



AFPGEN

CORPORATE GOVERNANCE CODE OF 2013

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COMMITMENT TO GOOD CORPORATE GOVERNANCE

WE, the Board of Directors and the Management of the Armed Forces and Police General Insurance Corporation (AFPGEN) commit ourselves to pursue the highest standards of corporate governance in the performance of our tasks and duties. We are fully cognizant of our fiduciary duties, accountabilities and responsibilities to all stakeholders and we shall ensure that the attainment of corporate goals should faithfully abide by strict ethical standards.

In the performance of its duties and responsibilities, the Board shall be the exemplary model of corporate governance best practices and shall:

1. Decide with due diligence and in the best interest of the Company and its stakeholders;
2. Safeguard any information proprietary to the Company;
3. Avoid any conflict of interest, to ensure that personal interest does not compromise Board decisions;
4. Disclose any relationship that can adversely affect a Director's independence;
5. Promote activities that institutionalize good corporate governance practices within the organization.
6. Foster a non-discriminatory work and business environment;
7. Ensure the prudent use of Company resources;
8. Exercise Board authority within the powers of the Company as prescribed in the Articles of Incorporation, By-laws and in existing laws, rules and regulations.

The Board will fulfill the three significant roles of the Board: fiduciary (stewardship of the assets), strategic (pursuit of the mission and vision) and generative (questioning, exploring and generating ideas)¹. The Board shall engender an atmosphere of trust and respect to permeate all aspects of the relationship among the Board members and between the Board and the Management.

¹ Governance as Leadership by Richard P. Chait, William P. Ryan, and Barbara E. Taylor.

PREAMBLE

Corporate Governance refers to the “framework of rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their regular duties and responsibilities to the stakeholders”².

The framework for corporate governance is drawn mainly from the Philippine Corporation Code and supplemented by the Code of Corporate Governance issued by the Insurance Commission (Circular Letter No. 31-225 issued on September 26, 2005)

OBJECTIVE

This Code institutionalizes the principles and practices of good Corporate Governance in AFPGEN, in accordance with the objectives of the *Code of Corporate Governance issued by the Insurance Commission* (IC) to instill corporate accountability and to promote the interest of the stakeholders specifically those of policyholders, claimants and clients.

² Philippine Securities and Exchange Commission (SEC) Circular No. 6 Series of 2009
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BRIEF HISTORY

AFPGEN was incorporated on March 22, 1979 as the AFPMBAI General Insurance Corporation (AFPMBAI-GIC), being a spin-off of the non-life insurance business of the AFP Mutual Benefit Association, Incorporated (AFPMBAI).

AFPMBAI, through the issuance of Letter of Instruction (LOI) No. 596 on September 9, 1977, was granted the authority to engage in the non-life insurance business. Pursuant to LOI 596, the Insurance Commission issued Certificate of Authority No. 144-0 on October 25, 1977. On this same date, the first fire insurance policy was written covering the structures and facilities of the Armed Forces of the Philippines (AFP). In 1978, the Insurance Commission directed the AFPMBAI to separate its non-life and life insurance operations primarily because of the different accounting systems required by the two businesses. On December 20, 1980, AFPGEN started full operations as the insurer of the AFP non-life assets and issuer of surety bonds for the bidders and suppliers of the AFP and other selected clients.

In recognition of its distinct identity from its parent, the company's name, AFPMBAI-GIC, was shortened to AFP General Insurance Corporation (AFPGIC). The Securities and Exchange Commission (SEC) approved this change of name on July 8, 1986. AFPGIC is more popularly known in the industry as AFPGEN. On November 20, 2002, the Insurance Commission issued a certification lifting AFPGEN's limited authority to engage in non-life insurance business within the military and the police. Presently, AFPGEN's authority to engage in non-life business extends to the private sector.

AFPGEN is a private corporation which is a wholly owned subsidiary of the AFPMBAI (now renamed Armed Forces and Police Mutual Benefit Association, Inc).

VISION-MISSION-VALUES

VISION

To be a highly professionalized and responsive non-life insurance company preferred by the members and families of the Armed Forces, Police, and other uniformed services, and be recognized as a major player in the industry.

MISSION

We provide quality nonlife insurance products and services to members of the Armed Forces, Police, other uniformed services and their families, and other clients.

IN SUPPORT OF THIS, WE ARE COMMITTED TO:

1. Continue providing the Armed Forces & Police dependable insurance coverage and services exceeding industry norms.
2. Achieve customer satisfaction through prompt issuance of policies, speedy and fair settlement of claims.
3. Give our shareholders an equitable return on their investments while adhering to the highest standards of business conduct.
4. Develop a highly motivated sales force by making them an integral part of the AFGIC family.
5. Promote employee morale through career development and competitive compensation and benefits.
6. Maintain lasting and mutually beneficial relationships with reinsurers and consortia and network with associations in the industry.
7. Undertake civic and corporate social activities for the well-being and development of the community.

VALUES

We ProTeCT

Professionalism – We are a team composed of well-trained, knowledgeable, competent and proficient insurance practitioners adhering to the highest standards of business conduct.

Teamwork – We work and support each other to achieve a common goal.

Commitment – We fulfill our promises to our stakeholders.

Trustworthiness – We are sincere with our words and actions in serving our clients.

DEFINITION OF TERMS

1. **Corporate Governance** – is the system by which companies are directed and managed. It influences how the objectives are set and achieved, how risk is monitored and assessed and how performance is optimized
2. **Company - AFPGEN**
3. **Board of Directors** – refers to the collegial body in AFPGEN that exercises the corporate powers as provided under the Corporation Code of the Philippines. It conducts all business and controls or holds all properties of the Company.
4. **Management** – the body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of business of the corporation.
5. **Executive Director** – refers to a director who is at the same time appointed to head a department/unit within the company.
6. **Non-executive Director** – refers to a Board Member with non-executive functions.
7. **Independent Director** – refers to a person other than an officer or employee of the Company or its parent or subsidiaries or any other individual having any relationship with the Company, which would interfere in the exercise of independent judgment in carrying out the responsibilities of a director. This means that apart from the director's fees and shareholdings, he should be independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with his exercise of independent judgment.
8. **Internal Auditing** – refers to an independent, objective assurance and consulting activity designed to add value and improve the organization's performance. It helps an organization achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
9. **Internal Control** – the process effected by a company's Board of Directors, regarding the achievements of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting and faithful compliance with applicable laws, regulations and internal control policies.
10. **Internal Control System (Environment)** – refers to the framework under which internal controls are developed, implemented, alone or in concert with other policies or

procedures, to manage and control a particular risk or business activities, to which the company is exposed.

11. **Standards of the Professional Practice Internal Auditing (SPPIA)** – refers to the criteria by which the operations of an internal auditing department are evaluated and measured.
12. **Business Risk** – the threat that an event or action will adversely affect an organization’s ability to achieve its business objectives and execute its strategies successfully.
13. **Risk Management** – procedure to minimize the adverse effect of a financial loss by (a) identifying potential sources of loss; (b) measuring the financial consequences of a loss occurring; and (c) using controls to minimize actual losses or their financial consequences.
14. **Stakeholders** – refers to the group of company owners, officers and employees, policyholders, suppliers, creditors and the community.
15. **Independence** – refers to the environment which allows the person or entity to carry out his/her/its work freely and objectively.
16. **Objectivity** – refers to an unbiased mental attitude that requires the person to carry out his/her work in such manner that he/she has an honest belief in his work and that no significant quality compromises have been made. Objectivity requires the person not to subordinate his/her judgment to that of others.
17. **Related Interests** – shall refer to individuals related to each other within the fourth degree of consanguinity or affinity, legitimate or common law and to two or more companies owned or controlled by a single individual or by the same family group or the same group of persons.

THE COMPLIANCE SYSTEM

1. BOARD OF DIRECTORS

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

1.1 General Responsibilities of the Board

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

The Board shall formulate/review/revise from time to time the Company's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor management's performance.

1.2 Size And Composition

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

1.2.2 The Board shall have independent directors constituting 20% of the members of the Board.

1.2.3 The following shall compose the AFPGEN Board:

- Three executive directors:
 - President, MBAI
 - EVP/COO, MBAI
 - President, AFPGEN
- Nine Non-executive Directors
 - Four AFP active service personnel representing the GHQ, PA, PN and PAF;
 - Two PNP active personnel
 - One PCG active personnel
 - One Bureau of Fire active personnel
 - One BJMP active personnel
- Three independent directors

- 1.2.4 The composition shall include a balance of executive and non-executive directors such that no individual or small group of individuals can dominate the Board decision-making.
- 1.2.5 The role of Chairman and the CEO shall be separate to ensure the appropriate balance of power, increased accountability and independence.

1.3 Members of the Board

1.3.1 Qualifications

- a. Should possess the management capabilities in the areas of governance, strategic planning, organizational performance management, finance and human resource preferably in the field of insurance or insurance-related disciplines.
- b. Should be persons of integrity and credibility.
- c. In the case of the non-executive directors, they must possess direct knowledge and access to their organization's non-life insurance requirements and implementation processes.
- d. Should at least be 25 years of age at the time of appointment.
- e. Every director shall own at least one share of capital stock of the Company whose share should be in his name and recorded in the books of the Company.
- f. Should attend a special seminar on corporate governance conducted by a training provider accredited by the Insurance Commission.

1.3.2 Qualifications of the Independent Director

- a. He should not have been an officer or employee of the Company for the last three years immediately preceding his term or incumbency;
- b. He is not related within the fourth degree of consanguinity or affinity, legitimate or common law of any director, officer or majority stockholder of the Company or any of its related companies.
- c. He is not director or officer of the related companies of the majority stockholders;
- d. He is not acting as nominee or representative of any director or substantial shareholder.
- e. He is free from any business relationship with the institution or any stockholders which could materially interfere with his judgment, i.e., has not engaged in any transaction with the Company or related institutions whether by himself or with other persons or through a firm of which he is partner or shareholder.

1.3.3 Disqualifications

- 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:
 - 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;
 - Obligations shall include all borrowings from an insurance company, or its related companies obtained by:
 - 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;
 - The spouse or child under the parental authority of the director or officer;
 - Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
 - 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
 - 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;
- e. Judicially declared to be insolvent;
- f. Finally found guilty by a foreign court or equivalent regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct stated in the foregoing provisions.
- g. Convicted by final judgment of an offense punishable by imprisonment for a period of six (6) years, or a violation of the Corporate Code, committed within five (5) years prior to the date of his election or appointment.

- h. Any independent Director who becomes an officer or employee of AFPMBAI or AFPGEN.
- i. This disqualification should be in effect as long as the delinquency persists.

1.3.4 Temporary Disqualifications

- a. Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules & Regulations, the disqualification to be in effect as long as his refusal persists;
- b. Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during the incumbency, or any twelve-month period during said incumbency, the disqualification to apply for the purposes of the succeeding election;
- c. Dismissal/termination from directorship in another corporation for cause, the disqualification to be in effect until he has cleared himself of any involvement in the alleged irregularity;
- d. Being under preventive suspension by the Company.
- e. Holding the position of director or officer in more than four (4) other corporations.
- f. Holding the position of majority stockholder, director, trustee, officer, employee, agent or general agent, officer or employee of a general agent of any corporation engaged in a business determined to be competitive or antagonistic to that of AFPGEN.
- g. Temporary disqualifications may be remedied within 60 business days from such disqualification. Otherwise, it becomes a permanent disqualification.

1.4 Election of Board Directors

1.4.1 All members of the Board are annually elected by stockholders of the Corporation.

1.4.2 In case of re-assignment of non-executive officers, the head of office will be given notice that the present representative is an AFPGEN Director with a term of one year. The same notice will likewise inquire if the subject director will be allowed to finish the term. If the head of office opts to change the representation, he shall recommend for his nominee to replace the present representation, who will then be subject to the evaluation of the Governance Committee and the approval of the Board.

1.4.3 In case of a vacancy created by retirement of a non-executive director, the concerned office will be asked for its nominee who will then be subject to the evaluation of the Governance Committee and the approval of the Board.

- 1.4.4 In case of the vacancy for the position of an independent director, the Governance Committee is tasked to search for candidates.

1.5 Term of Office

- 1.5.1 The executive directors shall have a term of office co-terminus with their positions.
- 1.5.2 The non-executive directors shall have a term of office of one year subject to re-election every year, unless sooner terminated.
- 1.5.3 An Independent Director can be re-elected for 5 consecutive years. There will be a 2-year gap before he can be re-elected yearly for another 4 years. The Independent Director is barred from being elected after this nine-year term.

1.6 Duties and Functions of the Board

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

- 1.6.1 Review and approve a strategic plan for the company.
- 1.6.2 Provide sound strategic policies and guidelines in core areas of operations and periodically evaluate and monitor their implementation, including business plans, operating budgets and Management's over-all performance as well as dealings with policyholders, claimants and creditors.
- 1.6.3 Provide oversight over the following major concerns:
- Risk management system to specifically manage the underwriting, reinsurance, investments, financial and operational risks of the company;
 - Control framework
 - Compensation philosophy
- 1.6.4 Constitute an Executive Committee, Audit Committee, Governance Committee and such other committee/s it deems necessary to assist the Board in the performance of its duties.
- 1.6.5 Install a process of selection to ensure appointment of a mix of competent Directors and Officers who are qualified to administer insurance affairs soundly and effectively. Plan succession including appointing, training, and fixing the compensation.

- 1.6.6 Appoint the Chief Executive Officer.
- 1.6.7 Present to members and shareholders a balanced, understandable assessment of the company's performance and financial status.
- 1.6.8 Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between the Company and its parent company, joint ventures, associates, affiliates, officers and directors including their spouses, children, siblings and parents and or interlocking director relationships b members of the Board.
- 1.6.9 Ensure the company's compliance with all applicable laws, rules and regulations and best business practices;
- 1.6.10 Appoint a Corporate Secretary who shall be responsible for the safekeeping and preservation of the integrity of the minutes of meeting of the Board and its committees, as well as the other official records of the company and ensure that all Board procedures, rules and regulations are strictly followed by the members; and
- 1.6.11 Appoint a Compliance Officer who is responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.
- 1.6.12 Appoint a Chief Risk Officer who is responsible for identifying, assessing and mitigating significant competitive, regulatory and technological risks across the enterprise.

1.7 Duties and Responsibilities of a Director

A Director shall have the following specific duties and responsibilities:

- 1.7.1 To exercise duty of care and loyalty to AFPGEN, conduct fair business transactions and ensure that personal or sectoral interest does not influence his decisions during Board meetings.

Duty of care should mean a requirement that a person act toward others and the public with watchfulness, attention, caution and prudence that a reasonable person in the circumstances would. If a person's actions do not meet this standard of care, then the acts are considered negligent, and any damages resulting may be claimed in a lawsuit for negligence.³

³ Copyright © 1981-2005 by Gerald N. Hill and Kathleen T. Hill. All Right reserved.)
From www.freedictionary.com

Duty of care is also defined as the responsibility or the legal obligation of a person or organization to avoid acts or omissions (which can be reasonably foreseen) to be likely to cause harm to others. Specifically, duty of care is owed by an accountant in correctly preparing a company's accounts, by an auditor in confirming an company's financial statements correctly present its financial position; by a director to shareholders in husbanding the enterprise's resources; by a manufacturer to consumers for the safety of product; and by every party to a contract to the other contracting parties.⁴

- 1.7.2 To refrain from using his position to make profit or acquire benefit or advantage for himself and/or his related interest. He shall fully disclose any actual or potential conflict of interest should this arise and shall not participate in decision making which shall involve actual or potential conflict of interest;
- 1.7.3 To attend and actively participate in the Board and Committee Meetings;
- 1.7.4 To act judiciously and exercise independent judgment in deciding matters brought before the Board of Directors;
- 1.7.5 To respect and uphold all decisions made by the Board as a collegial body. No member of the Board shall undermine a decision of the Board's majority. A mechanism for airing of grievances or disagreement on certain Board decisions must likewise be set in place.
- 1.7.6 To keep himself well-informed of the Corporation's condition and acquaint himself with industry developments and business trends in order to safeguard the corporations competitiveness;
- 1.7.7 To have a working knowledge of the statutory and regulatory requirements affecting the Company and its operations, including the provisions of its Articles of Incorporation and By-Laws, the requirements of the Insurance Commission and the Securities of Exchange Commission and where applicable, the requirements of other regulatory agencies having jurisdiction over the company;
- 1.7.8 To observe the confidentiality of non-public information acquired by him by reason of his position as a director. He shall not disclose any information to any person without the authority of the Board of Directors;

⁴ <http://www.businessdictionary.com/definition/duty-of-care.html#ixzz2hh6CeIPG>

1.7.9 To perform such other functions incidental or necessary to the foregoing duties and responsibilities.

1.8 Powers and Duties of the Chairman of the Board

The Chairman of the Board of Directors shall have the following powers and duties:

- 1.8.1 Preside at all meetings of the stockholders and of the Board of Directors.
- 1.8.2 Cast the deciding vote in case of a tie in the meetings of the stockholders and of the Board of Directors.
- 1.8.3 Ensure that the Board has all the necessary information and resources in order for them to fulfill their roles.
- 1.8.4 Ensure that the directors continually update their skills, knowledge and familiarity with the company's goals and objectives.
- 1.8.5 Ensure compliance with the corporate governance policies and practices and that the meetings of the Board are held in accordance with the By-Laws.

1.9 Board Remuneration

The Board shall set compensation levels adequate to attract and retain qualified Directors. Compensation of Directors shall be competitive and take into account the duties and other commitments imposed upon them.

The Board shall establish a formal and transparent procedure for developing a policy on executive remuneration packages of Company officers and Directors and provide oversight over remuneration of senior management and other key personnel ensuring compensation is consistent with the Company's culture, strategy and control environment.

1.10 PERFORMANCE EVALUATION

- 1.10.1 An annual performance evaluation of the Board, its Committees and its individual directors shall be conducted.
- 1.10.2 The Chairman shall act on the results of the performance evaluation recognizing the strengths and addressing the weaknesses of each director.

2. BOARD COMMITTEES

The board shall meet monthly and shall schedule special meetings as deemed necessary.

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

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

Upon the recommendation of the Governance Committee, the Board shall designate the chairman and vice-chairman of each Board Committee during the Board of Directors organizational meeting following the meeting of stockholders at which the directors and the committee members are elected. In case of any vacancy in a committee, the Board shall appoint a replacement who will fill the vacancy at any meeting of the Board.

A Board Committee may, at its option, seek the organization of an appropriate committee Technical Working Group (TWG) for matters it may deem necessary for evaluation. Findings of the Technical Working Group (TWG) may be considered in the deliberation of the appropriate committee.

2.1 Executive Committee

2.1.1 There shall be a permanent Executive Committee of five (5) members duly elected by the Board with power to pass and act upon matters as the Board may entrust to it for action. Actions of the Executive Committee regarding controversial matters shall be subject to the confirmation by the Board.

2.1.2 The Executive Committee shall have the following functions:

- a. Approve transactions based on authorities delegated by the Board. The delegated authorities shall be detailed in the Executive Committee Charter.
- b. Conduct a monthly and an annual operational review.
- c. Review the investment activities of Management.
- d. Endorse investment proposals beyond the authorities of Management and the Execom.
- e. Review the financial operations.
- f. Evaluate the strategic and operational plans.
- g. Evaluate project and program proposals beyond the authority of Management.

2.2 Audit and Risk Management Committee

- 2.2.1 The Audit and Risk Management Committee shall be composed of at least three but no more than five members, all of whom shall be directors of the Board. They should preferably possess accounting and finance backgrounds. One of the five (5) members should be an independent director and another member should have related audit experience. No member of Management should sit as a member of the Committee.
- 2.2.2 The Chairman of the Committee shall not chair any other Board Committee.
- 2.2.3 The Audit Committee shall have the following functions:
- a. Provide oversight over the senior management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation;
 - b. Review the adequacy and effectiveness of risk management systems in place.
 - c. Provide oversight of the Company's internal and external auditors, review and approve audit scope and frequency as well as the annual audit plan;
 - d. Approve the annual internal audit plan and ensure that the internal auditor shall have free and full access to company records, properties and personnel relevant to the internal audit activity.
 - e. Recommend on the appointment of external auditors, and ensure coordination where more than one audit firm is involved;
 - f. Monitor the system of internal controls and corporate compliance with laws, regulations and code of ethics;
 - g. 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;
 - h. Pre-approve audit and non-audit services provided by external audit entities;
 - i. Review and recommend approval of the annual audited financial statements;
 - j. Ensure that there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, reassignment or dismissal of the Chief Audit Executive (Based on the Standards, the Head of Internal Audit is called the Chief Audit Executive -CAE);
 - k. Review the effectiveness of the Internal Audit function, including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
 - l. Review with management and the CAE the charter, activities, staffing and organizational structure of the internal audit function.

- m. At least once a year, review the performance of the CAE and concur with the annual compensation and salary adjustment.

2.3 Governance Committee

2.3.1 The Governance Committee shall advise the Board on corporate governance and human resource management matters.

2.3.2 It shall be composed of at least three (3) directors, one of whom shall be an independent director.

2.3.3 The Governance Committee shall have the following functions:

- a. To advise the Board on corporate governance, nomination and remuneration matters. This will include but not be limited to the institution of a system of rules and regulations to define the duties and responsibilities of every officer and employee for good governance consistent with the fiduciary responsibility of the corporation.
- b. To review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors. It should prepare a description of the roles and capabilities required of a particular appointment.
- c. Evaluate issues related to Corporate Governance, nomination and remuneration and endorse its recommendation to the Board for approval.
- d. Evaluate where to position the company's compensation structure relative to other companies in the industry and in consideration of the prospects for a corresponding improvement in performance. It should ensure a compensation system that provides performance oriented incentives to management.
- e. Provide the system for setting up the remuneration of directors and senior executives.
- f. Disallow any director from deciding his own remuneration.
- g. Require that all officers and directors accomplish a Full Business Interest Disclosure Form as part of pre-employment requirements to compel them to declare under penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict with the performance of their duties once hired.
- h. Review the existing organizational systems to strengthen provisions on conflict of interest, remuneration, promotion and career advancement and compliance to statutory requirements.
- i. Require quarterly reports from the Corporate Secretary attesting to the accuracy of the Board's compliance to the Corporate Governance Code and from the Compliance Officer and the Corporate Legal Counsel attesting to the Company's

compliance to all laws and statutory requirements in the conduct of day-to-day transactions.

3. COMPLIANCE OFFICER

3.1 To ensure the Company's adherence to the guidelines set herein, the Chairman of the Board shall designate a Compliance Officer who shall hold at least the position of Vice-President or its equivalent. He shall have reporting responsibilities to the Chairman of the Board through the Chairman of the Governance Committee and shall be tasked to perform the following duties:

- Responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.
- Monitor compliance with the provisions and requirements of this Code;
- Determine the violations against the Code and recommend appropriate sanctions and/or penalties for violation thereof, for further review and approval of the Board of Directors;
- Identify, monitor and control compliance risks;
- Appear before government agencies, if necessary;
- Prepare and submit to the Insurance Commission all reports or disclosures required under the IC Code; and
- Annually prepare and comply with the guidelines set by the Insurance Commission (IC) on the Corporate Governance Scorecard.

4. CORPORATE OFFICERS

4.1 President

4.1.1 The President is elected by the Board and shall be chosen by the Board of Directors. He shall have a fixed term of three years renewable for another one year term and further renewable for another term of one year.

4.1.2 He shall be the Chief Executive Officer (CEO) of the Company and shall have general supervision of the business affairs and properties of the Company. He shall likewise perform the following functions:

- a. Execute all contracts entered into on behalf of the Corporation which have been approved or authorized by Board;

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

4.2 Treasurer

4.2.1 The Treasurer shall be appointed annually by the Board of Directors. He shall have charge of the funds, securities, receipts and disbursements of the Company. He shall have the following functions:

- a. Deposit or cause to be deposited all moneys and other valuable effects in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositories as the Board may from time to time designate;
- b. Regularly and at least every quarter render to the President or to the Board an account of the fund condition of the Corporation and of all his transactions as such;
- c. Ensure funds availability on a timely basis and at the most economical means;
- d. Optimize yields in temporary excess funds;
- e. Provide relevant and timely capital market information;
- f. Ensure appropriate coverage and management of risk to resources.
- g. The Treasurer shall have such other responsibilities as the Board of Directors may impose upon him.

4.3 Chief Finance Officer (CFO)

4.3.1 The Chief Finance Officer shall be the appointed annually by the Board of Directors. The CFO who may also be the Treasurer of the Corporation shall be responsible for the following:

- a. Provide management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals;

- b. Maintain the integrity of accounting records as the basis of financial statements and reports provided to management for decision-making and to government regulatory bodies in compliance with statutory requirements;
- c. Promote confidence in the Corporation by addressing the various information requirements of the buying public and ensuring that all other legal reportorial obligations to various entities are complied with;
- d. Strengthen internal controls by monitoring compliance with policies; recommend to management appropriate actions and changes in systems and procedures as necessitated by circumstances.
- e. The Chief Finance Officer shall have such other responsibilities as the Board of Directors may impose upon him.

4.4 Corporate Secretary

4.4.1 The Corporate Secretary shall be appointed annually by the Board of Directors. He shall be a Filipino citizen and must be a resident in the Philippines. He shall be a member of the bar and must have basic financial and accounting skills.

4.4.2 He shall have the following duties:

- a. Keep accurate minutes of all meetings of the Stockholders, of the Board, and of the Board Committees and attend to the sending of all notices required by the By-Laws;
- b. Act as custodian of the Corporate Seal, Stock Certificates Books, Stock and Transfer Books, records, documents and papers of the Corporation, prepare ballots for the annual elections and keep a complete and up to date list of stockholders and their addresses;
- c. Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- d. Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- e. Perform such other duties that may be assigned to him from time to time by the Board or Chairman, and such other duties incidental to his office;
- f. Prepare such reports and statements as are required by the Board and/or Chairman.
- g. Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the Board of Directors during the Board meetings.

4.4.3 The Corporate Planning Department shall provide administrative and technical support to the Board and Executive and Governance Committees.

4.4.4 The Internal Audit Department shall provide the administrative and technical support to the Audit and Risk Management Committee.

5. INTERNAL CONTROL AND RISK MANAGEMENT

5.1 The control environment is composed of: a) the Board which ensures that the Company is appropriately and effectively managed and controlled; b) a Management that actively manages and operates the Company in a sound and prudent manner; c) the organizational and procedural controls supported by an effective management information system and risk management reporting system; and d) the independent audit mechanisms to monitor the adequacy and effectiveness of the organization's governance, operations, information systems, to include the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts.

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

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

5.4 A definitive timetable shall be developed to elevate the accounting and auditing processes, practices and methodologies to be 100% compliant to the International Accounting Standards. An accountability statement will be drawn to identify officers and/or personnel directly responsible for the accomplishment of said task.

6. INTERNAL AUDITOR

6.1 The Company shall have in place an independent internal audit function which shall be performed by an internal auditor under the Office of the president, through which its directors, senior management and the stakeholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.

6.2 The IA shall report to the Audit Committee.

7. EXTERNAL AUDITOR

7.1 The Audit and Risk Management Committee shall recommend an External Auditor duly accredited by the Insurance Commission for appointment by the Board.

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

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

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

8. PUBLIC ACCOUNTABILITY

8.1 The Company shall ensure that its dealing with the public shall always be conducted in a fair, honest and equitable manner. The Officers of the company shall avoid conflict of interests and shall not engage in any unfair or deceptive acts or conduct that constitutes unfair trade practices detrimental to policyholders and claimants.

8.2 Overlapping interests shall be disclosed to the Board to include any material transaction involving such interests. The approval of the Board shall be obtained for material related party transactions.

8.3 Related party transactions shall be conducted in terms that are at least comparable to normal commercial practices to safeguard the best interest of the Company, its policy holders, claimants and creditors.

9. FINANCIAL REPORTING

9.1 The Board shall ensure the timely and accurate disclosure of all material matters, including the financial condition, performance, ownership and governance of the company.

9.2 A fair and timely cost efficient access to relevant information shall be provided to all parties having legitimate interest in the Company.

9.3 The Board shall ensure faithful compliance with the financial and other reportorial requirements under the Insurance Code using a standard format provided by the Insurance Commission.

10. IMPLEMENTATION AND ENFORCEMENT

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

10.2 Any violations of this Code by any member of the Board, after notice and hearing, shall be sufficient cause for removal.

10.3 The Compliance Officer is responsible for determining any violation and, subject to due process, shall recommend to the Chairman, the investigation thereof and the determination of action regarding the concerned director, subject to the review and approval of the Board.

10.4 All other violations by the officers and staff of AFPGEN shall be dealt with in accordance with the Company's Employee Code of Conduct.