

FPG INSURANCE CO., INC.

2021 MANUAL OF CORPORATE GOVERNANCE

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1 Introduction

FPG Insurance Co., Inc. (the Company) is committed to the highest standards of corporate governance as articulated in our Articles of Incorporation, By-Laws, Code of Conduct, on this Manual on Corporate Governance and pertinent laws, rules and regulations.

Most importantly, the Company endeavors beyond compliance and promote an ethical corporate culture guided by FPG Core values – Integrity, Respect, Accountability, Courage and Result Oriented.

The Company has an effective governance structure comprised of our Board of Directors, Management Team, and Internal Control Functions. This structure establishes checks and balances and is designed to provide added assurance to our customers and shareholders as contained in this Manual on Corporate Governance. The Board is a policy making body that works to ensure effective collaboration throughout the FPG organization.

2 Objective

This Manual seeks to establish the principles of good governance in the entire FPG.

3 Definition of Terms

- A. **Corporate Governance** - the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders.
- B. **Board of Directors** - the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.
- C. **Management** - a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation.
- D. **Independent director** - a person who is independent of management and the controlling shareholder and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

- E. **Executive director** - a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
- F. **Non-executive director** - a director who has no executive responsibility and does not perform any work related to the operations of the corporation.
- G. **Related Party** - shall cover the company's subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the company exerts direct or indirect control over or that exerts direct or indirect control over the company; the company's directors; officers; shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the company.
- H. **Related Party Transactions** - a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

4 Governance Structure

4.1 Board of Directors

4.1.1 Mandate

The Board of Directors shall have the primary responsibility of fostering the success of the long term's objectives and success of FPG Insurance Co. and in ensuring its competitiveness. Furthermore, the Board of Directors is responsible in approving and overseeing the effective implementation of the corporate objectives, compliance policies and procedures, risk management, and including the performance of the Senior Management.

The Board of Directors should also formulate measures for success, mission and vision that will lay the foundation of FPG Insurance Co.'s activities including long term and short-term corporate plans.

4.1.2 Composition

FPG Insurance Co., is headed by a competent working Board to foster the long-term success and sustainability of the corporation in a manner consistent with its

corporate objectives and the long-term best interest of its stakeholders and shareholders.

The Board should be composed of directors with a collective working knowledge, experience or expertise that is relevant to the company's industry/sector. The Board should always ensure that it has an appropriate mix of competence and expertise and that its members remain 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.

FPG Insurance Co.'s Board is composed of a majority of non-executive directors who possesses the necessary qualifications to effectively participate and help secure objectives, independent judgment on company affairs and to substantiate proper checks and balances. It is represented by a combination of highly qualified business professionals, legal luminaries, and corporate officers backed by decades of experiences in banking, insurance and finance.

The Board of Directors shall be composed of five (5) who are elected by the stockholders as provided for in the Amended Articles of Incorporation and By-Laws. Presently, majority of the members of the Board are Independent Directors with highest qualification in their fields.

4.1.3 Diversity and Inclusion

FPG Insurance Co., recognizes the diversity and inclusion in the Board of Directors. FPG Insurance Co., respects diversity in all aspects of operation valuing one's age, gender, ethnicity, culture, educational background, skills, profession and competencies. The Board will assure that there is an appropriate representation of women in the Board.

4.1.4 Independence

The Board of Directors shall be free from any material relationship or conflict of interest that may pose a threat to independence or could interfere with the exercise of a director's judgment and independence from management. With this view, the Committee will strive to ensure that the Board is composed of at least 20% independent directors, to promote the independence of the board from the views of senior management.

4.1.5 Access to Information

The Members of the board of directors should attend regular and special meetings of the Board in person or via teleconferencing or by any technological means

provided by law. The Board Materials (e.g. reports, disclosures, financial documents, presentations) for board of directors are to be provided within five (5) days in advance and for additional items three (3) days. The additional materials referred into this document shall be any information, research, documentation for complex and highly impactful issues. In some cases, the additional materials for matters already included in the agenda must meet the prescribed documentation supported by valid reasons and duly approved by the Corporate Secretary.

4.1.6 Board Duties and Responsibilities

The Board of Directors is primarily responsible for defining FPG Insurance Co.'s vision and mission. The Board should oversee the development of and approve the company's business objectives and strategy, and monitor their implementation, in order to sustain the company's competitiveness and strength.

The Board shall conduct itself with utmost honesty and integrity in the performance of, among others, the following collective duties and responsibilities:

- Reviewing and determining the Company's strategic objective.
- Determining the Company's key policies, values and standards.
- Establishing the framework of controls which enable risk to be assessed and managed.
- Establishing the culture of the Company.
- Ensuring that the necessary human and financial resources are in place.
- Monitoring progress towards the achievement of objectives and compliance with policies, values and standards
- Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.

The main component of the aforementioned responsibilities are:

a. Strategy

- The Board shall review and determine the business activities in which the company should engage
- The Board shall identify principal business risks and ensure the implementation of appropriate risk management systems to specifically manage the underwriting, reinsurance, investment, financial and operational risks of the Company.
- Ensuring that the Company has adequate short-term and long-term objectives and strategies.

- Approving the budgets presented by management and ensuring that they are compatible with short-term and long-term objectives.
- Review and approve material transactions not in the Company's ordinary course of business and may secure the opinion of an independent third party regarding for the protection of all stockholders and stakeholders.

b. Appointment of Senior Management

- Selecting the Chief Executive Officer and determining the terms of his contract.
- Ensuring the adequacy of the Company's management structure and resources for specific and general tasks.
- The planning of senior management motivation, remuneration, development, recruitment and succession.

c. Monitoring

- Ensuring the Company's information system are relevant and adequate to monitor performance at a business level and sufficient for Board and management performance review and decision purposes including systems for compliance with the Insurance Code and other applicable laws, regulations, rules, directives and guidelines
- Monitoring management performance against strategic objectives and compliance with strategic policies and initiating appropriate corrective action if failures are revealed.

d. Accountability

- Ensuring effective communication and presentation to all its members and shareholders a balanced and understandable assessment of the Company's performance and financial condition
- Ensuring that the Company complies with its legal obligations and maintains an appropriate level of transparency about its business.

4.1.7 Fit and Proper

The Board of Directors and Independent Directors must comply with the minimum fitness and independence requirements of this Corporate Governance Manual as

well as with the regulations. The Board of Directors and Independent Directors shall possess appropriate experience and knowledge of the industry and business.

4.1.8 General Qualifications and Disqualifications

4.1.8.1 General Qualifications

A director shall have the minimum qualifications:

- a. Holder of at least one (1) share of stock of FPG Insurance Co.
- b. He/She must be fit and proper for the position of a director. To determine whether a person is fit and proper for the position of a director, the following aspects must be considered:
 - 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.
 - have a record of integrity and good repute.
 - have sufficient time to carry out their responsibilities; and
 - have the ability to promote a smooth interaction between board members. A good practice is the use of professional search firms or external sources when searching for candidates to the Board.
- c. He/She must have attended a seminar on corporate governance for board of directors. A director shall submit a certification of compliance with the prescribed syllabus of the Securities and Exchange Commission (SEC) on corporate governance for first time corporate directors.

Members of the Board of Directors shall not be appointed as Corporate Secretary or Chief Compliance Officer.

4.1.8.2 Disqualifications

4.1.8.2.1 Permanent Disqualifications

A director may be permanently disqualified when:

- a. A person who has 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 code.
- c. Persons who have been judicially, declared insolvent, spendthrift or unable to enter into a contract; or
- d. 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.

4.1.8.2.2 Temporary Disqualifications

A director may be temporarily disqualified when:

- a. Persons who refuse to fully disclose the extent of their business interests when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as the refusal persists.
- b. Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special of the Board of Directors during their incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding elections.
- c. Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory.
- d. Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission.
- e. Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification of the Insurance Commission.
- f. Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar.

- g. Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity.
- h. Those under preventive suspension.
- i. 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.
- j. Persons who are delinquent in the payment of their obligations as defined hereunder:
 - i. 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.
 - ii. Obligations shall include all borrowings from an insurance company, or its related companies obtained by:
 - 1. 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.
 - 2. The spouse or child under the parental authority of the director or officer
 - 3. Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer.
 - 4. 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

5. 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.

This disqualification should be in effect as long as the delinquency persists.

4.1.9 Vacancies

If there is a vacancy on the Board, the remaining Directors may continue to transact most business as long as there is a quorum.

With respect to the Company's current Board members, if a potential conflict of interest situation were to occur, then the Director will be asked to absent himself or herself from a particular issue under discussion.

4.1.10 Resignation and Removal

Directors cease to hold office when they die, resign (either as a director or as an employee of the Company) or are disqualified or removed from office. A resignation is effective at the time as approved by the Board or at the time specified in the resignation, whichever is later.

Directors may make a written statement to the Company about their reasons for resignation.

4.2 Independent Directors

An independent director refers to a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having any relationship with the corporation, which could interfere with the exercise of independent judgment in carrying out the responsibilities of a director. This means that apart from the director's fees and shareholdings, he should be independent of management and free from any business or other relationship that could materially interfere with the exercise of his independent judgment.

4.2.1 Term Limitations

The Board's independent directors should serve for a maximum cumulative term of nine years. After which, the independent director should be perpetually barred from re- election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

4.3 Chairman of the Board

The Chairman of the Board determines the effectiveness of the Board's operations. The President, reporting to the Board in turn, has/have responsibility for the general management of the Company. The Chairman of the Board cannot concurrently serve as the President and CEO of the Company to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for an independent decision. The Chairman of the Board shall be a Non-executive Director.

4.3.1 Roles and Responsibilities

The Chairman of the Board shall have the following roles and responsibilities:

- a. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations.
- b. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions.
- c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors.
- d. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management.
- e. Assures the availability of proper orientation for first time directors and continuing training opportunities for all directors; and
- f. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

4.4 Chief Executive Officer

The Chief Executive Officer (CEO) is the President of FPG Insurance Co. He/she shall be the primary responsible officer for the management of the business and its affairs governed by the strategic direction and risk appetite approved by the board of directors. He/she shall be primarily accountable to the board of directors in leading the desired

conduct and behavior, corporate strategies, and in promoting the long-term and short-term interest of FPG Insurance Co.

4.4.1 Qualifications

The President must be a director and he must own at least 1 share or at least it should be listed in his name as owner, and if it is a non-stock corporation, he must be a member thereof. Every director/trustee must continuously own at least a share during his term or be a member. He must not have been convicted by final judgment of an offense punishable by a period in excess of six (6) years or a violation of the Revised Corporation Code, committed within a period of five (5) years prior to the date of election. He must be a Filipino citizen in the instances required by law. Finally, he must possess such other qualifications as may be prescribed in the by-laws of the corporation.

4.5 Corporate Secretary

The Corporate Secretary is primarily responsible to the corporation and its shareholders, and not to the Chairman or President of the Company and has among others the following duties and responsibilities.

4.5.1 Qualifications

The secretary must be a resident and citizen of the Philippines. He/she must not be the president of the corporation because the president cannot be a secretary at the same time.

4.5.2 Roles and Responsibilities

- a. Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation.
- b. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise.
- c. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders.

- d. Advises on the establishment of board committees and their terms of reference.
- e. Informs members of the Board, in accordance with the by-laws of the agenda of their meetings agenda of their meetings at least five (5) working days in advance 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.
- f. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so.
- g. Performs required administrative functions.
- h. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- i. Performs such other duties and responsibilities as may be provided by the Insurance Commission.

4.6 Corporate Officers

An officer of FPG Insurance Co., must meet and comply with the fit and proper requirements for the position he/she is being appointed to. In determining whether a person is fit and proper for a particular position, the requirements under 4.1.7 of this Manual shall be applied. The assessment of an officer's integrity or probity shall be based from the officer's market reputation, observed conduct and behavior including the ability to comply with company's policies and procedures including applicable laws and regulations such as but not limited to the Insurance Code.

4.6.1 Qualifications

The qualifications of a Corporate Officer is provided for under FPG Insurance Co.'s By-Laws. Aside from this requirement, the Corporate Officer should also meet the fit and proper requirements.

4.7 Compliance Officer

FPG Insurance Co., is assisted by a Compliance Officer that has an adequate stature and authority in the Corporation. The Compliance Officer is not a member of the Board of Directors and is annually attending trainings on corporate governance.

4.7.1 Roles and Responsibilities

The following are the roles and responsibilities of the Compliance Officer:

- a. Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others).
- b. Monitors, reviews, evaluates and ensures 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.
- c. Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action.
- d. Ensures the integrity and accuracy of all documentary submissions to regulators.
- e. Appears before the Insurance Commission when summoned in relation to compliance with this Code.
- f. Collaborates with other departments to properly address compliance issues, which may be subject to investigations.
- g. Identifies possible areas of compliance issues and works towards the resolution of the same.
- h. Ensures the attendance of board members and key officers to relevant trainings; and
- i. Performs such other duties and responsibilities as may be provided by the Insurance Commission.

4.8 Board Performance

In order to effectively implement corporate goals and its mission and vision, the Board shall conduct an assessment. The evaluation of the quality of governance should be focusing more on the effective implementation of the governance standards and principles by highlighting practices and performance of the Board of Directors and the Senior Management Team.

The Board should conduct an annual assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment may be supported by an external facilitator. Furthermore, the Board should have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders.

5 Director Succession and Selection Criteria

The Board may determine the appropriate criteria for selecting and assessing potential and current Directors, if necessary, and may select candidates for nomination to the Board accordingly. The Board may engage in the following activities as it deems appropriate to ensure an effective process for selecting candidates for nomination:

- a. Develop criteria for the selection of new Directors;
- b. Maintain a list of suitable candidates for the Board;
- c. the Chair and the CEO shall meet with potential candidates prior to nomination to discuss the time commitments and performance expectations of the position; and
- d. approve candidates selected for nomination.

A highly effective Board requires Directors to have the integrity, competencies and capabilities to carry out their fiduciary duties in the best interests of the Company and its shareholders. In order for the Directors to effectively execute their duties, they should have the requisite experience, skill, time and commitment as befits the Director of a very complex business. The following characteristics are necessary for new candidates being considered for nomination as well as existing Directors:

- a. a reputation for integrity and ethical behavior;
- b. a demonstrated ability to exercise judgment and communicate effectively;
- c. financially knowledgeable;
- d. prominence in the individual's area of expertise; and
- e. sufficient time to dedicate to Board and Committee work.

6 Board Committees

The Board has established committees to assist in exercising authority in monitoring the performance of Senior Management and the business. These Board level committees provides an organized and focused means for the board of directors in achieving specific corporate goals, addressing compliance issues and those matters related to governance.

These Board level committees has their own Terms of References which specifically provides for their purpose, objectives, memberships, structures, reporting mechanisms and other relevant information which are integral in the assessment of their performance evaluation.

6.1 Risk and Audit Committee

The Audit and Risk Committee shall assist the Board of Directors by providing recommendations and oversight, policy-setting, information gathering and communication regarding the relevant risks, risk management system and infrastructure of the Company. It also has the oversight role with respect to financial information and audit functions by providing an independent review of the effectiveness of the financial reporting process and internal control system. The Committee will also performs the oversight of the related party transactions.

6.2 Corporate Governance Committee

The Corporate Governance Committee (the “Committee”) is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. The Committee will also serve as the Remuneration and Nomination Committee of the Company.

7 Continuing Education and Orientation

7.1 Orientation and Education Program

In assuring the highest standards of corporate governance, FPG Insurance Co., is fully committed in assuring that its directors and officers are equipped with training and seminars on corporate governance. The training and education of directors are delivered via classroom training, modular workshops, formal and informal sessions, self-paced learning modules, e-learning platforms, e-webinars and other ways of training delivery. For first time directors, FPG Insurance Co., provides an orientation program that is aimed at making familiarity on corporate governance principles and to keep abreast with technical knowledge of the business.

7.2 External Training

All key officers and members of the Board are required to attend, at least once a year, a program on corporate governance and conducted by accredited training providers. FPG Insurance Co., also adopts the requirement that first governance training for at least eight

(8) hours, while the annual continuing training shall be for at least four (4) hours. A director shall, within a period of six (6) months from the date of election/appointment is required to attend a seminar on corporate governance conducted by a private or government institute duly accredited by the Insurance Commission and Securities and Exchange Commission.

8 Code of Business Conduct and Ethics

8.1 Overview of Employee's Code of Conduct

FPG Insurance Co., has a separate policy with respect to its employee relations. The Code of Conduct embodies FPG's values, overview of key practices and behaviors that define conduct to make one accountable for and the behavior that is expected among FPG Insurance Co., employees at all times and across the organization. Our Code of conduct is the embodiment of our strong commitment to compliance, ethics, values and risk management strategy. The Code of conduct is applicable to all employees regardless of their role, position and functions.

All employees and officers are governed and bound by the Code of Conduct in order to maintain the highest standards of professionalism, integrity, mutual respect, diversity and fairness in the daily operation of business. All employees and officers are expected to conduct themselves with proper decorum and in a manner promoting harmonious relationship with colleagues and internal stakeholders to meet the overall corporate objectives.

The Human Resources Department has the ultimate responsibility of implementing the provisions of the Code of Conduct as well as the imposition of administrative sanctions against erring employees. Every employees and officer of FPG Insurance Co., is expected to read, understand and comply with the mandate and requirements of the Code of Conduct for the best interest of the company.

8.2 Conflict of Interest

Directors may have a number of relationships that will put them in a position of conflict or give rise to an obligation to disclose details of a relationship.

Directors who have an interest in a contract or proposed contract with the Company must consider the matter from two perspectives.

(1) if the contract is material from the Company's perspective, the Directors will be under an obligation to declare their interest and, with some exceptions, to refrain from voting on the matter.

(2) if Directors do vote on the matter, they must ensure that they do not have a conflict of interest. Voting on a matter in these circumstances would constitute a breach of their fiduciary obligation to act in the best interests of the Company.

Directors may be considered to have an interest in a contract not only if they themselves are a party to the contract, but also if they have a material interest in any person or entity who is a party to the contract. A material interest in an entity is generally interpreted to mean an interest that is sufficient to result in some benefit or potential benefit to the Director.

Directors are required to disclose in writing to the Company their interest in any material contract or to request that the interest be entered in the minutes of a meeting of the Board.

The nature of a Director's interest must be disclosed in sufficient detail to allow the other Directors to understand what the interest is and how far it goes. A Director's interest must also be disclosed in a timely manner.

8.3 Related-Party Transaction

FPG Insurance Co., adopts, implements, and monitor its compliance with regulations governing related party transactions (RPTs). The guidelines include the definition of related parties, covered transactions, materiality thresholds, and the process of review, approval, and disclosure of RPTs. FPG Insurance Co.'s related party transactions guidelines serve as a protection against internal conflicts of interest between the company and/or its group and their directors, officers and significant shareholders and ensures that transactions such as loans and advances, deposit arrangements, trading of government securities and commercial papers, sale of assets, investment advisory/management, service arrangements and advances for operating expenses are made in the normal course of banking activities with terms and conditions that are generally comparable to those offered to non-related parties or to similar transactions in the market.

8.4 Whistleblowing Policy

FPG Insurance Co.'s whistleblowing mechanisms enables the company to deter fraud, money laundering, or misconduct, and enabling a fast and coordinated responses to threats and causes to establish remedial action plan and mitigating measures. The whistleblowing policy requires all employees and officers to comply with internal rules and regulations of the company and to report any breach or violation thereof of the Code of Conduct or policies and procedures. If appropriate, in view of the nature of the reported matter, reports of violations may be made directly to higher levels including the Chief Executive Officer. Complaints may be made on a confidential basis or through Employee Hotlines (if available), which shall be properly investigated. FPG Insurance prohibits retaliation against any employee for reports made in good faith, while it also protects the rights of the incriminated person.

8.5 Gifts and Entertainment Policy

FPG Insurance Co., recognizes that giving and receiving gifts and entertainment are often considered common business or cultural practices, intended to strengthen and build long term relationships. Accepting or giving common courtesies (such as an occasional and inexpensive business meal or non-monetary gifts of a nominal value) to or from customers, clients, suppliers, sub-contractors and other parties you do business with, is permitted in certain situations. However all gifts and entertainment must be:

- Reasonable in value Infrequent in nature, transparent and open.
- Not given to influence or obtain an unfair advantage.
- Respectful and customary

Money or cash equivalents (e.g. gift cards, certificates and coupons) should never be given or received. Corruption is illegal and subject to criminal penalties in most countries. Employees and Officer may not give any bribes, kickbacks or other benefits to any person or company to attract or retain business. These guidelines apply to both commercial, government and state-owned enterprise relationships. Relationships with government always require special consideration and care, so employees and officers must ensure that they understand their responsibilities. Fees, commissions and other amounts paid to business partners, agents, consultants or other third parties, must never be used with the intent to circumvent these guidelines.

8.6 Compliance to the Code

In ensuring FPG Insurance Co.'s compliance to laws and regulations, all of its employees, directors and senior officers should acknowledge in writing that they have read and fully understood the Code of Conduct and its Implementing Rules and Regulations, including this Manual of Corporate Governance and other compliance policies. Furthermore, the employees, directors and senior officers should attest that they will fully comply adhere to the principles, standards and policies therein. FPG Insurance Co.'s directors, officers and employees are given proper instruction on their respective duties as mandated in the Corporate Governance Manual and internal mechanisms are in place to ensure such compliance with FPG's policies on conflict of interest, insider trading, whistleblowers and other guidelines embodied in this manual.

9 Compliance System and Internal Control

9.1 Risk Management

It is the policy of the Company to ensure that the risks are identified, analyzed and managed systematically and appropriately. The Board considers it essential that the various categories of risk are clearly identified and that appropriate senior and management accountability is designated, which together with adequate risk

management process ensures that the need to be conscious of and identify risk is part of the embedded management process in the Company.

The Board considers it essential that all levels of management and employees have knowledge of and are made aware of the types of risks (e.g. business risk, underwriting, reinsurance etc.) involved in both planning activities and day-to-day performance aspects of the business.

Apart from senior management accountability, every employee is responsible for managing risks in his work supported as necessary by expert advice and assistance, both internal and external. It is the Board's aim to engender a culture in which risks are communicated to appropriate levels in the Company and information on risk is shared through effective communication. This enables appropriate action to be identified and taken.

9.2 Compliance

FPG Insurance Co.'s Compliance Function is in charge of ensuring a high level of compliance culture of integrity, ethical conduct and fair dealing. The Compliance Function is directly accountable to the Risk and Audit Committee. Aside from ensuring compliance to regulations of the Insurance Commission, Securities and Exchange Commission, Bureau of Internal Revenue, and National Privacy Commission, the Compliance Department plays a vital role in safeguarding the reputation of FPG Insurance Co., and strengthening the trust given by stockholders, clients, vendors, employee, partners and members of the non-life insurance industry. Furthermore, the Compliance Function is the primary responsible in overseeing the implementation and enforcement of FPG Insurance Co., compliance programs and policies. Such programs and policies are designed to ensure that legal, compliance, and business risks are identified and mitigated. By performing testing and review of existing processes, the Compliance Function ensures that compliance issues are identified and effectiveness of the controls are tested.

9.3 Audit

9.3.1 Internal Audit

FPG Insurance Co., has an independent internal audit function that provides independent and objective assurance, and consulting services designed to add value and improve the Company's operations and help it accomplish its objectives. The Audit Function has a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control, and governance processes through which the Board, Management, and stockholders of the Company could obtain reasonable assurance that the Company's key organizational and procedural controls are appropriate, adequate, effective, and complied with. Internal audits shall cover, at the minimum, the evaluation of the adequacy and effectiveness of controls covering the Company's financial reporting, governance, operations, and information systems, including the reliability and integrity of financial and operational information, effectiveness, and

efficiency of operations, protection of assets, and compliance with laws, rules, regulations, and contracts.

9.3.2 External Audit

The external auditor, duly accredited by the relevant regulatory agencies, shall be appointed by the Board upon recommendation of the Risk and Audit Committee. The external auditor shall undertake an independent audit of the Corporation and provide an objective assurance on how financial statements are prepared and presented to the Board and the stockholders. The external auditor should be rotated or changed every five (5) years or earlier or the signing partner of the external auditing firm assigned to the Corporation should be changed with the same frequency.

10 Relationship with Shareholders

10.1 Right of Shareholders

The Board shall respect the following rights of the stockholders in accordance with the Company Code:

- Right to vote on all matters that require their consent and approval
- Right to inspect corporate books and records
- Right to information
- Right to dividends
- Appraisal right

10.2 Promotion of Shareholders Right including Protection of Minority Shareholders:

- a. The Board shall respect the rights of the minority stockholders to nominate candidates for seats in the Board of Directors who possess all the qualifications and none of the disqualifications of Directors as prescribed in the Company's By-Laws.
- b. The Board shall be transparent and fair in conduct of the annual and special stockholders' meetings. The stockholders should be encouraged to personally attend such meetings. If they could not attend, they should be apprised ahead of time of their right to appoint a proxy subject to the requirement of the By-Laws.
- c. The Board shall promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for violation of their rights.

- d. The Board should ensure that accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.
- e. In case of disposition of all or substantially all of the Company property and assets, or other merger or consolidation, the Board should respect the appraisal right of the shareholders through appointment of an independent party to evaluate the fairness of the transaction price.

10.3 Alternative Dispute Mechanism

It is the policy of the Company to resolve disputes or differences with stockholders, regulatory authorities and other third parties, if and when such disputes or differences arise, through mutual consultation or negotiation, mediation or arbitration. If the agreement between the Company and third parties has an arbitration clause, arbitration is the ADR system being adopted. If none, the Company initiates conciliation- earnest effort to arrive at amicable settlement. If everything fails, and the dispute progresses into court litigation, the Company strictly adheres to and complies with Supreme Court A.M. No. 11-1-6-SC-PHILJA dated January 11, 2011 [Consolidated and Revised Guidelines to Implement the Expanded Coverage of Court-Annexed Mediation (CAM) and Judicial Dispute Resolution (JDR)]. Relative to regulatory authorities, the Company adopts and complies with the alternative modes of dispute resolution they are using or promoting such as, but not limited to, mediation, conciliation and arbitration, in compliance with Republic Act No. 9285 (Alternative Dispute Resolution Act of 2004).

11 Duties to Stakeholders

- a. The Board shall adopt a transparent framework and process that allow stakeholders to communicate with the Corporation and to obtain redress for the violation of their rights.
- b. The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance. These shall include (1) health, safety and welfare; (2) training and development; and (3) reward/compensation for employees.
- c. The Board shall set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. Further, the Board shall disseminate the policy and program to employees across the organization.

- d. The Board shall establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

12 Encouraging Sustainability and Social Responsibility

The Company shall adopt a policy for the disclosure of material and reportable information regarding non-financial and sustainability issues, with a focus on the management of economic, environmental, social, and governance (EESG) issues of the business, following a globally recognized standard in reporting sustainability and non-financial information.¹ The Board shall endeavor to interact with communities in which they operate.

13 Enhancing Company's Disclosure Policies and Procedure

The Board shall ensure that disclosure requirements more particularly those involving material information as mandated by regulators being submitted within the prescribed period.

All material information shall be publicly disclosed. Material information shall be anything that could potentially affect share price, and shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes in ownership.

14 Implementation and Communication of Corporate Governance Manual

14.1 Compliance on Good Governance

The Board of Directors and Management Officers commit to strictly adhere with the principles, provisions and requirements enclosed in this Corporate Governance Manual. All Directors and Management Officers are endeavored to ensure rigorous dissemination of this Manual to all employees within the organization and to likewise enjoin compliance.

¹ CL 2020-71

14.2 Penalties for Non-Compliance

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

14.3 Review and Revision

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 for approval by the Board