CORPORATE GOVERNANCE MANUAL

TABLE OF CONTENTS

CORPORATE GOVERNANCE MANUAL

Introduction

The Board of Directors of Malayan Insurance Company Inc. (MICO) has developed these Corporate Governance Guidelines to promote the efficient and effective functioning of the Board and its committees, to promote the collective interests of all its shareholders and to establish best practices by which the Board, its various committees, individual directors and management shall perform their responsibilities and obligations. These Guidelines are crafted within the framework of the Company's vision, mission, quality policy and core values.

I. Definitions[1]

1. **Corporate Governance** – is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitor and assessed, and how performance is optimized.

2. **Board of Directors** – refers to the collegial body that exercise the corporate powers of all corporations formed under the Corporation Code. It conducts all the business and controls or holds all properties of such corporations.

3. **Management** – refers to the body given authority to implement the policies determined by the Board in directing the course/ business activity/ies of the corporation.

4. **Executive Director** – refers to a director who is at the same time appointed to head a department / unit within the corporate organization.

5. **Non – Executive Director** – refers to the Board Member with non-executive functions.

6. **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.

7. **Internal Control** – refers to the process effected by a company's Board of Directors, management and other personnel, designated to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws, regulations, and internal control policies.

8. **Internal Control Environment** – refers to the framework under which internal control are developed, implemented alone or in concert with other policies or procedures, to and control a particular risks or business activity or combination of risks or business activities, to which the company is exposed.

9. **Internal Auditing** – refers to an independent, objective assurance and consulting activity designed to add value and improve an organization's operation. It helps an organization accomplish its objectives by bringing a systematic, and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

10. **Internal Audit Department** – refers to a Department, division, tram of consultants, or other practitioner(s) that provide independent, objective assurance and consulting services designed to add value and improve an organization's operation.

11. **Independence** – refers to that environment which allows the person to carry out his/her work freely and objectively.

12. **Objectivity** – refers to an unbiased mental attitude that requires a person to carry out his/her work in such manner that he/she has an honest belief in his/her work product and that no significant quality compromises are made. Objectivity requires the person not to subject his/her judgment to that of the other.

13. **Stakeholders** – refers to the group of company owners, officers and employees, policyholders, suppliers, creditors and the community.

14. **Substantial or major shareholder** – shall mean 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 an insurance or beneficial owner of more than ten percent (10%) of any class of its equity security.

15. **Majority stockholder or Majority shareholder** – means a person, whether natural or juridical, owning more than fifty percent (50%) of the voting stock of an insurance company.

16. **Subsidiary** – means a corporation more than fifty percent (50%) of the voting stock of which is owned or controlled directly or indirectly through one or more intermediaries by an insurance company.

17. **Affiliate** – is a juridical person that directly or indirectly through one or more intermediaries, is controlled by, or is under common control with the insurance companies or its affiliates.

II. The Board of Directors

Compliance with the principles of good corporate governance shall start with the Board of Directors.

The Board, in its responsibility to foster long-term success of the company, by providing entrepreneurial and strategic leadership within a framework of prudent and effective controls, and in further securing the company's sustained competitiveness in a manner consistent with its fiduciary capability, hereby adopts the following standards;

1. The Board shall meet regularly to discharge its duties efficiently.

2. The company's annual report shall identify the chairman, the independent directors and the chairperson and members of the nomination and remuneration, audit and risk committees.

3. All concerns of the directors about running the company shall be recorded in the minutes of the Board.

A. Responsibilities of the Board

The Board, in carrying out high standards and best practices of corporate governance, shall:

A1. In coordination with Management, determine the corporation's purpose, vision and mission. This entails a review of the company's strategic and business plans, overseeing the proper conduct and management of the business, the identification of key risk areas and their mitigation, and the review of the adequacy and integrity of internal control systems.

A2. Oversee the conduct of the company's business to ensure that the business is being properly managed and dealings with policyholders, claimants and creditors are fair and equitable.

A3. Identify principal business risk and ensure the implementation of appropriate risk management systems.

A4. Approve corporate policies in core areas of operations.

A5. Adopt a succession plan for the company.

A6. Review the adequacy and the integrity of the company's internal control systems and management information systems.

A7. Appoint officer who is qualified to administer insurance affairs soundly and effectively and to establish an adequate selection process for all personnel.

A8. Review and approve material transactions on all matters that require their approval under the Corporation Code of the Philippines.

A9. Act with confidentiality and discretion in the use of_information proprietary to the Company.

A10. Conduct fair business transactions with the company and to ensure that personal interest does not prejudice Board decisions.

A11. Foster a non-discriminatory work and business environment, which promote a climate of harmony and tolerance.

A12. Exercise due prudence in the use of the Company's resources.

A13. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By -Laws and existing laws, rules and regulation.

B. Constitution of an Effective Board

B1. The Board shall be composed of eleven (11) members, with at least two members being independent directors.

B2. The Board shall endeavor to find a balance of executive and non executive directors and ensure a process of substantive discussions and collegial decision-making.

B3. The roles of the Chairman and Chief Executive Officer shall in principle be separate, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

C. Board Balance and Independence

C1. The Board shall determine whether a director is independent in character and judgment or there are relationships or circumstances which are likely to affect the director's judgment. It shall identify in its annual report any non-executive director it considers to be independent.

C2. Committee meetings shall be exclusively attended by the Committee chairman and members. Resource persons may attend at the invitation of the Committee.

C3. The independent/non-executive directors shall ensure at all times, that they can devote sufficient time and effort in performing their duties and responsibilities as independent/non-executive directors. As such, they shall, as far as practicable, limit their participation as independent/non-executive directors in other corporations to such extent and number as not to be a hindrance to performing their main duties as directors of the Company.

C4. The Board and its committees shall have the authority, at the company's expense, to engage independent legal counsel, consultants and other expert advisers.

D. Appointments to the Board

D1. The selection and appointment to the Board shall be on the basis of merit and shall involve a formal and transparent procedure. The Board shall endeavor to plan for the orderly succession to the Board, ensuring a continuous mix of competencies, skills and experiences.

D2. The following committees shall be constituted:

D2.1. Nomination & Remuneration Committee

D2.1.1. The Nomination committee shall be composed of at least three (3) members of the board of directors, one of whom must be independent.

D2.1.2 The committee shall receive, review and evaluate the qualifications of all persons nominated to the Board.

D2.1.3. The following information shall be considered in the evaluation of Board nominees:

a. The nature of the business of the corporation where he / she is a director;

b. Age of the director;

c. Number of directorships/active memberships and officerships in other corporations or organizations;

d. Prior position, if any, in the company where he or she is being considered for directorship; and

e. Other possible conflicts of interest.

D2.1.4. If any vacancy shall occur among the directors for any reason, the nomination committee shall facilitate calling up a special meeting of the Board for purposes of filing up the vacancy.

D2.1.5. Directors hold office until the annual meeting of shareholders succeeding his or her election and until a successor is appointed and qualified or until his or her earlier resignation or removal.

D2.1.6. The committee shall require and approve full business interest disclosure as part of the requirements for appointment of directors and employment requirements of company officers. Directors and officers are to declare all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties.

D2.2. Audit Committee

D2.2.1. The Audit committee shall be comprised of independent board members, preferably with accounting and finance experiences.

D2.2.2. The Audit Committee shall oversee, monitor and evaluate the adequacy and effectiveness of the company's internal controls, particularly involving the company's accounting policies and financial reporting practices, especially in the key areas of credit, market, liquidity operational risks.

D2.2.3. The committee shall appoint and perform interface functions with internal as well as independent external auditors.

D2.2.4. The external auditor shall be an accredited auditor by the Insurance commission. The reason for the resignation dismissal or cessation from service and the date thereof of an external auditor shall be reported in the company's annual report.

D2.2.5. The external auditor shall not at the same time provide the services of an internal auditor to the same client.

D2.2.6. The auditors shall have direct access to directors and the Board, at all times and without interference from management.

D2.2.7. The committee shall ensure the company's adoption of international standards of accounting and auditing processes, practices and methodologies.

D2.3. The Executive Committee (Adopted from MICO By-l laws)

D2.3.1. The Executive Committee shall be composed of the Chairman of the Board and four (4) members designated by the Board from among the Directors.

D2.3.2. The Executive Committee shall promulgate its own rules of procedure and shall meet where and as provided by such rules or by resolution of the Board. In the absence of such rules or by resolution, the Executive Committee shall meet at least twice a month and shall make policy decision when the Board is not in session.

D2.3.3. A majority of the members of the Executive Committee shall constitute a quorum for the holding of a meeting and any resolutions of a majority of all the members of the Executive Committee shall be valid as a corporate act subject only to the conditions hereinafter and forth.

D2.3.4. All actions by the Executive Committee shall be reported to the Board of Directors at its meeting next succeeding such action, for confirmation.

D2.3.5. All important matters shall be reported by the President to the Executive Committee for approval or confirmation.

D2.4. The Risk Management Committees

D2.4.1 The Risk Management Committee shall be composed of independent Board members. The core duties and responsibilities of this committee include the following:

a.) To be aware of the risks that affects the Company's business and operations;

b.) Oversee the effective implementation of the Company's Enterprise Wide Risk Management;

c.) Lead in developing and disseminating the Company's risk philosophy and control culture throughout the Company;

d.) Make all employees aware of their role in risk management and internal control processes, including recognizing the need to act responsibly and report problems in operations, policy violations, illegal actions, and non-compliance with regulations or codes of conduct.

e.) Review and evaluate the Company's identified risks and their relative impact and probability;

f.) Assess the adequacy of the Company's risk assessment, its plans for risk control or mitigation, and disclosure of identified risks;

g.) Review, assess and discuss with the Company's Senior Management:

- any significant risks or exposures,
- the steps taken by the Company to minimize such risks

or exposures,

- the Company's policies with respect to risk assessment and risk management;

h.) Report on its activities to the Board, and make such recommendations as it deems appropriate;

D3. The Board may establish such other committees as it shall determine appropriate from time to time.

E. Members of the Board

All directors shall make decisions objectively in the collective interest of the company. Directors are expected to work together as part of an effective and collegial group committed to advancing the long-term interests of the company. Each is encourage to periodically update their skills and knowledge on their fields of expertise.

E1. Qualifications of a Directors

a. Each director shall be possessed of the necessary skills, competence and experience, in terms of management capabilities preferably in the field of insurance or insurance-related disciplines and use these to meaningfully contribute to the organization's sustained growth. He or she must necessarily be a person of impeccable personal and professional ethics, values and integrity.

b. Every director shall own at least one (1) share of the capital stock of the corporation whose share should be in his name and recorded in the books of the corporation.

c. Each director shall at least be twenty-five (25) years of age at the time of his or her appointment. It is the policy of the Board not to adopt a fixed retirement age or a maximum number of terms for directors, the key characteristics of integrity, skills, competence and experience being the most important qualifications for the organization.

E2. Duties and Responsibilities

A director shall have the following duties and responsibilities:

a. To conduct fair business transactions with the corporation and to ensure that personal interest does not bias Board decisions;

b. To commit time and attention necessary to properly discharge his duties and responsibilities, including regularly attending and participating in meetings;

c. To act judiciously and ethically;

d. To exercise independent judgment;

e. To have a working knowledge of the statutory and regulatory requirements affecting the corporation;

f. To observe confidentiality;

g. To practice loyalty to the company;

h. To ensure the continuing soundness, effectiveness and adequacy of the corporation's control environment

III. Accountability and Audit

A1. Financial Reporting – The Board shall ensure timely and accurate disclosure of material matters relating to the company's financial position and projects. Financial reports shall be made accessible to all parties having legitimate interest in the company. Management shall provide regular reports to the Board which includes analysis of premium growth, underwriting performance, investment results, claims management and credit control.

A2. Internal Control and Risk Management – 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. Further, 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 senior management level of the corporation.

A3. Audit Commitment and Auditors – The Board, through its audit committee, shall establish and monitor the operations of a professional and independent internal audit office, and elevate accounting and auditing processes, practices and methodologies to international standards.

A4. Related Party Transactions – Related-party transactions shall be conducted in terms favorable to the company to safeguard the best interest of the company, its policyholders and stakeholders. In all cases, the provisions of Title 20, Chapter III of the Insurance Code shall be complied with.

IV. Rights of Stockholders and Protection of Minority Stockholders' Interest

The Board of Directors shall ensure that all rights of the stockholders as mandated or set forth in the Corporation Code of the Philippines, Articles of Incorporation and By-Laws of the Company shall be respected.

The Board should be transparent and fair and the conduct of the annual and special stockholders' meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should apprise ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in stockholders' favor.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy accurate timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

V. Public Accountability

The corporation ensures that their dealings with the public are always conducted in a fair, honest and equitable manner. Its officers and employees shall avoid conflicts of interest and shall not engage in any unfair or deceptive act or conduct that constitutes unfair trade practices.

VI. Responsibility for Good Governance

The Board of Directors and the management commit themselves to the principles and leading practices contained in this Corporate Governance Guidelines. Every effort necessary to create awareness of these Guidelines within the organization shall be undertaken, including the provision of a budget for its dissemination.

VII. Amendments and Revisions

These Guidelines are not intended to be all-encompassing or self-limiting. The Board reserves its right to amend, modify, change or not enforce these Guidelines at any time in the future where such is deemed desirable or necessary. The Board shall periodically review these Guidelines to adjust to changing times and business circumstances.