

**Intellicare**

YOUR INTELLIGENT HEALTH CHOICE

# MANUAL ON CORPORATE GOVERNANCE

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By: Enterprise Risk Management and Compliance Department

### Document Edit History

Version	Author	Remarks/ Changes	Revised By/Date
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The Code is arranged as follows: Principles, Recommendations, and Explanations. The Principles can be considered as high-level statements of corporate governance good practice, and apply to all ICRCs. The Recommendations are objective criteria that are intended to identify the specific features of corporate governance good practice that are recommended for companies operating according to the Code. Alternatives to a Recommendation may be justified in particular circumstances if good governance can be achieved by other means. When a Recommendation is not complied with, the company must disclose and describe the non-compliance, and explain how the overall Principle is being achieved. The alternative should be consistent with the overall Principle. The annual corporate governance report shall contain the descriptions and explanations written in plain language and a clear, complete, objective, and precise manner so that shareholders and other stakeholders can assess the company's governance framework. The Explanations strive to provide companies with additional information on the recommended best practice.

Two (2) copies of a fully accomplished ACGR shall be filed with the Insurance Commission on or before May 30 of the following year. Each copy of the ACGR shall be duly notarized and shall bear the original and manual signatures. The ACGR shall be certified under oath by (1) Chairman of the Board; (2) CEO or President; (3) All Independent Directors; (4) Corporate Governance Compliance Officer; and (5) Corporate Secretary. The ACGR shall cover all relevant information from January to December of the given year.<sup>1</sup>

## V. Governance Landscape

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The Board of Directors is responsible for the overall direction and control of the management of the Corporation, the formulation of the policies to be applied, and the conduct of the business of the Corporation. It shall, among others:

- i. Oversee the good governance of the Corporation;
- ii. Appoint the officers of the Corporation;
- iii. Establish the expenditure signing limits of the Corporation in a manner that will enable the Corporation's business to be operated in an efficient manner;
- iv. Establish the remuneration terms of the Officers of the Corporation;
- v. Review and agree upon the Corporation's annual budget and monitor the Corporation's progress against the approved budget;
- vi. Establish a clear regular dividend payment policy for the Corporation; and
- vii. Appoint the Corporation's external auditors.

The Board shall approve a set of delegation of authority to the President on certain matters not specified in the By-







must always act in good faith with care which an ordinarily prudent man would exercise under similar circumstances, while a director shall always strive to promote the interest of all stockholders. He shall also give due regard to the rights and interests of Stakeholders; Devote time and attention necessary to properly discharge their duties and responsibilities. Directors shall devote sufficient time to familiarize themselves with the



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- iv. Directors shall be a person with professional ethics, integrity, and credibility.
- v. Directors shall not hold any incompatible position in another company, entity, or business.
- vi. No disqualification as provided for in the Code of Conduct and IC Circulars. See Annex A for the details.
- vii. Director must not have been convicted by final judgment of an offense punishable by imprisonment for a period exceeding six years, or a violation of the Corporation Code committed within five years before the date of his election.

Certain qualifications may apply to Independent Directors only. Please see Section VI.D. for the other requirements.

Directors of the Company are elected by a simple majority of Shareholders at the Annual or Special Stockholders' Meeting. Directors may serve for several terms so long as they continue to contribute to the Board's effectiveness and they remain free of real or perceived conflict of interest. The Board's Independent Directors should serve for a maximum cumulative term of nine (9) years. Please refer to Section VI.D for other details on Independent Directors.

The Corporation acknowledges that a succession plan for its Board of Directors is in the best interest of the Company, its stakeholders, and employees and will foster continuity of leadership for the Board. The succession plan is intended to give assurance and confidence to all stakeholders of the Company, demonstrating that leadership changes would be carefully planned, communicated, and implemented by the Board of Directors.

Succession planning is an ongoing process of identifying, assessing, and developing people to ensure the organization's continued effective performance through leadership continuity. The plan includes succession for the Board as a whole and the Board's leadership positions.

The purpose of the plan is to ensure the Board's continuity is composed of directors with collective working knowledge, experience, or expertise that is relevant to the Corporation's industry/sector to meet its short-term and long-term goals.

The succession plan shall comply with the qualifications and disqualifications standards set in the Corporation's Manual of Corporate Governance for the identification of potential candidates for membership to the Board. The succession plan may consider and provide for rotation of directors through Committee Chairperson positions and memberships to provide for a balance of continuity and rotation in the leadership role.

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- vi. is not or was not retained as a professional adviser, auditor, consultant, agent or counsel of the Corporation

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All directors should be properly oriented upon joining the Board. This ensures that new members are appropriately apprised of their duties and responsibilities, before beginning their directorships. The orientation program covers IC-mandated topics on corporate governance and an introduction to the Company's business, Articles of Incorporation, and Code of Conduct. It should be able to meet the specific needs of the Company and the individual directors and aid any new director in effectively performing his or her functions.

The annual continuing training program, on the other hand, makes certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Company. It involves courses on corporate governance matters relevant to our company, including audit, internal controls, risk management, sustainability, and strategy. The Company shall assess its training and development needs in determining the coverage of its continuing training program.

All Directors, as well as Officers with a rank of Vice-President and up, are enjoined to attend at least a one-day training and orientation course on Corporate Governance conducted by duly accredited training providers of the Insurance Commission. Topics to be covered shall include Code of Corporate Governance, Annual Corporate Governance Report, Board

Responsibilities, Illegal activities of corporations/ directors/officers, Protection of minority shareholders, Related Party Transactions, Liabilities of directors, Confidentialities, Conflict of interest, Enterprise Risk management, and case studies on Financial Reporting and Audit.

Subsequently, all new Directors and Officers elected/appointed shall complete this requirement within the first three (3) months of their assumption to office and with the corresponding proof of compliance furnished to the Insurance Commission.<sup>13</sup>

## IX. Collective Liability of Directors

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Board members are generally not personally liable when they act in good faith on behalf of the Corporation. However, there are cases where the directors or other corporate officers may be held liable jointly with the Corporation. There are cases where corporate directors may be held personally liable for damages especially when a director exceeds the scope of his functions or duties. A director may be held personally liable in the following cases:

Directors who "willfully and knowingly vote for or assent to patently unlawful acts of the corporation" may be held liable for damages suffered by the Corporation, Stockholders, and other persons.

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<sup>13</sup> IC Circular Letter No. 2020-71; IC Circular Letter No. 2016-51

Directors who are guilty of gross negligence or bad faith in directing the affairs of the Corporation may also be held liable for damages suffered by the Corporation or by third persons.

Finally, directors are prohibited from acquiring any pecuniary interest in conflict with their duties. Whenever such conflicting interests are acquired by them, they are "liable as trustees for the corporation and must account for the profits which otherwise would have accrued to the corporation."<sup>14</sup>

Directors may be held liable when the director, trustee, or officer has contractually agreed or stipulated to hold himself personally and solidarily liable with the Corporation.

A director may be held liable for "disloyalty". There is disloyalty "where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the corporation, thereby obtaining profits to the prejudice of such corporation." Such director must account by refunding the corporation with the profits he obtained unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of

the outstanding capital stock. The director must account for profits even if he risked his funds.<sup>15</sup>

Furthermore, the Securities Regulation Code also provides for the possible civil liability of a director for filing false registration statements with the SEC. This rule specifically outlines that a director is liable for damages incurred by investors who incurred damages due to the untruthful statements or omission in registration statements filed with the SEC.

## X. Conflict of Interest

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Directors are required to disclose any conflicts of interest and to abstain from participating in any discussion or voting on any matter in which they have a material personal interest except with the prior approval of the Board.

Conflicts of interest exist in the following situations, among others:

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<sup>14</sup> Corporation Code of the Philippines.

<sup>15</sup> Ibid.

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including those covered by pre-existing agreements between the Corporation and a stockholder or among stockholders. It shall thereafter provide a report or update thereon to the Board of Directors.

Management shall submit any proposed settlement during negotiation or mediation to the Board of Directors for approval or other appropriate action.

## **XII. Confidentiality and Information Management**

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Directors must avoid even a perception that they have appropriated an opportunity that belonged to the Company. If Directors take advantage of an opportunity of which they become aware by their position as Directors, and that opportunity is one in which the Company might conceivably have had an interest, the Directors have acted counter to their fiduciary duty to the Company.

Directors also have a duty of confidence towards the Company. They must not misuse information obtained from the Company by their position on the Board. A duty to keep such information confidential arises where the information is confidential by nature and/or was communicated in confidence.

Ultimately, the best interests of the Company will dictate how Directors can use the information received in their capacity as Directors.

Since Directors are responsible for managing or supervising the management of the business affairs of the Company, they are entitled to have access to any information belonging to the Company. The flow of information to Directors is critical to the discharge of their responsibilities.

A balance must be struck such that Directors are informed of significant issues facing the Company and provided with the information needed to come to informed views. It is critical that the Directors receive the information in sufficient time to allow them to read and digest it. The amount of time needed will vary depending on the volume and complexity of the information.

## **XIII. Internal Control System and Transparency**

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The Company shall have a separate risk management function with the responsibility to identify, assess, and monitor key risk exposures. Its enterprise risk management activities shall include the following:

- i. define a risk management function





- i. Following International Accounting Standard 24 on Related Party Transactions ("IAS 24") and other laws and regulations, as may be applicable, RPTs shall be reviewed and approved by appropriate authorities designated by the Company. The review shall determine whether an RPT meets the following standards: (1) the RPT is on arm's length terms; and (2) the RPT is in the best interest of the Company and its stakeholders, as a whole, considering the relevant circumstances;
- ii. Material RPTs shall be subject to the approval by the Board; and
- iii. RPTs shall be disclosed per the applicable disclosure requirements.<sup>16</sup>

Management is primarily responsible to the Board for financial reporting relating to the Company's position and prospects and adequate flow of information. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts, and monthly/quarterly/annual internal financial statements. Any variance between projections and actual results should also be disclosed and explained by management to the Board. Timely and accurate information would enable the Board to properly fulfill their duties and responsibilities.

The Company shall recognize and place importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Company to grow its business while contributing to the advancement of the society where it operates.

The Company shall adopt a policy for the disclosure of material and reportable information regarding non-



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## XV. Approvals and Reviews

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This manual shall be reviewed as needed taking into consideration the Company's changing business needs and regulatory requirements. Any recommended revisions to the Manual are subject to approval by the Board.

This Corporate Governance Manual shall be effective upon its approval by the Board of Directors.

Signed:

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MARIO M. SILOS

Chairman of the Board

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PATRICK MITCHELL B. SARMIENTO

Chief Compliance Officer

## XVI. Annexes

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The following are the grounds for the disqualification of a director:

### 1. Permanently Disqualified

Persons who have been convicted by final judgment of the court for offenses involving dishonesty or breach of trusts such as estafa, embezzlement, extortion, forgery, malversation, swindling, and theft;

Persons who have been convicted by final judgment of the court for violation of insurance laws;

Persons who have been judicially declared insolvent, spendthrift or unable to enter into a contract; or

Directors, officers, or employees of closed insurance companies or any insurance intermediaries who were responsible for such institution's closure as determined by the Insurance Commission.

### 2. Temporarily Disqualified

Persons who refuse to fully disclose the extent of their business interests when required under a provision of law or a circular, memorandum, or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as the refusal persists;

Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special of the Board of Directors during their incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding elections;

Persons convicted for offenses involving dishonesty, breach of contract, or violation of insurance laws but whose conviction has not yet become final and executory;

Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;

Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies

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### BOARD SELF-ASSESSMENT FORM

Name: \_\_\_\_\_ Signature: \_\_\_\_\_  
 Date Completed: \_\_\_\_\_

Dear Board Member:

Enclosed is the self-assessment questionnaire for the performance of the Board of Directors for the calendar year.

Please read each statement and rank your response based on a 5-point scale. A rating of "5" indicates that you strongly agree with the statement and "1" indicates that you strongly disagree with the statement.

Rating	Remarks
5	Strongly Agree
4	Agree
3	Somewhat Agree
2	Disagree
1	Strongly Disagree

A REMARKS column is also provided for further comments on each statement, if applicable.

Rest assured that the accomplished self-assessment questionnaires will be kept confidential.

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Statement 1: The Board of Directors meets regularly and in a timely manner.

Statement 2: The Board of Directors is well-informed and prepared for its meetings.

Statement 3: The Board of Directors is actively involved in the company's strategic planning process.

Statement 4: The Board of Directors is committed to the company's long-term success.

Statement 5: The Board of Directors is committed to the highest standards of ethical conduct.

Statement 6: The Board of Directors is committed to the highest standards of transparency and accountability.

Statement 7: The Board of Directors is committed to the highest standards of diversity and inclusion.

Statement 8: The Board of Directors is committed to the highest standards of environmental, social, and governance (ESG) performance.

Statement 9: The Board of Directors is committed to the highest standards of risk management.

Statement 10: The Board of Directors is committed to the highest standards of financial performance.

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Statement 11: The Board of Directors is committed to the highest standards of stakeholder engagement.

Statement 12: The Board of Directors is committed to the highest standards of corporate social responsibility (CSR).

Statement 13: The Board of Directors is committed to the highest standards of community involvement.

Statement 14: The Board of Directors is committed to the highest standards of philanthropy.

Statement 15: The Board of Directors is committed to the highest standards of employee engagement.

Statement 16: The Board of Directors is committed to the highest standards of talent development.

Statement 17: The Board of Directors is committed to the highest standards of succession planning.

Statement 18: The Board of Directors is committed to the highest standards of executive compensation.

Statement 19: The Board of Directors is committed to the highest standards of board composition.

Statement 20: The Board of Directors is committed to the highest standards of board independence.

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Statement 21: The Board of Directors is committed to the highest standards of board effectiveness.

Statement 22: The Board of Directors is committed to the highest standards of board oversight.

Statement 23: The Board of Directors is committed to the highest standards of board monitoring.

Statement 24: The Board of Directors is committed to the highest standards of board evaluation.

Statement 25: The Board of Directors is committed to the highest standards of board refreshment.

Statement 26: The Board of Directors is committed to the highest standards of board diversity.

Statement 27: The Board of Directors is committed to the highest standards of board independence.

Statement 28: The Board of Directors is committed to the highest standards of board transparency.

Statement 29: The Board of Directors is committed to the highest standards of board accountability.

Statement 30: The Board of Directors is committed to the highest standards of board integrity.

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- a. Ensure that the business decisions of the Company are made in good faith and for the best interest of the Company;
- b. Make proper use of available information for the benefit of the Company;
- c. Avoid, prevent, and eliminate conflicts of interest among all the operating units of the Company;
- d. Guide the Company to meet its financial goals through the establishment and monitoring of financial budgets;
- e. Discuss, resolve or approve matters and transaction of such business, as may properly come before the Management Committee, other than regular operational disbursements such as payments to hospitals, fund transfers to regional offices, payroll, and similar expenditures, the amount of which does not exceed One Million Pesos (Php 1,000,000.00) per transaction, subject to the limitation of authority provided in Section 4, Article 1 of this Charter;
- f. Establish, issue, and implement policies to govern the efficient operation of the various units of the Company, taking into consideration internal and external factors; and
- g. Create, modify and enhance company policies affecting more than two (2) operating units.

Frequency of Meetings. The Management Committee shall conduct regular meetings at least once a month. A special meeting of the Management Committee may be called by the Committee Chairman from time to time whenever necessary.

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Frequency of Meetings. The RPT Committee shall conduct regular meetings at least four (4) times each year, and each regular meeting shall be conducted at least one (1) day prior to the

(4) times each year, and each regular meeting shall be conducted at least one (1) day prior to the regular meeting of the Board of Directors. A special meeting of the Audit Committee may be called by the Committee Chairman from time to time whenever necessary.

Objectives. The Risk and Compliance Committee shall aid the Board of Directors in ensuring an effective and integrated risk management process and shall be responsible for the oversight of the Company's Enterprise Risk Management system to ensure its functionality and effectiveness. The Risk and Compliance Committee shall encourage continuous improvement of, and foster adherence to, the Company's policies, procedures, and practices at all levels.

The Risk and Compliance Committee shall have the following functions:

Risk Management

- a. Develop a formal enterprise risk management plan which contains the following elements:
  - i. common language or register of risks,
  - ii. well- defined risk management goals, objectives, and oversight,
  - iii. uniform processes of assessing W\*hf1van 4MCID 0 612 77 n t o fW2smal mtmin2goals, o

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