



WHM MANUAL

CORPORATE GOVERNANCE

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I. INTRODUCTION

The Board of Directors, Management and Staff of WellCare Health Maintenance Inc., recognize the importance of corporate governance. It guides the organization in fulfilling their economic, moral, legal and social obligations.

We believe that effective corporate governance is essential to the company and establishes an open and transparent framework for delivering services to our members and clients. Hence, directors, management and the staffs are expected to exercise judgment in evaluating whether heightened standards should be adopted, taking into consideration the nature and complexity of the particular area of responsibility.

WellCare Health Maintenance Inc. hereby commit to the principles and best practices contained in this manual, and acknowledge that these principles and practices are important guide towards the attainment of the Company's goals and maintenance of its continued success.

II. OBJECTIVE

This Manual adheres to create awareness inside the organization in order to strengthen commitment to Good Governance.

To institutionalize the principles of good corporate governance in the entire organization.

III. DEFINITION OF TERMS

- 1. 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. Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior - reconciling long term customer satisfaction with shareholder value - to the benefit of all stakeholders and society. Its purpose is to maximize the organization's long-term success, creating sustainable value for its shareholders, stakeholders and the nation.
- 2. 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. The term shall also include Board of Trustees.
- 3. Director** - as used in this Code shall also refers to a Trustee.
- 4. 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.



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5. **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.
6. **Executive director** - a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
7. **Non-executive director** - a director who has no executive responsibility and does not perform any work related to the operations of the corporation.
8. **Conglomerate** - a group of corporations that has diversified business activities in varied industries, whereby the operations of such businesses are controlled and managed by a parent corporate entity.
9. **Internal control** - a process designed and effected by the board of directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures.
10. **Enterprise Risk Management** - a process, effected by an entity's Board of Directors, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.
11. **Entity** - shall also refer to a company.
12. **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.
13. **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.



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14. Shareholder - refers to an owner of a share of stock in a company. For the purpose of this Code, the term shareholder shall also refer to a member of a non-stock non-profit entity.

15. Stakeholders - any individual, organization or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

IV. CORPORATE GOVERNANCE STRUCTURE

A. Board of Directors

Responsible for protecting interest, establishing policies for management and implementation of the Company's strategic objectives, risk strategy, corporate governance and values. The Board shall conduct itself with the utmost honesty and integrity in the dissemination of its duties, functions and responsibilities.

1. Responsibilities of the Board

- a. Shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.
- b. Foster the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility.
- c. Shall act in a manner characterized by transparency, accountability and fairness.
- d. Oversee the development and approval of objectives and strategies of the company in order to attain long-term success.

2. Duties and Functions of the Board

- a. To make and change rules and regulations for the management of the corporation's business and affairs;
- b. To purchase, receive, take or otherwise acquire in any lawful matter, for and in the name of the corporation, any and all properties, rights, interest or privileges, including securities and bonds of other corporations, as the transaction of the business of the corporation may reasonably or necessarily require;
- c. To invest the funds of the corporation in another corporation or business or for any other purposes other than those for which the corporation was organized, whenever in the judgment of the Board of Directors the interests of the corporation would thereby be promoted, subject to such stockholders' approval as may be required by law;



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- d. To incur such indebtedness as the Board may deem necessary and, for such purpose, to make and issue evidence of such indebtedness including, without limitation, notes, deeds of trust, instruments, bonds, debentures, or securities, subject to stockholders' approval as may be required by law, and/or pledge, mortgage, or otherwise encumber all or part of the properties and rights of the corporation;
- e. To guarantee, for and in behalf of the corporation obligations of other corporations or entities in which it has lawful interest;
- f. To make provisions for the discharge of the obligations the corporation as they mature, including payment of any property, or in stocks, bonds, debentures, or other securities of the corporation lawfully issued for the purpose;
- g. To sell, lease, exchange, assign, transfer or otherwise dispose of any property, real or personal, belonging to the corporation whenever in the Board's judgment, the corporation's interest would thereby be promoted;
- h. To establish pension, retirement, bonus, profit-sharing, or other types of incentives or compensation plans for the employees, including officers and directors of the corporation and to determine the persons to participate in any such plans and the amount of their respective participations;
- i. To prosecute, maintain, defend, compromise or abandon any lawsuit in which corporation or its officers are either plaintiffs or defendants in connection with the business of the corporation, and likewise, to grant installments for the payments or settlement of whatsoever debts are payments to the corporation;
- j. To delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business or businesses of the corporation to any standing or special committee or to any officer or agent and to appoint any persons to be agents of the corporation with such powers, and upon such terms, as may be deemed fit; or
- k. To implement and to act on any matter not covered by the law, provided such matter does not require the approval or consent of the stockholders under any existing law, rules, or regulation.

3. Qualification of Directors

- a. Must own at least one (1) share of stock of the company.
- b. Shall be at least a college student graduate or have sufficient skills and experience in managing the Company to substitute for such formal education.
- c. Shall be at least twenty-one (21) years of age.
- d. Must have strength of character, honesty and integrity

4. Disqualification of Directors

- a. Any person finally convicted judicially of an offense involving moral turpitude or fraudulent acts or transgressions.



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- b. Any person finally found by the Insurance Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the IC, or any rule, regulation or order.
- c. Any person judicially declared to be insolvent.
- d. Any person found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs.
- e. Conviction by final judgment of an offense punishable by imprisonment, or a violation of the Corporation Code.

Any of following shall be a ground for the **temporary disqualification** of a Director:

- a. Refusal to fully disclose extent of his business interest as required under Insurance Commission. This disqualification shall be in effect as long as refusal persists.
- b. Absence or non-participation for whatever reason(s) for more than 50 percent of all Board meetings, both regular and special, during his incumbency or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the next election.
- c. Dismissal/termination from directorship in another corporation for cause. This disqualification shall be in effect until such time that he has been cleared of the involvement in the alleged irregularity.
- d. Being under preventive suspension by the Company.
- e. If the independent director, becomes an officer or an employee of the Company or any TDG-member company, he shall be automatically disqualified from being an independent Director.
- f. Conviction that has not yet become final referred to in the grounds for the disqualification of Directors

5. Board Meetings

Regular meetings of the Board of Directors shall be held once every quarter of the year on such dates and at such times and places as may be called by the Chairman of the Board, or in his/her absence, the President, or upon the request of a majority of the directors, and shall be held at such places designated in the notice.

Special meetings of the Board of Directors may be held as often as may be necessary on such dates and at such times and places as may be called by the Chairman of the Board, or in his/her absence, the President, or upon the request of a majority of the directors, and shall be held at such places as may be designated in the notice.



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B. The Chairman of the Board

The Chairman of the Board of Directors shall preside at the meetings of the directors and the and the stockholders. He shall exercise such powers and perform such duties as the Board of Directors may assign to him.

Duties and Responsibilities

- a. Shall be responsible for the effective working of the Board;
- b. Shall assist in ensuring compliance of all concerned with the company's guidelines on corporate governance;
- c. Shall appoint a Compliance Officer for the company.

C. Chief Executive Officer/President

The President, who shall be a director, shall be the Chief Executive Officer of the corporation and shall also have administration and direction of the day-to-day business affairs of the corporation.

Duties and Responsibilities

- a. Shall preside at the meetings of the Board of Directors and of the stockholders in the absence of the Chairman of the Board of Directors;
- b. Shall initiate and develop corporate objectives and policies and formulate long-range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation.
- c. Shall have general supervision and management of the business affairs and property of the corporation upon the direction of the Board of Directors;
- d. Shall ensure that the administrative and operational policies of the corporation are carried under his supervision and control;
- e. Shall appoint, remove, suspend or discipline employees of the corporation, prescribe their duties, and determine their salaries subject to guidelines prescribed by the law.
- f. Shall oversee the preparation of the budgets and the statements of accounts of the corporation;
- g. Shall prepare such statements and reports of the corporation as may be required by law;
- h. Shall represent the corporation at all functions and proceedings;
- i. Shall execute on behalf of the corporation all contracts, agreements and other instruments affecting the interests of the corporation which require the



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approval of the Board of Directors, except as otherwise directed by the Board of Directors.

- j. Shall make reports to the Board of Directors and stockholders;
- k. Shall perform such other duties that are incidental to his/her office or are entrusted to him/her by the Board of Directors.

The President may assign the exercise or performance of any foregoing powers, duties and functions to any other officer(s), subject at all times to his/her supervision and control.

D. Corporate Secretary

The Corporate Secretary shall be the custodian of and shall maintain the corporate books and record and shall be the recorder of the corporation's formal actions and transactions.

Duties and Responsibilities

- a. Shall record the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;
- b. Shall keep record books showing the details required by law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred;
- c. Shall attend to the giving and serving of all notices of the corporation required by law;
- d. Shall certify to such corporate acts, countersign corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations.
- e. Shall act as the inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the results, and do such acts as are proper to conduct the election or vote.
- f. Shall perform such other duties as are incidental to his/her office or as may be assigned to him by the Board of Directors or the President.

E. Compliance Officer



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The Board of Directors shall appoint a Compliance Officer who shall report directly to the Chairman of the Board of Directors and who should have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the Corporation. The

Compliance Officer should not be a member of the Board of Directors and should annually attend training on corporate governance.

Duties and Responsibilities

- a. Monitor compliance with the provisions and requirements of the Company's Corporate Governance Manual and recommend penalty for violation thereof for further review and approval of the Board;
- b. Appear before Insurance Commission (IC) upon summon on similar matters that need to be clarified by the same;
- 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. Performs such other duties and responsibilities as may be provided by the IC.

F. Diversity in the Board

In order to achieve sustainable and balanced corporate governance, the Corporation views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. Diversity has been considered from a number of aspects in designing the Board's composition, such as but not limited to gender, age, educational, cultural, experience, skills, knowledge and length of service.

This ensures that no individual or small group of individuals can dominate the Board of Directors' decision making.

G. Composition of the Board and the Independent Directors

The number of directors of the Corporation shall be Seven (7). The directors shall be elected annually and each director shall hold office until the next annual meeting and/or until his successor shall have been elected and qualified or until his death or resignation or removal as prescribed in the Corporation's by-laws.

There shall be among the directors at least two (2) who are independent.



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The Board shall endeavor to include a balance of executive and non-executive directors, such that, no individual or small group of individuals can dominate the Board's decision making.

The non-executive directors of the Board should concurrent serve as directors to a maximum of five (5) publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge management's proposals, and oversee the long-term strategy of the corporation.

H. Board Balance and Independence

1. The Board shall endeavor to include a balance of executive and non-executive directors, such that, no individual or small group of individuals can dominate the Board's decision making;
2. Promoting transparency in the board member selection process;
3. Recruitment and retention of the best candidates for director positions;
4. Enabling and promoting diversity among directors appointed to the board.

I. Multiple Board Seats

A director shall exercise due decision in accepting and holding directorships other than that of the Corporation. He may hold any number of directorships outside of the Corporation; provided that, in holding such multiple directorships, such director shall ensure that his capacity to diligently and efficiently perform his duties and responsibilities as a director of the Corporation is not compromised.

A director should notify the Board of Directors before accepting a directorship in another company.

J. Board Remuneration

1. Levels of remuneration shall be sufficient to attract and retain the Board of Directors and Management needed to run the Company successfully.
2. Establishing formal and transparent procedure for developing a policy on remuneration of directors and officers.
3. Ensuring the compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates.

K. Appointments to the Board

1. There shall be formal, rigorous and transparent procedures for these election and appointment of new directors to the Board.



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2. Appointments to the Board shall be made on merit and against subjective criteria. Careful deliberation and consideration shall be done to ensure that appointees have enough time for the job. This is particularly important in the case of Chairmanship.
3. Plans shall be in place for orderly succession to the Board and that of the senior management level in order to maintain a balance of appropriate skills and experiences within the company.
4. To constitute the Board committees.

V. BOARD COMMITTEES

The Board of Directors shall constitute Committees to aid in complying with the principles of good Corporate Governance.

A. Audit and Risk Management Committee

1. Composition

- a. The audit committee shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairman, should be independent, and who shall preferably have accounting and finance backgrounds, one of whom shall be an Independent Director and another with audit experience. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The chair of the Audit Committee should be an Independent Director and should not be the Chairman of the Board or of any other committees. The committee shall have the following functions:

2. Functions

- a. Shall check all financial reports against its compliance with both the internal financial management and pertinent accounting standards, including regulatory requirements;
- b. Shall perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management;
- c. Shall recommend to the Board the appointment of external auditors to verify the accuracy of the financial reports and pre-approve all audit plans, scope and frequency of external audit;



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- d. Shall perform direct interface functions with the internal and external auditors;
- e. Shall develop a transparent financial management system that will ensure the integrity of the internal control activities throughout the company;
- f. Shall receive and review reports of internal and external auditors and ensure that Management is taking the appropriate corrective actions;
- g. Shall review the annual audited Financial Statements of the Company before submission to the Board;
- h. Coordinates, monitors and facilitates compliance with laws, rules and regulations.

B. Related Party Transaction Committee

The Company shall implement and monitor compliance with a policy governing related party transactions (RPTs).

The committee shall abide by the principles and policies of the Related Party Transactions Policy, which shall define what constitutes a related party, covered transactions, materiality threshold, and other guidelines for the evaluation and management of such transactions.

1. Composition

The Related Party Transaction Committee shall be comprised of at least three (3) members, two (2) of whom shall be Independent Directors. The Chairman of the Committee shall be an independent director.

2. Functions

- a. Determine the related party's relationship to the Corporation and interest in the transaction;
- b. Report to the Board of Directors and evaluate the material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- c. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the RPT exposure, and policies on conflicts of interest or potential conflict of interest.
- d. Ensure that transactions with RPT are subject to periodic independent review or audit process.

C. Corporate Governance Committee



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This Committee shall be tasked to assist the Board in the performance of its corporate governance responsibilities including the functions that were formerly assigned to a Nomination and Remuneration Committee.

1. Composition

The Corporate Governance Committee should be composed of at least three (3) members, all of whom if possible, or at least of whom one, should be an independent director, including the Chairman.

2. Functions

- a. Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate prior to changes, complexity and business strategy, as well as its business and regulatory environments.
- b. Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- c. Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d. Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members, key officers and management, and remuneration packages for corporate and individual performance;
- e. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Proposes and plans relevant trainings for the members of the Board;
- g. Determines the nomination and election process for the Corporation's directors and has the special duty of defining the general profile of board members that the Corporation may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- h. Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Corporation's culture and strategy as well as the business

environment in which it operates.

VI. BOARD PERFORMANCE



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A. Performance Evaluation

An annual self-assessment shall be conducted by the Board to determine the following:

1. Comparison of the performance of the Board, the Board Committees, and the individual directors with the requirements of this manual
2. Goals and objectives set forth by the Board for the upcoming year
3. Principles of Corporate Governance are being implemented and observed.
4. Implementation of improvements or changes in this Manual.
5. Functions of the Board of Directors, its strategies and effectiveness, structure, relationships, succession planning, training and value creation.

Said self-assessments shall be held in utmost confidentiality and will have non-attributable responses.

VII. ELECTION/RE-ELECTION AND TERM

- a. The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.
- b. The composition of the Board shall be a combination of members' skills, experience and variety of backgrounds.
- c. The Board has a balance of executive and non-executive Directors so that no individual or small group of individuals can dominate the Board decision making.

VIII. INFORMATION AND PROFESSIONAL DEVELOPMENT

1. The company shall require all first-time Directors to undergo an orientation program or workshop for sufficiency of content of this Manual.
2. All directors should be properly oriented upon joining the Board.
3. Before an elected Director assumes his position, he shall be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.
4. All Directors of the Company shall be required to undergo corporate governance training by way of a seminar or refresher course at least once a year.



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IX. SUCCESSION PLANNING

Succession planning is the process of identifying high-potential employees, evaluating and honing their skills and abilities, and preparing them for advancement into positions which are key to the success of business operations and objectives. The plan shall comply with the qualifications and disqualifications standard set for the identification of potential candidate for the membership of the Board.

The Corporate Governance Committee shall develop a comprehensive policy for succession planning that includes emphasizing internal development and career growth, prioritization of candidates with long-term potential and opportunities that would permit retiring persons to train and transfer knowledge and skill to their successors.

X. DISCLOSURE, INTERNAL CONTROL AND TRANSPARENCY

A. Company Disclosure Policies and Procedures

The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulations.

The Board of Directors shall ensure that the annual reports or disclosures under this Manual, or as may be required by the Insurance Commission and other government agencies, are organized and submitted to make public and readily accessible information.

The Board should establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.

B. Financial Reporting - Audit Committee and Auditors

The Board of Directors should provide the shareholders with a balanced and understandable assessment of the Corporation's performance, position and prospects.

The Company should have in place an independent internal audit function that provides independent and objective assurance. It must provide 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.



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C. Non-Financial and Sustainability Reporting

The company should guarantee that the material and reportable non-financial and sustainability issues are disclosed.

Company should adopt a globally recognized standard/framework in reporting sustainability and nonfinancial issues. The Board should have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.

D. Internal Control and Risk Management

1. The Board shall ensure that an effective system of control is in place for safeguarding the corporation's assets.
2. Major risks facing the corporation which are likely to affect the performance and financial condition of the corporation (including underwriting risk, reinsurance risks, investment risk, geographical risk, operational risk and legal risk) and the approach taken by management in dealing with these risks, shall be reported to the Board to enable the latter to effectively address said risks.
3. The Board shall ensure that reports accurately reflect the financial condition and the results of corporate operations.
4. The Board shall regularly review the system of securing adherence to key internal policies as well as to significant laws and regulations that apply to it. An effective and comprehensive internal audit of the corporation's internal control system shall be carried out by independent and competent staff. Audit findings and recommendations shall be reported to the Board and the senior management level of the corporation.
5. The Board shall protect shareholders' value through adequate financial controls. The Board shall foster and encourage a corporate environment of strong internal control, fiscal accountability, high ethical standards and compliance with the law and code of conduct.
6. The company should have a separate risk management function to identify and assess and monitor key risk exposures.



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7. The company should have a separate risk management function to identify, assess and monitor key risk exposures. The company should have a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to a company's size, risk profile and complexity of operations.

E. Audit Committee and Auditors Internal Audit

Internal Auditor

1. The Corporation shall have in place an independent internal audit function which shall be performed by the Internal Audit Department of Transnational Diversified Group.
2. The Board of Directors may appoint an Internal Auditor to perform the audit function and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate.
3. The Internal Auditor shall report to the Audit Committee.
4. The Internal Auditor shall provide the Board of Directors, senior Management, and stockholders reasonable assurance that the Corporation's key organizational and procedural controls are effective, adequate and duly complied with. In connection with this objective, the Internal Auditor shall ensure the following:
 - a. Adequacy and effectiveness of the Corporation's governance, operations and information systems.
 - b. Effectiveness of the control environment is maintained.
 - c. Reliability and integrity of financial and operational information.
 - d. Effectiveness and efficiency of the operations.
 - e. Safeguarding of corporate assets.
 - f. Potential risk is properly and promptly identified, mitigated, insured against or otherwise managed.
 - g. Corporation complies with applicable laws, rules, regulations and contracts
 - h. Provide an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, External and Internal auditors, and Management



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- i. Perform regular and special audit as contained in the annual audit plan and/or based on the Corporation's risk assessment;
- j. Perform consulting and advisory services related to governance and control as appropriate for the organization;
- k. Perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- l. Review, audit and assess the efficiency and effectiveness of the internal control system of all areas of the Corporation;
- m. Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;

External Auditor

- a. The External Auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation.
- b. The External Auditor shall be recommended to the stockholders by the Board of Directors in consultation with the Audit Committee to undertake an independent audit.
- c. The External Auditor shall not concurrently serve as the Internal Auditor of the Corporation and shall not perform other non-audit work that may be in conflict with its functions as external auditor.
- d. 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.
- e. If the External Auditor believes that any statement made in an Annual Report, Information Statement, Proxy Statement, or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or view on the matter in the said reports.
- f. The reasons for and date for the resignation, dismissal or cessation from service of the external auditor shall be reported in the Corporation's annual and current reports. The report shall include a discussion of any disagreement with the External Auditor on any matter of accounting principles or practices, financial disclosures or audit procedures which the former auditor and the Corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Corporation to the External Auditor before its submission.

F. Related Party Transaction



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1. Overlapping interests in the insurance entity shall be disclosed to the Board and any material transaction involving such interests shall be similarly disclosed.
2. Related-party transactions shall be conducted in terms that are at least comparable to normal commercial practices to safeguard the best interest of Insurance Corporation, their policy holders, creditors and claimants. In all cases, the applicable laws, rules and regulations shall be complied with.
3. Related party transactions shall be disclosed fully to the Board. Prior Board approval shall be obtained for related party transactions that are material in nature.

XI. Relations with Shareholders

A. Promoting Shareholder Rights

The Corporation recognizes that the best proof of good Corporate Governance is that which is transparent to its investors.

1. The Board of Directors shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

a. Voting Right

- i. Shareholder shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code;
- ii. Cumulative Voting shall be used in the election of Directors;
- iii. Director shall not be removed without cause if it will deny minority shareholders representation in the Board of Directors.

b. Pre-emptive rights

All stockholders shall have pre-emptive rights, unless the same is denied in the Articles of Incorporation or an amendment thereto.

c. Right of Inspection

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



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d. Right to Information

All shareholders shall have access to this Manual, the corporate governance policies of the Company, and other process documentation

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

e. Right to Dividends

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

The Corporation shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except:

- i. When justified by definite corporate expansion projects or programs approved by the Board of Directors.
- ii. When the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured.
- iii. When it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

f. Appraisal Right

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- i. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class



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of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence.

- ii. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code.
- iii. In case of merger or consolidation.

B. Duties to Stakeholders

The Company recognizes the importance of building a healthy and productive relationship with its community of stakeholders. As a business that promotes financial security and sound wealth management, it is incumbent on the Company to foster an environment for its stakeholders that would allow them to realize these ideals.

The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' right and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

The Board should promote cooperation between the company and the various stakeholders in creating wealth, growth and sustainability.

The Board should establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.

C. Encouraging Employees' Participation

The Company identifies its workforce as one of its foremost critical assets for its sustainability as a business and as representatives of its corporate governance practices to the general public. The Company likewise recognizes the role that its employees assume in ensuring that the Company acts always within the bounds of the law, and approaches all transactions with integrity, professionalism and efficiency.

The Company shall ensure that its Employee Code of Conduct adheres to the objectives and principles of corporate governance as embodied in this Manual and elsewhere.

Employees shall be empowered to report illegal, illicit or morally questionable practices and activities, as well as practices and activities that are in violation of one or more of the provisions of this Manual or other corporate governance policies, to the Board and to senior management without fear of retaliation or endangerment of their employment. To this end, the Company shall adopt a strong and effective



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Whistleblower Policy to establish the process by which employees can safely report their observations.

D. Encouraging Sustainability and Social Responsibility

The company should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

The company must recognize and place an 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.

XII. Responsibility for Good Governance

The Board of Directors and the management of the insurance companies and intermediaries shall commit themselves to the principles and leading practices contained in this Code of Corporate Governance. The Board, the management, employees and shareholders, who believe that corporate governance is a necessary component of what constitutes sound

strategic business management, will undertake every effort necessary to create awareness within the organization.

XIII. Implementation and Enforcement

All regulated entities under the Insurance Commission are enjoined to strive towards the best practice applications overtime to raise their corporate governance practices to international standards.

XIV. Review and Amendment of Manual

This manual shall be reviewed and assessed as needed and any proposed changes shall be for the approval of the Board of Directors.

This Manual is subject to review and amendment to consider the Corporation's changing needs, factual conditions prevailing in the environment and regulatory requirements.

XV. Adoption and Effectivity of the Manual

This Manual was adopted by the Board of Directors of the Corporation on 2021 June 18 and was made effective immediately.



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Amendments to comply with regulatory issuances of the Insurance Commission shall be deemed adopted and effective upon effectivity of the relevant regulatory issuance.

SIGNATURES

(originally signed)
CECIL R. AGBANGLO
Corporate Governance Compliance Officer

(originally signed)
JOSEPHINE J. FRANCISCO
Chairman of the Board

References:

IC Circular Letter No. 2016 -51

IC Circular Letter No. 2020-71

Code of Corporate Governance for Insurance Commission Regulated Companies

Revised Corporation Code of the Philippines