

Corporate Governance Manual

Maxicare

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Version History		
Revision No.	Date	Summary of Revisions
0	16 August 2017	Initial version approved by the board
1	16 May 2023	Changed in the number of years for the term of Independent Director to align with the latest guidelines of the Insurance Commission
2	01 October 2024	<ul style="list-style-type: none"> ● Added the ISO document identification and history of revision page ● Amended Section II, Definition of Terms; <ul style="list-style-type: none"> ○ Align Definition of Affiliate with the definition in the Bylaws ○ Include definition of HMO ● Amended Section III, B as to the qualifications of the Independent Directors to align with the latest guidelines of IC and the amendments in the Company's ByLaws and Articles of Incorporation ● Amended General Duties and Responsibility of the Board of Directors as to the frequency of review of vision, mission, strategic objectives, policies and procedures from annually, to periodically ● Amended Section III, C Board Committees to reflect the current Board Committees and their purpose ● Added Section IV. Rights of Shareholders as recommended by in the Corporate Governance Guidelines of the Insurance Commission ● Added Section V. Alternative Dispute Resolution as recommended by in the Corporate Governance Guidelines of the Insurance Commission
3	03 April 2025	Changed Information Classification from Level 2 - Restricted to Level 0 - Public.

I. Introduction

As a Health Maintenance Organization (“HMO”), Maxicare Healthcare Corporation (the “Corporation”) believes that the key to long-term sustainability and success largely depends on having a good name and solid reputation in the marketplace. Thus, the business and operations of the Corporation shall be conducted in accordance with the principles and best practices of good Corporate Governance.

To this end, the Board of Directors of the Corporation has formally adopted this Corporate Governance Manual (the “Manual”) that incorporates the established governance principles and practices for HMOs in accordance with Insurance Commission (“IC”) Circular Letter No. 51, Series of 2016. Through this Manual, the Board of Directors aims to strengthen the Corporation’s commitment to good Corporate Governance.

The Board of Directors, Management, and employees of the Corporation hereby acknowledge that this Manual will be their guide to principled actions and responsible conduct in fulfilling their respective duties and responsibilities to the shareholders and other stakeholders of the Corporation, and thereby undertake to observe its provisions with the objective of promoting transparency, accountability, and fairness in the dealings /transactions of the Corporation.

All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favor of promoting transparency, accountability, and fairness to the shareholders and other stakeholders of the Corporation.

II. Definition of Terms

Wherever used in this Manual, and unless the context otherwise requires, the following words and expressions shall have the meaning respectively ascribed to them:

- A. “*Affiliate*” when used with reference to a specified person, means any person that directly or indirectly through one or more intermediary controls, is controlled by or is under common control of the specified person ;
- B. “*Board of Directors*” refers to the collegial body that exercises the corporate powers of the Corporation. It conducts all business and controls or holds all properties of the Corporation;
- C. “*Corporate Governance*” refers to the system by which the Corporation is directed and managed. It influences how the objectives of the Corporation are set and achieved, how risks are monitored and assessed, and how performance is optimized;

- D. *“Executive Director”* refers to a director who is at the same time appointed to head a department or unit within the Corporation or who performs any work related to its operation;
- E. *“HMO”* refers to a juridical entity legally organized to provide or arrange for the provision of pre-agreed or designated health care services to its enrolled members for a fixed pre-paid fee for a specified period of time.
- F. *“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;
- G. *“Internal Audit”* refers to an independent and objective assurance and consulting activity designed to add value and improve the Corporation’s operation. It helps the Corporation accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes;
- H. *“Internal Audit Department”* refers to a department, division, or group of consultants that provide independent and objective assurance and consulting services designed to add value and improve the Corporation’s operation;
- I. *“Internal Control”* refers to the process effected by the Board of Directors, Management and other personnel, designated to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, their liability of financial reporting, and compliance with applicable laws, regulations, and Internal Control policies;
- J. *“Majority Shareholder”* refers to a person, whether natural or juridical, owning more than fifty percent (50%) of the voting stocks of the Corporation;
- K. *“Management”* refers to the body given the authority to implement the policies determined by the Board of Directors in directing the course or business activities of the Corporation;
- L. *“Non-Executive Director”* refers to a member of the Board of Directors who is not a head of a department or unit of the Corporation nor performs any work related to its operation;
- M. *“Parent”* refers to the company that has control over the Corporation directly or indirectly through one (1) or more intermediaries;

- N. *“Related Company”* means another company which is: (a) its Parent or holding company; (b) its Subsidiary or Affiliate; or (c) a company where its Majority Shareholder owns such number of shares which allows or enables him to elect at least one (1) member of the Board of Director;
- O. *“Related Interests”* refers to individuals related to each other within the fourth (4th) degree of consanguinity or affinity, legitimate or common law, and two (2) or more companies owned or controlled by a single individual or by the same family group or the same group of persons;
- P. *“Related Party Transactions or RPTs”* shall refer to transactions or dealings with Related Parties of the Corporation, regardless of whether or not a price is charged;
- Q. *“Stakeholders”* refers to the group of owners, officers, employees, suppliers, and creditors of the Corporation;
- R. *“Subsidiary”* refers to a company more than fifty percent (50%) of the voting stocks of which are owned or controlled directly or indirectly through one (1) or more intermediaries of the Corporation; and
- S. *“Substantial or Major Shareholder”* refers to a person, whether natural or juridical, owning such number of shares that will allow him to elect at least one (1) member of the Board of Directors of the Corporation, who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security.

III. Governance Structure

A. Board of Directors

The Board of Directors is the supreme authority in matters of governance and managing the regular and ordinary business of the Corporation. Within its chartered authority, the Board of Directors has the fullest powers to regulate the concerns of the Corporation according to its best judgment.

It shall be the Board of Directors’ responsibility to promote and adhere to the principles and best practices of good Corporate Governance and to foster the long-term success of the Corporation.

1. Composition

The membership of the Corporation’s Board of Directors shall be subject to the following standards:

- a. The number of directors of the Corporation shall be composed of not more than fifteen (15) members. Each of JE Holdings, Inc. (JE) and Pin-An Holdings Corporation (Pin-An) shall have the right to designate, remove and replace four (4) regular directors and two (2) independent directors. The minority shareholder group of the Corporation shall have the right to designate, remove and replace two (2) regular directors. The President of the Corporation shall be a regular director. The members of the Board of Directors shall be elected during the annual shareholders' meeting or during a special meeting called for such;
- b. The Corporation shall have such number of Independent Directors that constitute at least twenty percent (20%) of the total members of the Board of Directors, but in no case, be less than two (2); provided, that any fractional result after applying the required minimum portion, i.e., 20%, shall be rounded up to the nearest whole number;
- c. Elected members of the Board of Directors shall serve for a term of one (1) year until their successors are duly elected and qualified as provided in the ByLaws of the Corporation. The term limits of Independent Directors shall be governed by the guidelines provided in Section B.3.a, Article III of this Manual;
- d. The Board of Directors shall endeavor to include a balance of Executive and Non-Executive Directors (which include Independent Directors) in order that no director or small group of directors can dominate the decision-making process;
- e. Considering that the HMO business is imbued with public interest, the role of the Chairman and Chief Executive Officer shall in principle be separate from each other to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board of Directors for independent decision making;
- f. Where the roles of the Chairman and Chief Executive Officer are combined, there shall be a strong independent element on the Board of Directors. Check and balance shall be clearly provided to help ensure that independent outside views, perspectives, and judgements are given proper hearings by the Board of Directors. The Chairman of the Board of Directors shall be a Non-Executive Director; and
- g. Non-Filipino citizens may become members of the Board of Directors of the Corporation to the extent of the foreign participation allowed in its equity; Provided, that a majority of the directors must be residents of the Philippines.

2. Board Balance, Independence and Diversity

The Board of Directors shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions, and responsibilities. Corollary, it shall ensure that it will, at all times, observe balance and independence thru the following guidelines:

- a. The Board of Directors shall include a balance of Executive and Non-Executive Directors (particularly independent Non-Executive Directors) such that no individual or small group of individuals can dominate the Board of Directors' decision-making;
- b. Only the Chairman of a committee and its members are entitled to be present at committee meetings, but others may attend at the invitation of a particular committee concerned;
- c. The Board of Directors shall identify in its annual report any Non-Executive Director it considers to be independent; and
- d. The Board of Directors shall determine whether a director is independent in character and judgment or if there are relationships or circumstances which are likely to affect the director's judgment.

Furthermore, the Board of Directors shall encourage the selection of mixed competent directors, each of whom can add value and contribute independent judgment in the formulation of sound corporate strategies and policies. In the selection of candidates for the Board of Directors, the objectives set by the Board of Directors for its composition are to be considered, as well as the required knowledge, abilities, and experience needed to successfully manage the Corporation. Careful attention must be given to ensure that there is diversity and independence. Board diversity is a move to avoid groupthink and ensure that optimal decision-making is achieved. Board diversity is not limited to gender diversity. It also includes diversity in age, ethnicity, culture, skills, competence, and knowledge.

3. Nomination of Directors

- a. Process of Nomination

The nomination of directors shall be conducted based on the following standards:

- i. Except when otherwise expressly provided for in the Corporation's Articles of Incorporation and ByLaws, all shareholders shall have the right to nominate, elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code;

- ii. All written nominations for the election of directors by the shareholders are to be received by the Nominations Committee not later than the date prescribed by law, rules and regulations, or at such earlier or later date as the Board of Directors may fix before the date of the next annual shareholders' meeting. All recommendations shall be signed by the nominating shareholders together with the written acceptance and conformity of the would-be nominees. No nominee shall qualify to be elected as a director unless these requirements are complied with;
- iii. The Nominations Committee shall screen and shortlist qualified individuals for election as directors to ensure that only those that possess all the qualifications and none of the disqualifications from directorship, as provided in the Corporation's ByLaws, this Manual, and relevant laws, rules and regulations, are to be elected to the Board of Directors;
- iv. In case of vacancy in the Board of Directors other than removal of a director or expiration of term, the Nominations Committee shall determine and identify the qualified nominee and recommend to the Board of Directors the election of such qualified nominee to fill the vacancy, if the remaining directors still constitute a quorum. The Nominations Committee shall also identify and recommend the directors to fill vacancies in any of the other committees, taking into account the requirements set forth in their respective charters;
- v. The Nominations Committee shall prepare a final list of qualified nominees, recommend for final approval of the Board of Directors such final list, and recommend to the shareholders the qualified nominees included in the final list for election in the annual shareholders' meeting;
- vi. The final list of candidates shall contain all the information about all the nominees and shall be made available to all shareholders. The name of the person or group of persons who recommended the nomination of the director shall also be identified and made available to all shareholders;
- vii. Only nominees whose names appear on the final list of candidates shall be eligible for election as a director. No other nominations shall be entertained after the final list of candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual shareholders' meeting; and
- viii. The aforementioned process and requirements also apply to nominations for Independent Directors.

b. Qualifications

A director of the Corporation must have the following qualifications:

- i. Ownership of at least one (1) share of common stock of the Corporation, whose share should be in his name and recorded in the books of the Corporation;
- ii. Not engaged in any business or not being a Majority Shareholder of another company, which competes with or is antagonistic to that of the Corporation;
- iii. No potential conflict of time and attention due to competing officerships, directorships, memberships, and positions in other companies;
- iv. Have at least five (5) years of experience in healthcare operations or related activities or in a field related to his position and responsibilities;
- v. Membership in good standing in a relevant industry, and in business or professional organizations;
- vi. At least twenty-five (25) years of age at the time of his appointment;
- vii. Possesses integrity, probity, and shall be diligent and assiduous in the performance of his functions. In assessing a director's integrity and probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with the Corporation's policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory or professional body, or the government and any of its instrumentalities/ agencies;
- viii. Possesses adequate physical health and mental stamina to withstand the rigors of his responsibilities;
- ix. Not judicially declared insolvent, spendthrift or unable to enter into a contract;
- x. No other disqualifications as provided for in the Corporation Code, Securities and Exchange Commission ("SEC") Rules and Regulations, and the IC Circulars and in the Corporation's articles of incorporation or ByLaws; and
- xi. Must have attended a special seminar on Corporate Governance conducted by a training provider accredited by the IC, within the first three (3) months of his assumption to office and with the corresponding proof of compliance furnished to the IC.

c. Disqualifications

i. Temporary Disqualification

The following are disqualified from holding a director position for a specific/definite period of time:

1. 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, rule or regulation of the IC. This disqualification shall be in effect as long as the refusal persists;
2. 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 within a twelve (12) month period during said incumbency, and directors who failed to attend for whatever reason in at least twenty-five percent (25%) of all board meetings in a year. When a notarized certification executed by the Corporate Secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments or decisions thereon were submitted for deliberation or discussion and were taken up in the actual board meetings, said directors shall be considered present in the board meeting. This disqualification applies only for the purpose of the immediately succeeding election;
3. Persons convicted by a court of competent jurisdiction for offenses involving dishonesty and breach of contract but whose conviction has not yet become final and executory;
4. Directors disqualified for failure to observe or discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification by the IC;
5. Directors who failed to attend the special seminar on Corporate Governance. This disqualification shall apply until the director concerned has attended such seminar;
6. Persons dismissed or terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of their involvement in the alleged irregularity; and

7. Those under preventive suspension by the Corporation.

ii. Permanent Disqualification

The following shall be deemed unfit and permanently disqualified from serving as a Director:

1. Persons who have been convicted by final judgment by a court of competent jurisdiction for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of Batas Pambansa No. 22, violation of the anti-graft and corrupt practices act, and prohibited acts and transactions under Section 7 of Republic Act No. 6713, otherwise known as the Code of Conduct and Ethical Standards for Public Officials and Employees;
2. Persons who have been convicted by final judgment by a court of competent jurisdiction sentencing them to serve a maximum term of imprisonment of more than six (6) years or for violating the Revised Corporation Code or for violating Republic Act No. 8799, otherwise known as "The Securities Regulation Code" committed within five (5) years prior to the date of his election;
3. Persons with derogatory records with the NBI, court, and police involving violation of any law, rule or regulation of the government or any of its instrumentalities which adversely affects their integrity and/or ability to discharge their duties as a director. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity;
4. Persons found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; or
5. Persons who are delinquent in the payment of their obligations as enumerated hereunder:
 - ii.i A director for his own account or as the representative or agent of others or where he acts as a guarantor, endorser, or as surety for loans from companies;
 - ii.ii Any person whose borrowing or loans proceeds were credited to the account of, or used for the benefit of a director;

ii.iii A partnership of which a director or his spouse is the managing partner or a general partner owning a controlling interest in the partnership; and

ii.iv A company, association or firm wholly owned or majority of the capital of which is contributed by any or a group of persons mentioned in the foregoing items ii.i, ii.ii, and ii.iv.

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

d. Independent Directors

An Independent Director is a person who, apart from his fees and shareholdings, is independent of Management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director. An Independent Director shall submit to the Corporate Secretary a certification confirming that he possesses all the qualifications and none of the disqualifications of an Independent Director at the time of his election and/or re-election as an Independent Director.

The following guidelines shall be observed in electing an Independent Director:

- i. An Independent Director shall be one who has not been an officer or employee of the Corporation, its Subsidiaries or Affiliates, or Related Interests for at least three (3) years immediately preceding his term or incumbency;
- ii. He is not related within the fourth (4th) degree of consanguinity or affinity, legitimate or common-law of any director, officer or shareholder holding shares of stock sufficient to elect one (1) seat in the board of the Corporation or any of the Related Companies or of its substantial shareholders;
- iii. He is not a director or officer of the Related Companies of the Corporation's Majority Shareholders for at least three (3) years immediately preceding his term or incumbency;
- iv. He is not acting as nominee or representative of any director or Substantial Shareholder of the Corporation, any of the Related Companies, or any of its substantial shareholders;
- v. He is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat

in the board of the Corporation, or any of its Related Companies or of any of its Majority Shareholder ;

- vi. He is not or was not retained as a professional adviser, auditor, consultant, agent, or counsel of the covered entity, any of its related companies, or any of its substantial shareholders, either in his personal capacity or through his firm for at least three (3) years immediately preceding his term or incumbency;
- vii. He is independent of management and free from any business or other relationships with the Corporation or any of its Major Shareholders which could materially interfere with the exercise of his judgment, i.e., has not engaged and does not engage in any transaction with the Corporation, or any of its Related Companies or its Substantial Shareholders, whether by himself or with other persons or through a firm of which he is a partner, director or shareholder;
- viii. He is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the SEC, an associated person or salesman, and an authorized clerk of the broker or dealer;
- ix. He was not appointed in the covered entity, its subsidiaries, affiliates or Related Companies as Chairman "Emeritus", "Ex-Officio", Regular Directors, Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board of Directors in the performance of its duties and responsibilities for at least three (3) years immediately preceding his term or incumbency;
- x. He is not affiliated with any non-profit organization that receives significant funding from the covered entity or any of its related companies or substantial shareholders;
- xi. He is not employed as an executive officer of another company where any of the Corporation's executives serve as regular directors. and
- xii. He possesses the qualifications and none of the disqualifications for directors as provided for under this Manual. The Nominations Committee may consider and recommend to the Board of Directors other qualifications or disqualifications for directors, including independence criteria or standards for Independent Directors, which are aligned with the Corporation's vision, mission and corporate strategy that are now or may hereafter be provided in relevant laws or any amendments thereto.

An Independent Director shall submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with the Corporation, Management or Majority Shareholder at the time of his election or appointment and/or re-election as a director.

4. General Duties and Responsibility of the Board of Directors

It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of the Corporation, its Shareholders and Stakeholders, as a whole.

The Board shall formulate and periodically review the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

The Board shall exercise care, skill and judgment and observe good faith and loyalty in the conduct and management of the business and affairs of the Corporation. The Board shall ensure that all its actions are within the scope of power and authority as prescribed in the Articles of Incorporation, ByLaws, and in existing laws, rules and regulations.

5. Specific Duties and Responsibilities of the Board of Directors

To ensure a high standard of best practice for the Corporation, and to promote and protect the interest of the Corporation, the Board of Directors shall conduct itself with honesty and integrity in the performance of its duties and responsibilities, which include the following:

- a. Act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and all Stakeholders;
- b. Oversee the development of and approve the Company's business objectives and strategy, and monitor their implementation, in order to sustain the Company's long-term viability and strength. The Board shall review and guide corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions and divestitures;
- c. Oversee the adoption of an effective succession planning program and remuneration policies;

- d. Adopt policies on board nomination and election that will ensure diversity in board composition in terms of knowledge, expertise and experience;
- e. Ensure the Corporation's faithful compliance with all applicable laws and regulations, and best business practices;
- f. Establish and maintain an Investor Relations Program that will keep the Shareholders informed of important developments in the Corporation. The Corporation's CEO shall exercise oversight responsibility over this program;
- g. Oversee the establishment of an internal control system to monitor and manage potential conflicts of interest and an ERM framework to identify, monitor, assess and manage key business risks;
- h. Oversee the adoption of policies on the selection of Management and Key Officers and the assessment of their performance;
- i. Oversee the implementation of a policy and system on RPTs which shall include the review and approval of material RPTs and ensure fairness and transparency of the transactions;
- j. Review and approve material transactions which are not in the Corporation's ordinary course of business;
- k. Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times;
- l. Ensure that the Corporation has an independent audit mechanism for the proper audit and review of the Corporation's financial statements by independent auditors;

6. Board Governance

a. Board Meeting, Attendance and Quorum

- i. The meetings of the Board of Directors shall be held in accordance with the Corporation's ByLaws;
- ii. The Corporate Secretary shall ensure that the Board of Directors' meetings are scheduled immediately after the annual shareholders' meeting to cover the full term of the newly elected or re-elected members of the Board of Directors, reckoned from the date of the current year's annual shareholders' meeting to the next year's annual shareholders' meeting; and

- iii. The minimum quorum requirement for Board of Directors' meetings is set at a majority of the total board members with at least one (1) regular director representing Pin-An and One (1) regular director representing JE , unless otherwise provided in the Corporation's By-Laws.

b. Professional Training and Development

- i. Directors shall be accurately, timely, and completely briefed on the Corporation's background, table of organization, general/specific duties and responsibilities of the Board of Directors, relevant policies and rules governing their roles as directors, regulatory environment, business of HMOs, and the strategic plans of the Corporation, as well as any current issues affecting the HMO industry;
- ii. Directors shall be apprised of the Corporation's Corporate Governance framework, board operations, and the availability of information and support from the Corporate Secretary and senior Management;
- iii. Directors shall undergo the requisite Corporate Governance seminar conducted by a duly-recognized institution as mandated by existing regulations;
- iv. A continuing business education seminar or training shall be provided internally to continuously update the skills, knowledge, and familiarity of directors with the Corporation's goals and objectives;
- v. Necessary resources in developing and updating its directors' knowledge and capabilities shall be provided;
- vi. The Corporate Secretary through the Chairman shall be responsible for advising the Board of Directors about governance matters;
- vii. Orientation and education programs for newly elected members of the Board of Directors shall be provided, as an integral element in the process of appointing new directors;
- viii. Directors, especially Non-Executive Directors, shall have access to independent professional service at the Corporation's expense to discharge their responsibilities as directors. Committees shall be provided with sufficient resources to undertake their duties; and
- ix. All directors shall have access to the advice and services of the Corporate Secretary, who is responsible to the Board of Directors for ensuring that its procedures are complied with.

c. Access to Information

The Board of Directors shall have separate and independent access to the Corporate Secretary, who also serves as adviser to the directors on their responsibilities and obligations and oversees the adequate flow of information to the Board of Directors prior to meetings. This access to the Corporate Secretary shall be unhampered, unlimited and direct, either by phone, email or letter. The Corporate Secretary shall give them all the information and assistance they will need to prepare for the meeting or for clarification of any relevant matters.

Management is also responsible for the adequate flow of information to the Board of Directors. This information may include the background or explanatory information relating to matters to be brought before the Board of Directors, copies of documents, budgets, forecasts and monthly internal financial statements.

d. External Advice

If so requested by the Chairman or other directors as may be needed for particular transactions, external specialists or third-party, independent consultants can be called on for advice, briefings or assistance on specialized areas of focus such as Related Party Transactions, mergers and acquisitions, valuation and fairness opinions for acquisitions or disposal of assets, and etc. Management can arrange for the internal auditor, management services company or consultants to make presentations to the Board of Directors.

e. Performance Evaluation

The Board of Directors, committee and director evaluations involve board members undertaking a constructive but critical review of their own performance, identifying strengths, weaknesses and implementing plans for further professional development. The provision of feedback on the Board of Directors' performance and governance processes is the most crucial element of said evaluation and is the means by which the Board of Directors achieves consensus on targeted improvements. Said self-assessments which are to be carried out annually shall be held in utmost confidentiality and will have non-attributable responses. Key evaluation factors of the assessments include: the functions of the Board of Directors, Board of Directors' strategy and effectiveness, structure of the Board of Directors and its committees, Board of Directors and Management relations, succession planning and training, and value creation.

The results of these evaluations shall be presented to the Chairman of the Board of Directors. The Chairman may develop recommendations and/or an action plan for the Board of Directors and, where determined necessary or

desirable, address issues raised as a result of such assessments, and monitor the progress of the Board of Directors in addressing issues identified in the assessment process.

A key objective of the performance evaluation is to highlight the strengths of the Corporation's Corporate Governance system, where such improvement initiatives can be highlighted in targeted communications to strengthen shareholder and stakeholder confidence.

There are four (4) major levels of the evaluation:

- i. Board-level Assessment of the body as a whole. The Board of Directors needs to assess its own achievement of goals and working style, i.e., actual operations and work of the Board of Directors with respect to the Corporation's business model and strategy. Directors will also review the Board of Directors' effectiveness with respect to current and future development challenges of the Corporation, the continuous evolving expectations of its stakeholders and, if need be, existing communication on Corporate Governance matters;
- ii. Committee-level Assessment of respective Committees. All board-level committees are to evaluate annually the performance of the committee as a body and report the results to the Board of Directors or to such committee that may be appointed by the Board of Directors for review;
- iii. Individual Director Self-Assessment; and
- iv. Board Assessment of the Chairman. This shall be made by Non-Executive Directors, led by the senior Independent Director, taking into account the views of Executive Directors.

The performance evaluation of the Board of Directors and that of its committees shall be undertaken annually and reported in the Corporation's annual report.

B. Members of the Board of Directors

1. Duties and Responsibilities of Directors

A director of the Corporation shall have the following duties and responsibilities:

- a. Conduct fair business transaction with the Corporation to ensure that personal interest does not bias the decisions of the Board of Directors;

- b. Directors, whenever possible, shall avoid situations that would give rise to a conflict of interest. If transactions with other institutions cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the Corporation than those offered to others. The basic principle to be observed is that a director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his Related Interests. He shall avoid situations that would compromise impartiality;
- c. Act honestly, in good faith and with loyalty to the best interest of the institution, its shareholders, (regardless of the amount of their stockholdings) and other stakeholders such as its investors, clients and the general public. A director must always act in good faith and with care which an ordinary prudent man would exercise under similar circumstances and shall always strive to promote the interest of all shareholders. He shall also give due regard to the rights and interests of other stakeholders;
- d. Devote time and attention necessary to properly discharge their duties and responsibilities. Directors shall devote sufficient time to familiarize themselves with the Corporation's business. They must constantly be aware of the Corporation's condition and be knowledgeable enough to contribute meaningfully to the Board of Directors' work. They must attend and actively participate in board and committee meetings, request and review meeting materials, ask questions and request explanations. If they cannot give sufficient time and attention to the affairs of the Corporation, they should neither accept their nomination nor run for election as members of the Board of Directors;
- e. Act judiciously. Before deciding on any matter brought before the Board of Directors, every director shall thoroughly evaluate the issues, ask questions and seek clarifications when necessary;
- f. Exercise independent judgment. Directors shall view each problem or situation objectively. When a disagreement with others occurs, they shall carefully evaluate the situation and state their position. They shall not be afraid to take a position even though it might be unpopular. Corollary, they shall support plans and ideas that they think will be beneficial to the Corporation;
- g. Have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and ByLaws, the requirements of the IC, and where applicable, the requirements of other government agencies. A director shall also keep himself informed of the industry developments and business trends in order to safeguard the Corporation's competitiveness;

- h. Observe confidentiality. Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the Board of Directors; and
- i. Have a working knowledge of the Corporation's control systems. A Director shall ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

2. Policy on Multiple Board Seats

A director shall exercise due discretion 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.

Any limitations in the number of directorships outside of the Corporation shall not include directorships in the Corporation's Subsidiaries, Affiliates, Parent, and the Affiliates and Subsidiaries of the Parent.

3. Specific Provisions for Independent Directors

a. Term Limits

The term of Independent Directors shall be subject to the following guidelines¹:

- i. An Independent Director shall serve for a maximum cumulative term of nine (9) years; provided, that service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which the Independent Director position was relinquished or terminated;
- ii. After serving as Independent Director for nine (9) years, the Independent Director shall be perpetually barred from being elected as such in the Corporation, without prejudice to being elected as Independent Director in other companies;
- iii. If the Corporation desires to continue the services of an Independent Director who had already served their maximum term limit, said

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Independent Director, as an exception, may still continue to act as such with the approval of the majority of the shareholders during its annual meeting. Also, the Board shall submit to the Insurance Commission a formal written justification of the exception.

- iv. All previous terms served by existing Independent Directors prior to the effectivity of IC Circular No. 51, Series of 2016, or on 21 September 2016, shall not be included in the application of the term limits prescribed in this Manual.

b. Termination/Cessation

Independent directorship shall only be terminated or ceased in case the Independent Director voluntarily resigns as such, his office was terminated for a cause (such as disqualification), and for other reasons based on existing rules and regulations. The vacancy shall be filled by the vote of at least a majority of the remaining directors if still constituting a quorum. Otherwise, said vacancies shall be filled by the shareholders in a regular or special meeting called for that purpose. An Independent Director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

c. Provision of Support

The Corporation shall, as appropriate, provide Independent Directors with technical support staff to assist them in performing their duties. Independent Directors may, when necessary, also request and receive support from executives, employees or outside professionals such as auditors, advisers and counsel to perform such duties. The Corporation shall cover the reasonable expenses of providing such support.

4. Liability of Directors

Directors who willfully and knowingly vote for or consent to patently unlawful acts of the Corporation or who are guilty of gross negligence or bad faith in directing the affairs of the Corporation or acquire any personal or pecuniary interest in conflict with their duty as such directors, shall be liable jointly and severally for all damages resulting therefrom suffered by the Corporation, its shareholders and other persons.

C. Board Committees

The Board of Directors shall establish committees to assist in exercising its authority in monitoring the performance of the Corporation, within the limits allowed by law.

These committees provide organized and focused means for the directors to achieve specific goals and address issues, including those related to governance.

1. Executive Committee

The Executive Committee shall possess and exercise all the powers of the Board of Directors in the management and direction of the affairs of the Corporation, subject to the provisions of the Corporation's ByLaws and the limitations prescribed by law.

2. Audit Committee

Provide oversight over the Company's financial reporting, Internal Control System, Internal and External Audit processes, and monitor compliance with applicable laws and regulations. The Committee shall ensure that systems and processes are put in place to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of business operations, and proper safeguarding and use of the Corporation's resources and assets;

3. Related Party Transactions Committee

The Related Party Transaction Committee (RPTC) safeguards the integrity and fairness of transactions involving related parties within the company. Its primary purpose is to oversee and review all material-related party transactions to ensure they are conducted on equitable terms, in compliance with applicable laws and regulations, and in the best interests of the company and its stakeholders.

4. Board Risk Oversight Committee

The purpose of the Board Risk Oversight Committee (BROC) is to oversee the establishment of the Enterprise Risk Management (ERM) system to ensure its functionality and effectiveness. The risk management framework shall guide the Board of Directors in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. The Committee shall be responsible for defining the level of risk tolerance of Maxicare and providing oversight over its risk management policies and procedures to anticipate, minimize, control or manage risks or possible threats to its operational and financial viability.

5. Compensation Committee

The purpose of the Compensation Committee (CCOM) is to assist the Board in providing reasonable compensation to the executives and employees by ensuring that appropriate remuneration policies are in place which are designed to meet the needs of the Company and to enhance corporate and individual performance and ensuring that the salaries and benefits being provided by Maxicare are

up-to-date, competitive and in compliance with the minimum standards provided under the law and relevant regulations.

6. Corporate Governance Committee

The Corporate Governance Committee is the Committee tasked to assist the Board of Directors in fulfilling its corporate governance responsibilities. Thus, it shall ensure the Board's effectiveness and due observance of sound corporate governance principles and guidelines. The Committee believes that sound and effective corporate governance practices constitute the cornerstone of Maxicare's strength and long term existence and the key to enhancing long term shareholders' value.

7. Medical Advisory Committee

The Medical Advisory Committee is the Committee tasked to provide expert oversight and guidance on clinical and medical matters, ensuring that healthcare services are delivered at the highest standards of quality and safety. Its primary purpose is to enhance patient care, promote evidence-based practices, and ensure compliance with relevant healthcare regulations and accreditation standards.

D. Adequate and Timely Information

To enable the Directors to properly fulfill their duties and responsibilities, Senior Management shall provide the Directors with complete, adequate, and timely information about the matters to be taken in their meetings. Information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents. If the information provided by Senior Management is not sufficient, further inquiries may be made by a Director to enable him to properly perform his duties and responsibilities. The Directors shall have independent access to Senior Management and to the Corporate Secretary. The Directors, either individually or as a Board, and in the performance of their duties and responsibilities, may seek access to independent professional advice within the guidelines set by the Board.

E. Accountability and Audit

1. Financial Reporting, Audit Commitment and Auditors

The Board of Directors is responsible to present a balance and understandable assessment of the Corporation's performance, financial position and projects, hence:

- a.** The Board of Directors shall ensure that it has a timely and accurate disclosure of all material matters, including the financial condition, performance, ownership and governance of the Corporation;
- b.** A fair and timely cost-efficient access to relevant information shall be provided to all parties having legitimate interest in the Corporation. Key financial information should be readily available to shareholders, creditors and claimants;
- c.** The Board of Directors and the Senior Management level shall receive regular report on key aspects of the operations of the Corporation; and
- d.** The Board of Directors shall ensure faithful compliance with the financial and other reportorial requirements under all applicable laws and rules.

2. Internal Controls and Risk Management

The Board of Directors shall maintain a sound and effective system of Internal Controls that will ensure the integrity of the financial reports and safeguard stakeholders' interests and the Corporation's assets for the benefit of all shareholders and other stakeholders. To this end, the Corporation shall observe the following guidelines:

- a. The Board of Directors shall ensure that an effective system of Internal Controls is in place for safeguarding the Corporation's assets;
- b. Report to the Board of Directors all major risks facing the Corporation which are likely to affect the performance and financial condition of the Corporation and the approach taken by Management in dealing with these risks;
- c. The Board of Directors shall ensure that reports accurately reflect the financial condition and the results of corporate operations;
- d. 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 Controls system shall be carried out by independent and competent staff. Audit findings and recommendations shall be reported to the Board of Directors and the senior Management of the Corporation; and
- e. Protect the value of the Corporation's shares through adequate financial controls. The Board of Directors shall foster and encourage a corporate environment of strong Internal Controls, fiscal accountability, high ethical standards and compliance with the law and code of conduct.

3. Audit Committee and Auditors

The Board of Directors, through the Audit Committee, shall undertake an independent audit of the Corporation's transactions and activities, subject to the following guidelines:

- a. The Board of Directors shall establish an audit committee and Internal Audit Office which shall be independent of the activities they audit;
- b. The Board of Directors or the Audit and Risk Management Committee shall determine the head as well as the members of the Internal Audit ; and
- c. Corporate Independence shall be maintained so as not to compromise the interests of claimants, creditors, minority shareholders and other stakeholders. Controlling or substantial interest shall be disclosed to the Board of Directors, and the latter shall ensure compliance with the provisions of all applicable laws, rules and regulations.

F. Corporate Officers

The officers of the Corporation shall consist of the following: Chairman of the Board, President, one or more Vice Presidents, Treasurer, Assistant Treasurer, Corporate Secretary, Assistant Corporate Secretary, and such other officers as the Board of Directors may appoint.

Each officer shall contribute his share in the pursuit of good Corporate Governance. His service shall be characterized by honesty, integrity, diligence, efficiency, loyalty, adherence to sound industry practices and the rules of law, as well as fairness and equity to all.

1. Qualifications

An officer shall have the following minimum qualifications:

- a. He shall be at least a college graduate, or have at least five (5) years of experience in healthcare operations or related activities or in a field related to his position and responsibilities;
- b. He must be fit and proper for the position he is being proposed or appointed to. In determining whether a person is fit and proper for a particular position, the following matters must be considered: integrity/probity, competence, education, diligence, and experience/training;
- c. In assessing an officer's integrity/probity, consideration shall be given to the officer's market reputation, observed conduct and behavior, as well as his ability to continuously comply with the Corporation's policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, exchange, or government and any of its instrumentalities/agencies; and
- d. The Corporation's Corporate Secretary must be a Filipino citizen and a resident of the Philippines.

2. Duties and Responsibilities

- a. The Chairman shall have the following duties and responsibilities:
 - i. To preside at all meetings of the shareholders and of the Board of Directors;
 - ii. To submit an annual report on the operations of the Corporation to the shareholders at the annual meeting; and

- iii. To exercise such other powers and perform such other duties as the Board of Directors may from time to time fix or delegate.
- b. The President shall have following duties and responsibilities:
 - i. To exercise general supervision and direction of the business and operations of the Corporation, and to see to it that the resolutions and instructions of the Board of Directors are properly carried out;
 - ii. To submit to the Board of Directors such statements, reports, memoranda, and accounts as the latter may request from time to time;
 - iii. To sign certificates of stock; and
 - iv. To exercise such other powers and perform such other duties as the Board of Directors may from time to time fix or delegate.
- c. Vice Presidents shall, in the absence of the President, exercise all the powers and perform all the duties of the President as long as such absence or disability of the latter continues. The other Vice Presidents shall have such powers and duties as the Board of Directors may from time to time delegate or assign to them;
- d. The Treasurer shall have the following duties and responsibilities:
 - i. To have custody of and be responsible for all the amounts, funds, securities, bonds, and valuable effects for the Corporation; to keep a complete and accurate record of receipts and disbursements and all financial transactions in the corresponding books of account of the Corporation, and see to it that all disbursements and expenditures are evidenced by appropriate vouchers;
 - ii. To deposit in the name and to the credit of the Corporation, in such banks or banks as may be designated from time to time by the Board of Directors, all such moneys, funds, securities, bonds, and similar valuable effects belonging to the Corporation as may come under their control;
 - iii. To render an annual statement showing the financial condition of the Corporation at the end of each fiscal year and such financial reports as the Board of Directors may from time to time require;
 - iv. To receive and give receipts for all amounts paid to the Corporation from any source, which may be delegated accordingly; and
 - v. To perform such other duties as may be required by law or prescribed by the Board of Directors.

- e. The Assistant Treasurer shall perform such duties and responsibilities as the Board of Directors may from time to time fix and assign;
- f. The Corporate Secretary shall have the following duties and responsibilities:
 - i. Possess appropriate administrative and interpersonal skills;
 - ii. Have a working knowledge of the operations of the Corporation;
 - iii. Be aware of the laws, rules, and regulations necessary in the performance of his duties and responsibilities; and
 - iv. Be a separate individual from the Compliance Officer and should not be a member of the Board of Directors.
 - v. To keep full minutes of all meetings of the Board of Directors and of the shareholders;
 - vi. To keep the stock and transfer book and seal of the Corporation;
 - vii. To fill and countersign all the certificates of stock issued, making corresponding annotations on the margins of stubs of such certificates upon issuance;
 - viii. To give, or cause to be given, all notices required by law or the Corporation's By-Laws as well as the notices of all meetings of the Board of Directors and of the shareholders; and
 - ix. To perform such other duties as may be required by law or prescribed by the Board of Directors.
- g. The Assistant Corporate Secretary shall perform such duties and have such powers of the Corporate Secretary as the Board of Directors may from time to time fix or assign to them.

IV. Shareholders' Rights

Shareholders' Rights

The Board is committed to treat all Shareholders fairly and equitably, and shall recognize, protect and facilitate the exercise of their rights. These rights relate to the following among others:

A. Right to Vote

Shareholders shall have the right to vote to all matters requiring their consent and approval in accordance with the Revised Corporation Code and Maxicare By-Laws.

B. Anti-Dilution and Pre-Emptive Rights

Each Shareholder shall have the right to subscribe to or to purchase or to have offered for subscription or purchase in proportion to its shareholding percentage in the Corporation, any un-issued or reissued stock of any class, any additional shares of any class to be issued by reason of any increase of the authorized capital stock of any class of the Corporation, or any securities convertible to shares of the Corporation or any rights or options to acquire any shares;

C. Right to inspect corporate books and records

Any stockholder who desires to exercise his right to inspect corporate books and records of the Corporation must make a written request addressed to the Corporate Secretary, stating the specific reason(s) or purpose(s) for the inspection. The exercise of such right may be denied if:

1. The requesting stockholder improperly used information obtained from prior examination;
2. Is not acting in good faith; or
3. There is a reasonable ground to safeguard the interests of the Corporation, such as when the subject of inspection contains confidential or proprietary information or is covered by a confidentiality or non-disclosure obligation which will be violated by the Corporation if inspection were allowed. In no case shall the stockholder be allowed to take corporate books and other records out of the principal office of the Corporation for the purpose of inspecting them. The Corporate Secretary may elevate the request for inspection for the information, approval, or other appropriate action by the Board.

D. Right to information

Stockholders shall be provided, upon request, with periodic reports filed by the Corporation with the SEC (e.g., proxy statement/information statement and annual report) which disclose personal or professional information about the Directors and Officers such as their educational and business background, holdings of the Corporation's shares, material transactions with the Corporation, relationship with other Directors and Officers and the aggregate compensation of Directors and Officers.

E. Right to dividends

Stockholders shall have the right to receive declared dividends subject to the procedures prescribed by the Board.

F. Appraisal rights

The stockholders shall have appraisal rights under any of the following circumstances:

1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any aspect superior to those of outstanding shares of any class, or of extending or reducing the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the property and assets of the Corporation;
3. In case of merger or consolidation; and
4. Investment of funds in any other corporation or business or for any purpose other than the primary purpose for which the Corporation was organized.

V. Alternative Dispute Resolution

This Company commits to utilizing Alternative Dispute Resolution (ADR) methods as a primary approach for resolving disputes that may arise within the organization. ADR includes processes such as mediation, arbitration, and negotiation, which provide a means of resolving conflicts in a manner that is efficient, cost-effective, and conducive to preserving relationships.

A. Arbitration as the Preferred Mode of Dispute Resolution

The company recognizes arbitration as the preferred mode of ADR. Arbitration is a voluntary dispute resolution process in which one or more arbitrators, appointed in accordance with the agreement of the parties, or any applicable rules, to resolve a dispute by rendering an award².

In the conduct of arbitration, the Company shall be guided by the following definition:

- Arbitrator³ - means the person appointed to render an award, alone or with others, in a dispute that is the subject of an arbitration agreement;
- Award⁴ - any partial or final decision by an arbitrator in resolving the issue in a controversy;

B. Arbitration Agreement

All contracts, agreements, and transactions entered into by the company shall include a binding arbitration clause. This clause stipulates that any disputes arising out of or in connection with the contract shall be resolved exclusively through arbitration, except where otherwise agreed in writing.

² Adopted from Republic Act No. 9285, the ADR Law

³ *ibid.*

⁴ *ibid.*

C. Arbitration Process

The Company shall adhere to the following guidelines in the conduct of the arbitration process, unless otherwise specified or in the absence of an arbitration agreement:

1. Selection of Arbitrators

The arbitration shall be conducted by one or more arbitrators as agreed by the parties.

2. Venue and Language

The arbitration shall take place at a mutually agreed venue. The proceedings shall be conducted in English, or in another language as agreed upon by the parties.

3. Confidentiality

All arbitration proceedings, including all documents and evidence submitted, shall be kept confidential and shall not be disclosed to any third party without the written consent of all parties involved, except as required by law or to enforce the arbitration award.

4. Arbitration Award

4.1 Final and Binding

The arbitration award shall be final and binding on all parties involved. The parties waive any right to appeal the arbitration award, except on grounds of manifest disregard of the law, fraud, or other limited grounds provided under applicable arbitration laws.

4.2 Enforcement

The company shall comply with the arbitration award in a timely manner. If necessary, the arbitration award may be enforced in any court having jurisdiction.

5. Costs of Arbitration

Each party shall bear its own costs and expenses incurred in connection with the arbitration, unless the arbitrator decides otherwise. The costs of the arbitration tribunal shall be shared equally between the parties, unless otherwise determined by the arbitrator.

VI. Compliance and Monitoring

A. Appointment of Compliance Officer

To ensure adherence to the corporate principle and best practices reflected herein, the Board of Directors shall appoint a Compliance Officer who shall hold the position of at least a Vice President or its equivalent. The Compliance Officer reports directly to the Chairman of the Board of Directors, and shall have direct access to the Board of Directors, through the Corporate Governance Committee without interference from Management.

The appointment of the Compliance Officer shall immediately be disclosed to the IC. All correspondence relative to the compliance functions shall be addressed to said Compliance Officer.

The Compliance Officer shall have the following duties and responsibilities:

1. Monitor compliance with the provisions and requirements of this Manual and the rules and regulations of law and of any government agencies exercising regulatory power over the Corporation;
2. Determine violation/s of this Manual, report the same to the Board of Directors and recommend imposition of penalties on the responsible parties for violation thereof, as well as the adoption of measures to prevent a repetition of the violation, for further review and approval of the Board of Directors;
3. Appear and represent the Corporation before the IC upon being summoned on relevant matters that need to be clarified or in relation to compliance with this Manual;
4. Identify, monitor and control compliance risks;
5. Develop processes for the testing of compliance controls and procedures, in a manner of a frequency that is appropriate for each compliance requirement;
6. As may be required by the IC, prepare, accomplish and submit the Annual Corporate Governance Report or any other relevant reportorial requirement on the scope, nature and extent of the actions the Corporation has taken to meet the objectives of this Manual.

B. Reportorial and Disclosure System

The Board of Directors, through the Compliance Officer, shall ensure that the annual reports or disclosures required under this Manual, or as may be required by the IC from time to time, are prepared and submitted to the IC by the Compliance Officer.

VII. Public Accountability

As an HMO, the operation and activities of the Corporation are imbued with public interest. The Corporation shall ensure that its dealings with the public are always conducted in a fair, honest, and equitable manner.

The Corporation, and its directors, officers and employees, therefore, undertake that they shall not engage in any transaction involving conflicts of interest, or in any unfair or deceptive acts or conduct that constitute unfair trade practices.

A. Commitment to Good Corporate Governance

The Board of Directors and Management of the Corporation shall commit themselves to the principles and leading practices contained in this Manual. The Board of Directors and Management, who believe that Corporate Governance is a necessary component of what constitutes sound strategic business management, shall undertake every effort necessary to create awareness within the Corporation. To ensure adherence to this Manual, the following shall be observed:

1. This Manual shall be available for inspection by any stockholder of the Corporation during office hours;
2. The Board of Directors and Management are tasked to ensure thorough dissemination of this Manual to all employees and Related Parties, and to likewise enjoin compliance in the process; and
3. The Compliance Officer, who has direct reporting responsibilities to the Chairman, shall be responsible for coordinating with the all department/unit heads of the Corporation to ensure that this Manual is operational.

B. Enforcement and Penalties

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Corporation's directors, Management, and employees in case of violation of this Manual:

1. In case of first violation, the subject person shall be warned, reprimanded or suspended depending on the severity of the violation. Any first violation that

- results in any notable financial loss for the Corporation shall be at least penalized with suspension or reprimand;
2. A second violation may require suspension depending on the gravity of the violation; and
 3. For the third violation, the maximum penalty of removal from office may be imposed. When removed, the director, officer, or employee shall not be granted additional benefits except those required by law.

The Compliance Officer shall be responsible for determining the violations through notice and hearing, and shall recommend to the Chairman of the Board of Directors the imposable penalty for such violation, for further review and approval of the Board of Directors.