ASSESSMENT**

- 7.1 Each committee shall report regularly to the Board of Directors.
- 7.2 The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation of the provisions of this Manual shall subject the responsible officer or employee to the appropriate penalty provided for under Part 8 of this Manual.
- 7.3 The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's annual report or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.
- 7.4 The Compliance Officer's report on compliance with this Manual shall be submitted to the Corporation's supervising Government Agencies annually and shall include, among others, the following disclosures:
  - timeliness and regularity of meetings of the Board of Directors;
  - timeliness and regularity of meetings of all Board Committees;
  - directors' possession of all qualifications and none of the disqualifications required by the Code of Corporate Governance;
  - directors' attendance in required seminars on corporate governance; and
  - consistency of business processes and practices with the best practices requirement of this Manual.
- 7.5 This Manual shall be subject to annual review unless the Board resolves otherwise.
- 7.6 All business processes and practices being performed within any department or business unit that are not consistent with any portion of this Manual shall be revoked unless modified or upgraded to be in conformity with the Manual.

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

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

- Reprimand, for a first violation;
  - Suspension from office, for a second violation. The duration of the suspension shall depend on the gravity of the violation; and
  - The maximum penalty of removal from office, for a third violation.
- 8.2 The commission of a third violation of this Manual by a member of the Board shall be a sufficient cause for his removal from directorship.
- 8.3 The Compliance Officer shall be responsible for determining violation/s and shall recommend to the Chairman of the Board, after notice and hearing, the proper penalty for such violation, for further review and approval of the Board.