

MANUAL ON CORPORATE GOVERNANCE

HEALTH PLAN PHILIPPINES, INC.

Unit 1410 Prestige *Tower*
F. Ortigos Jr. Avenue. Ortigos Center
Son Antonio. Posig City 1605

telefax (632) 8447-4758 -
email info@hppi.com.ph
website www.hppi.com.ph

Table of Contents

I.	INTRODUCTION	4
II.	GOVERNANCE STRUCTURE	
A.	The Board of Directors	4
1.	Composition	
2.	Board Diversity	5
3.	Orientation and Training	
B.	Qualifications of a Director	5
C.	Disqualifications of a Director	6
I.	Permanently Disqualified	
2.	Temporarily Disqualified	
D.	Independent Directors	7
E.	The Chairman	8
F.	The Chief Executive Officer	9
G.	Corporate Secretary	9
H.	Compliance Officer	10
III.	RESPONSIBILITIES, DUTIES AND FUNCTIONS OF THE BOARD OF DIRECTORS	
A.	General Responsibility of the Board	10
B.	Duties and Functions of the Board	11
C.	Specific Duties and Responsibilities of a Director	12
D.	Management Succession Planning	12
E.	Remuneration of Directors and Senior Management	12
F.	Selection, Nomination and Election of Board Members	13
G.	Related Party Transactions	13
H.	Selection of Management Team and Annual Performance Evaluation	13
I.	Internal Control and Risk Management	14
J.	Board Charter	14
IV.	BOARD OPERATIONS	
A.	Board Meetings	14
B.	Board Meetings, Attendance Requirement	14
C.	Board Meetings, Notice, Agenda and Materials	15
D.	Multiple Board Seats	15
E.	Confidentiality	15
V.	BOARD COMMITTEES	
A.	Audit Committee Oversight Function	16
B.	Risk Oversight Committee Function	16
C.	Corporate Governance Committee Functions	16
D.	Related Party Transaction Committee Functions	16

VI.	INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK	17
VII.	CORPORATE GOVERNANCE MONITORING AND SELF- ASSESSMENT	17
VIII.	CONFLICT OF INTEREST	18
IX	ADEQUATE AND TIMELY INFORMATION	18
X.	WHISTLEBLOWING POLICY	19
	A. Policy Statement	
	B. No Retaliation	
	C. Reporting Procedure	
	D. Acting in Good Faith	
	E. Confidentiality	
XI.	OTHER BEST CORPORATE GOVERNANCE PRACTICES	
	A. Encouraging Employees' Participation	19
	B. Corporate Social Responsibility	20
XII.	STAKEHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS	
	A. Shareholders' Rights	20
	B. Promotion of Shareholders' Rights	21
	C. Other Stakeholders	21
XIII.	ALTERNATIVE DISPUTE RESOLUTION	22
	A. Assessment	
	B. Negotiation	
	C. Mediation	
	D. Arbitration	
XIV.	ACCOUNTABILITY AND AUDIT	23
XV.	SANCTIONS FOR NON-COMPLIANCE	23

MANUAL ON CORPORATE GOVERNANCE

HEALTH PLAN PHILIPPINES, INC.

ARTICLE I INTRODUCTION

The Board of Directors and Management of Health Pion Philippines, Inc. hereby commit to adhere to the highest principles of good corporate governance. We are guided by the core values of Professionalism, Responsibility, Competence, Dedication, Sense of Urgency, Excellence, and Entrepreneurship.

The essential points of reference of this Manual are the principles enunciated in the Insurance Commission Circular Letter No. 2020-71 dated 13 June 2020 entitled, Revised Code of Corporate Governance for Insurance Commission Regulated Entities.

The Board of Directors, management and staff hereby acknowledge that this Manual will be their guide to principled actions and responsible conduct in fulfilling their respective duties and responsibilities to stockholders and other stakeholders which include, among others, members, employees, suppliers, partner hospitals, doctors, clinics and laboratories.

ARTICLE II GOVERNANCE STRUCTURE

A. The Board of Directors

The Board of Directors is principally responsible for the compliance to the highest standard of good governance. The Board shall be responsible in approving and overseeing the implementation of the corporate plans and strategy. The Board shall provide an independent check on Management to ensure accomplishment of the corporate objectives.

1. Composition

The Board shall be composed of qualified directors with an appropriate mix of competence, expertise and diverse skills to enable it to perform its roles and responsibilities effectively. The Board of Directors shall be elected during each regular meeting of the stockholders and shall hold office for one (1) year and until successors are elected and qualified.

The Board of Directors of the Company shall have members not exceeding fifteen (15) composed of executive and non-executive directors, the latter including independent directors. The non-executive directors shall constitute at least majority of the Board to promote the independent oversight of management by the board of directors, and who shall be owners of at least one (1) share of the common stock of the Company.

The Board shall have independent directors consisting at least twenty percent (20%) of the board.

2. Board Diversity

Company recognizes that diversity among its directors will foster critical discussion and promote balanced decision by the Board by the Board utilizing the differences in perspectives of its directors. It shall be the policy of the Company to have a board that is diverse in age, gender, ethnicity, culture, skills, competence and knowledge.

3. Orientation and Training

The Board, with the assistance of the Corporate Secretary, shall ensure that first-time directors are given the necessary orientation program. Orientation program shall cover Insurance Commission-mandated topics on corporate governance and an introduction to the Company's business. Articles of Incorporation. By-Laws. the Code of Conduct and other relevant policies. All directors shall be provided with annual continuing training to promote effective board performance and continuing qualification of the directors in carrying-out their duties and responsibilities. The annual training is aimed at providing the Board with continuous information of the developments in the business and regulatory environment, including emerging risks relevant to the company. The training program should include Insurance Commission (IC)-mandated topics on corporate governance, specifically: (a)Code of Corporate Governance: (b)IC Annual Corporate Governance Report; (c)Board Responsibilities; (d) Illegal activities of corporations/directors/officers; (e)Protection of minority shareholders; (f)Liabilities of directors; (g)Confidentialities: (h)Conflict of interest: (i) Related Party Transactions: (j)Enterprise Risk Management; and (k)Case studies and Financial Reporting and Audit. The orientation program for first time directors shall be for at least 8 hours, while the annual continuing training shall be at least 4 hours.

B. Qualifications of a Director

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

1. He must own at least one (1) share of the capital stock of the corporation, which share shall stand in his name on the books of the corporation;
2. He must be at least twenty-five (25) years of age at the time of appointment;
3. He must possess collective working knowledge, experience or expertise that is relevant to the company's industry;
4. He must not possess any of the disqualifications provided for in this Manual and the Corporation Code of the Philippines.

The Board of Directors may consider of her qualifications which are now or may hereafter be provided in the relevant existing laws or any amendments thereto or new law applicable to the Corporation.

C. Disqualifications of a Director

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

1. Permanently Disqualified

- a. Persons who have been convicted by final judgment of the court *for* offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft;
- b. Persons who have been convicted by final judgment of the court for violation of insurance laws;
- c. Persons who have been judicially, declared insolvent, spendthrift or unable to enter into a contract; or
- d. Directors, officers or employees of closed insurance companies or any insurance intermediaries who were responsible for such institution's closure as determined by the insurance Commission.

2. Temporarily Disqualified

- a. Persons who refuse to fully disclose the extent of their business interests when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as the refusal persists;
- b. Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special of the Board of Directors during their incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding elections;
- c. Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- d. Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
- e. Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification of the Insurance Commission;
- f. Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;
- g. Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- h. Those under preventive suspension:
- i. Persons with derogatory records with the NBI, court, police, Interpol and insurance authorities of other countries (*for* foreign directors) involving violation of any law, rule or regulation of the government or any of its Instrumentalities adversely affecting the integrity and/or ability to discharge the duties of an insurance director. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity;
- j. Persons who are delinquent in the payment of their obligations as defined hereunder:

- i. Delinquency in the payment of obligations means that obligations of a person with the insurance company or its related companies where he/she is a director or officer; or at least two obligations with other insurance companies. under different credit lines or loan contracts;
- ii. Obligations shall include all borrowings from an insurance company, or its related companies obtained by:
 - A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorsers, or surety for loans from such institutions;
 - The spouse or child under the parental authority of the director or officer; Any person whose borrowings or loan proceeds were credited to the amount of. or used for the benefit of a director or officer;
 - A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
 - A corporation. association or firm wholly owned or majority of the capital is contributed by any or a group of persons mentioned in the foregoing items 1,2, and 4.

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

D. Independent Directors

The Board shall be composed of at least twenty percent (20%) Independent Directors. The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for on independent director to hold the position.

An Independent Director refers to a person who:

1. Is not or was not a regular director, officer or employee of the covered entity, its subsidiaries, affiliates or related companies during the past three (3) years counted from the date of his election/appointment;
2. Is not or was not a regular director, officer, or employee of the covered entity's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;
3. Is not on 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 directors of the covered entity, or in any of its related companies or of its majority corporate shareholders;
4. Is not a relative by affinity or consanguinity within the fourth (4th) degree of a director, officer, or stockholder holding shares of stock sufficient to elect one (1) seat in the board of the covered entity or any of its related companies or of any of its substantial stockholders;
5. Is not acting as a nominee or representative of any director or substantial shareholder of the covered entity, any of its related companies or any of its substantial shareholders;
6. Is not *or* was not retained as 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 during the past three (3) years counted from the date of his election/appointment;
7. Is independent of management and free from any business or other relationship, has not engaged and does not engage In any transaction with the covered entity or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially Interfere with or influence the exercise of his judgment;

8. Was not appointed in the covered entity, its subsidiaries, affiliates or related companies as Chairman "Emeritus", "Ex-Officio", Regular Director, Officer or Member of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the post three (3) years counted from the date of his election/appointment;
9. 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; and,
10. Is not employed as an executive officer of another company where any of the covered entity's executives serve as regular directors. Related company refers to (a) the covered entity's holding/parent company; (b) its subsidiary or affiliate; (c) subsidiaries of its holding/parent company; or (d) a corporation where a covered entity or its majority stockholder own such number of shares that will allow/enable such person or group to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner.

Related company refers to (a) the covered entity's holding/parent company; (b) its subsidiary or affiliate; (c) subsidiaries of its holding/parent company, or (d) a corporation where a covered entity or its majority stockholder own such number of shares that will allow/enable such person or group to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner.

Minimum Qualifications of Independent Director.

An Independent Director shall have the following minimum qualification: (a) He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five (5) years; and (b) He shall possess proven integrity, probity and independence.

Term Limit of Independent Directors.

1. An Independent Director shall serve for a maximum cumulative term of nine (9) years.
2. An Independent director who served the maximum period shall be perpetually barred from any re-election in the same insurance company, insurance broker, mutual benefit association, pre-need company or health maintenance organization but may continue therein or as a non-independent director.
3. However, if the Company desires to continue the services of an Independent Director who had already served his/her maximum term limit, said independent Director, as an exception, may still continue to act or such provided that the Board submits to the Insurance Commission a formal written justification and must, in addition thereto, acquire the parent company's approval during its annual meeting.

E. The Chairman

The Chairman of the Board of Directors shall preside at all meetings of the Board of Directors and Shareholders. The Chairman shall also assist in ensuring compliance with and performance of the Corporate Governance policies and practices.

The duties and responsibilities of the chairman in relation to the Board may include, among others, the following:

1. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
2. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;

3. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
4. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
5. Assures the availability of proper orientation for first time directors and continuing training opportunities for all directors; and
6. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

F. The Chief Executive Officer

The CEO has the following roles and responsibilities, among others:

1. Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;
2. Communicates and implements the corporation's vision, mission, values and overall strategy and promote any organization or stakeholder change in relation to the same;
3. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
4. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
5. Directs, evaluates and guides the work of the key officers of the corporation;
6. Manages the corporation's resources prudently and ensures a proper balance of the same;
7. Provides the Board with timely information and interfaces between the Board and the employees;
8. Builds the corporate culture and motivates the employees of the corporation; and
9. Serves as the link between internal operations and external stakeholders.

G. Corporate Secretary

The Board should ensure that it is assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer. The Corporate Secretary should not be a member of the Board of Directors and should annually attend a training on corporate governance.

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

1. Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;
2. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
3. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
4. Advises on the establishment of board committees and their terms of reference;
5. Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

6. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
7. Performs required administrative functions;
8. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
9. Performs such other duties and responsibilities as may be provided by the Insurance Commission.

H. Compliance Officer

The Board shall ensure that it is assisted in its duties by a Compliance Officer. The Board may consider appointing a Compliance Officer with a rank of 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 shall have direct reporting responsibilities to the Chairman of the Board. The Compliance Officer shall annually attend a training on Corporate Governance.

He/she has, among others, the following duties and responsibilities:

1. Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
2. Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
3. Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
4. Ensures the integrity and accuracy of all documentary submissions to regulators;
5. Appears before the Insurance Commission when summoned in relation to compliance with this Code;
6. Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
7. Identifies possible areas of compliance issues and works towards the resolution of the same;
8. Ensures the attendance of board members and key officers to relevant trainings; and
9. Performs such other duties and responsibilities as may be provided by the Insurance Commission.

ARTICLE III RESPONSIBILITIES, DUTIES, AND FUNCTIONS OF THE BOARD OF DIRECTORS

A. General Responsibility of the Board

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

B. Duties and Functions of the Board

To ensure a high standard for the Corporation, its Shareholders and other Stakeholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

1. 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;
2. 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;
3. Oversee the adoption of an effective succession planning program and remuneration policies;
4. Adopt policies and board nomination and election that will ensure diversity in board composition in terms of knowledge, expertise and experience;
5. Oversee the implementation of a policy and system on Related Party Transactions which shall include the review and approval of material or significant RPTs and ensure fairness and transparency of the transactions;
6. Oversee the adoption of policies on the selection of Management and Key Officers and the assessment of their performance;
7. 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;
8. Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices;
9. Establish and maintain an investor relations program that will keep the shareholders informed of important developments in the corporation. If feasible, the corporation's CEO or chief financial officer shall exercise oversight responsibility over this program;
10. Identify the Corporation's Stakeholders in the community in which it operates or are directly affected by its operations and formulates a clear policy of accurate, timely and effective communication with them;
11. 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;
12. Ensure that the Corporation has an independent audit mechanism for the proper audit and review of the Corporation's financial statements by independent auditor;
13. Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities: and
14. Ensure that the Corporation establishes appropriate Corporate Governance policies and procedures pursuant to this Manual, including but not limited to, policies on conflict of interest and oversee the effective implementation thereof.

HPPI's Board of Directors consists of seven members with three (3) executive directors, four (4) non-executive directors including two (2) independent directors.

The Board carries out the functions of relevant board committees as the need arise.

C. Specific Duties and Responsibilities of a Director

A director's office is one of trust and confidence. A director should act in the best interest of the corporation in a manner characterized by transparency, accountability and fairness. A director should observe the following norms of conduct:

1. Conduct fair and impartial business transactions with the Corporation, and ensure that his personal interest does not conflict with the interest of the Corporation;
2. Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.
3. Act judiciously. Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.
4. Exercise independent judgment. A director should view each problem or situation objectively.
5. Have a working knowledge of the statutory and regulatory requirements that affect the corporation, including its Articles of Incorporation and By-Laws, the rules and regulations of the SEC and the requirements of relevant regulatory agencies.
6. Observe confidentiality. A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director.

D. Management Succession Planning

The Board, in coordination with the Corporate Governance Committee, shall ensure that the Company has in place an appropriate succession planning for key executives to address emergency in the event of extraordinary circumstances and ensure continuity of operations.

On the retirement age of directors, however, the Board recognizes the fact that chronological age is not the main factor in determining effectiveness of the director in discharging its duties and responsibilities. Rather, the Board will lose valuable wisdom from the senior directors. By law, once directors are elected by shareholders, they could not be removed because of age. Hence, the Board decided to hold in abeyance the implementation of the retirement age policy of the directors.

E. Remuneration of Directors and Senior Management

The levels of remuneration of the Company shall be sufficient to attract and retain experienced and professional directors and officers needed to run the Company successfully. The Board of Directors shall approve a remuneration that is appropriate and consistent with the Company's operating and risk culture.

The Company shall consider the following in the design of the remuneration policy:

1. The remuneration package shall take into account the employee's position, role, responsibilities and activities in the Company. It shall also consider the risks that the employee takes on behalf of the Company.
2. The remuneration and other incentives policy for directors should be consistent with the long-term interest of the Company, does not encourage excessive risk-taking, and is not in conflict with the director's fiduciary responsibilities. It shall be submitted for approval of the stockholders.
3. Fixed remuneration for non-Executive directors (including Independent Directors) shall reflect the time commitment and responsibilities of the role.
4. A Director shall not participate in discussions or deliberations involving his/her own remuneration.

F. Selection, Nomination and Election of Board Members

The Corporate Governance Committee is tasked to undertake the process of identifying the qualifications of directors aligned with the company's strategic direction. In evaluating the suitability of individual board member and promoting diversity in the composition of the Board, the Corporate Governance Committee should take into account the relevant qualifications of every candidate nominated for election such as among others, physical/mental fitness, relevant educational and professional background, experience/training, commitment to contribute, willingness to serve and interest to remain engaged and involved without undue prejudice to age, gender, ethnicity, culture, skills, competence and knowledge. At least one of the non-executive directors should have prior working experience in the health maintenance organization or a relevant sector. For the reelection of incumbent directors, the Corporate Governance Committee should also consider the results of the most recent self-assessment of the Board and peer evaluation, director's attendance record in meetings, participation in Board activities and overall contribution to the functioning of the Board. A former employee of the Company's current external auditor will not be qualified for nomination as member of the Board. The Corporate Governance Committee will use to the extent possible, external search firm or external data bases in selecting the pool of candidates for the members of the Board. Any stockholder, whether majority or minority has the right to nominate candidates for seats in the Board of Directors who possess all the qualifications and none of the disqualifications of Directors as prescribed in the Company's By-Laws and the rules of the Insurance Commission.

G. Related Party Transactions

The company has established policies and procedures on related party transactions. These include definition of related parties, coverage of RPT policy, guidelines in ensuring arm's length terms, identification and prevention of management potential or actual conflicts of interest which arise, adoption of materiality thresholds, internal limits for individual and aggregate exposures, whistle-blowing mechanisms, and restitution of losses and other remedies for abusive RPTs.

The Related Party Transactions policy is intended to ensure that every related party transaction is conducted in a manner that will protect the Company from conflict of interest which may arise between the Company and its Related Parties; and proper review, approval ratification and disclosure of transactions between the Bank and any of its related party/ies as required in compliance with legal and regulatory requirements. The policy also requires that any member of the RPT Committee who has a potential interest in any related party transaction shall abstain from the discussion and endorsement of the related party transaction and any member of the Board who has an interest in the transaction must abstain from the deliberation and approval of any related party transaction.

Please refer to Annex A for the Related Party Transaction Policy.

H. Selection of Management Team and Annual Performance Evaluation

It is the responsibility of the Board to approve the selection and appointment of a competent Management Team led by the President/CEO including the Compliance Officer. Fit and proper standards must be applied in the selection process of key officers and due consideration must be given to their integrity expertise and health maintenance services experience. The Board, through the Corporate Governance Committee, shall undertake the evaluation of the Executive Management team performance including the President/CEO based on established performance management framework and standards that are consistent with the Companies strategic objectives.

I. **Infernal Control and Risk Management**

It is the responsibility of the Board to oversee that a sound and effective enterprise-wide risk management framework and appropriate internal control systems are in place to manage the risks and to provide reasonable assurance against material misstatement or loss. It is also responsible to review and approve the nature and extent of the key business risks that the Company is taking in pursuing its strategic objectives and providing oversight over its risk management policies and procedures.

The control environment of the corporation consists of: (a) the Board which ensures that the corporation is properly and effectively managed and supervised; (b) Management that actively manages and operates the corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) independent audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

J. **Board Charter**

The Charter of the Board of Directors of the Company serves as guide to its directors in the performance of their functions. It clearly states the roles, responsibilities, structure, and powers of the Board of Directors, subject to the provisions of the Corporation code of the Philippines, the Company's Articles of Incorporation and By-Laws, other applicable laws or regulations, corporate governance best practices and policies of the Board.

The Manual on Corporate Governance of Health Pion Philippines, Inc. already incorporates in great detail the Board Charter. The Manual formally sets out and clearly specifies the roles, responsibilities, structure and powers of the Board, as well as embodies other relevant matters consistent with and in the light the Insurance Commission Code of Corporate Governance for insurance related companies.

The Company's Board of Directors acknowledges that this Manual as it incorporates the Board Charter, is their over-all guide to principled actions and responsible conduct in carrying out their fiduciary duties.

ARTICLE IV BOARD OPERATIONS

- A. Board Meetings.** The Board shall schedule meetings at the beginning of the year, and hold meetings in accordance with its by-Laws and convene special meetings when required by business exigencies. The members of the Board shall attend regular and special meetings in person or through video/teleconferencing. Independent Directors shall always attend Board meetings. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one [1] independent Director in all its meetings.
- B. Board Meetings, Attendance Requirement.** All directors are required to attend on person at least 50% of both scheduled and special meetings of the Board. They are required to attend the annual stockholders meeting,

The absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election. They are expected to prepare diligently for the meetings to evaluate and add value to the items presented. actively participate and contribute meaningfully to the discussions of the Board. In view of the modern technology, however, attendance of at least 75% at Board and committee meetings through video or teleconference or other manner that may be allowed by the Insurance Commission is required. The attendance and participation of members in the committee meetings shall be considered in the assessment of continuing fitness and propriety of each director as member of board-level committees and the board of directors. An independent director shall always be in attendance. However, the absence of an independent director may not affect the quorum requirements if he is duly notified of the meeting but deliberately and without justifiable cause fails to attend the meeting.

- C. Board Meetings, Notice, Agenda and Materials.** The Corporate Secretary shall send the notice of the meeting to all Directors in accordance with the manner of giving notice as provided in the bylaws or by board resolution. Notice of meetings may be sent to all directors through electronic mail, messaging service or such other manner as may be provided in the bylaws or by board resolution. The notice of meeting shall include the following information: (a)The date, time, and place of meeting; (b)The agenda of the meeting; (c)All pertinent materials for discussion which shall be numbered and marked in such manner that the director can easily follow and participate in the meeting; (d)That a director may participate via remote communication; (e)Contact information of the Corporate Secretary or office staff whom the director may communicate; (f)When the meeting is for the election of directors or office, the requirements and procedure for nomination and election; (g)The fact that there will be a visual and/or audio recording of the meeting; and (h)Other instructions to facilitate participation in the meeting through remote communications.
- D. Multiple Board Seats.** Non-executive directors may only concurrently serve as directors to a maximum of five Insurance Commission Regulated Entities (ICREs) and publicly-listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposal/view, and oversee the long-term strategy of the company. He/she must notify the Board before accepting a directorship in another company.
- E. Confidentiality.** It is important that the directors respect the sensitivity of information received during their service as a director. As such, they are expected to maintain confidentiality of this information at all times.

ARTICLE V BOARD COMMITTEES

The Board as a whole carries out the functions of relevant board committees as the need arises.

In terms of the size, risk profile and manageability of the operations of the company, the Board can still achieve optimal performance of its roles and responsibilities combined with carrying out the functions of relevant board committees particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns. such as nomination and remuneration.

A. Audit Committee Oversight Function

The Board as a whole carries out the functions of the Audit Committee which is responsible for the appointment, reappointment, removal and fees of the External Auditor based on approved criteria such as but not limited to technical and industry expertise, skills, resources, reputation, and quality of service delivery. The appointment, reappointment, removal and fees of the External Auditor should be approved by the Board. Removal or change of the External Auditor should be disclosed to regulators and the public through the Company's website and proper disclosures.

As part of its assurance process, the Board, acting as Audit Committee is mandated to monitor the independence of the External Auditor to ensure the true objectivity of the financial statements. All services provided by the External Auditor are required to be approved by the Board. Prior to the commencement of audit work, the Board should receive a written confirmation from the External Auditor of its independence and objectivity. The policy of rotating the lead engagement partner of the External Auditor every 5 years should be strictly enforced. The Board is also responsible to review and monitor the External Auditor's suitability and effectiveness on an annual basis.

To avoid conflict of interest and impairment of independence, the Board shall limit the engagement of the External Auditor to audit services only.

B. Risk Oversight Committee Function

The Board as a whole carries out the functions of the Risk Management Committee which is responsible for overseeing risk-taking activities of the Company. The function entails defining a risk management strategy, identifying and analyzing key risk exposures, evaluating each identified risk using the predefined risk categories and parameters, establishing a risk register, developing a risk mitigation plan, communicating and reporting significant risk exposures including business risks, and monitoring and evaluating the effectiveness of the Company's risk management processes.

C. Corporate Governance Committee Functions

The Board as a whole carries out the functions of the Corporate Governance Committee particularly the overseeing compliance with and proper observance of corporate governance principles and practices. The function includes among others: (a) adoption of corporate governance policies; (b) determination of the nomination and election process for the company's directors and defining the general profile of the board members to ensure appropriate knowledge, competencies and expertise that complement the existing skills of the Board; (c) establishment of 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.

D. Related Party Transaction Committee Functions

The Board as a whole carries out the functions of the Related Party Transaction Committee tasked with reviewing all material related party transactions of the company.

ARTICLE VI

INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK

To ensure safe and sound operations, the Company has in place an adequate and effective internal control system that provides reasonable assurance that it will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

The Company prudently manages the risks associated **with** its business and operations. It has in place an enterprise risk management framework designed to enhance risk management through a holistic and integrated framework so that all material risks faced by the Company are identified, measured, evaluated, mitigated, monitored and appropriately managed.

Independent Audit Function.

An effective and efficient internal audit function constitutes the third line of defense in the system of internal control. As such, the Company has in place an independent audit function through which the Company's Board, Senior Management, and Stockholders may be provided with reasonable assurance of the efficacy of the risk management, control and governance processes, in accordance with the international internal audit principles and standards. The functions of Internal Auditor area as follows, among others:

1. Provides 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;
2. Performs regular and special audit as contained in the annual plan and/or based on the company's risk assessment;
3. Performs consulting and advisory services related to governance and control as appropriate for the Company;
4. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the Company;
5. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Company;
6. Evaluates 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;
7. Evaluates specific operations at the request of the Board or Management, as appropriate: and
8. Monitors and evaluates governance processes.

ARTICLE VII

CORPORATE GOVERNANCE MONITORING AND SELF-ASSESSMENT

The Board recognizes the importance and benefits of conducting annual self-assessment to determine its effectiveness. The Board shall undertake the evaluation of its performance as a collective body including the performance of the Chairperson to determine whether they are functioning effectively, pinpoint areas for improvement and assess whether it possesses the right mix of backgrounds and competencies.

In addition, the Director Peer Evaluation shall also be conducted annually. This is intended to encourage improved performance and effectiveness of directors by identifying areas that need improvement. Each director is requested to rate his/her colleagues on the Board using the prescribed rating scale and questions.

The criteria for self-assessment of the Board performance and peer evaluation have been in place based on functions, roles and responsibilities provided in the Board Charter.

ARTICLE VIII CONFLICT OF INTEREST

Directors are required to disclose any conflicts of interest and to abstain from participating in any discussion or voting on any matter in which they have a material personal interest except with the prior approval of the Board. Conflicts of interest exist in the following situations, among others: (a) Self-dealing, in which a Director causes the Company to enter into a transaction with another organization that benefits such Director; (b) Outside employment in other HMO company or insurance company that are viewed as competitor of the Company; (c) Family interests, in which a relative up to the third degree of affinity or consanguinity is employed (or applies for employment) or where goods or services are purchased from such a relative or a Firm controlled by a relative; (d) Receiving high-value gifts from entities that do business with the Company and in this regard, high value is defined as worth more than PHP 5,000; (e) Interest in stocks and other investments, in which the Company is invested in or is contemplating investing in.

ARTICLE IX ADEQUATE AND TIMELY INFORMATION

The essence of good corporate governance is transparency. The Board commits to meet all disclosure requirements particularly those involving material information as mandated by regulators within the prescribed period.

All material information, both financial and non-financial, about the Company that may adversely affect its viability or the interests of the stockholders and other stakeholders shall be publicly and timely disclosed such as, among others earnings results, material acquisition or disposition of assets, off balance sheet transactions, company's ownership structure, beneficial ownership whether direct or indirect of at least 5% of the company shares including that of the directors and senior officers, and the remuneration of members of the Board and Management.

Biographical details on individual board members and key officers to evaluate their experience and qualifications, and assess any potential conflict of interest that might affect their judgment.

All such information shall be disclosed through the appropriate disclosure mechanisms of the Insurance Commission for the interest of the Company's stockholders and other stakeholders.

The Company shall continue to maintain and use a website to ensure a comprehensive, cost efficient, transparent, and timely manner of disseminating relevant information to the public.

ARTICLE X WHISTLEBLOWING POLICY

- A. **Policy Statement.** The Corporation requires directors, officers and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Employees must practice honesty and integrity in fulfilling their responsibilities and comply with all applicable laws and regulations.

The Whistleblower Policy is intended to encourage and enable employees and its Stakeholders to raise serious concerns internally so that the Company can address and correct inappropriate conduct and actions. It is the responsibility of all board members, officers and employees to report concerns about violations of the Company's code of ethics or suspected violations of law or regulations that govern the Company's operations.

- B. **No Retaliation.** It is contrary to the values of the Company for anyone to retaliate against any board member, officer or employee who in good faith reports an ethics violation, or a suspected violation of law, such as a complaint of discrimination, or suspected fraud, or suspected violation of any regulation governing the operations of the Company. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including dismissal/termination of employment.
- C. **Reporting Procedure.** Reporting may be done thru any available means such as but not limited to SMS text, letter, email or phone call directly to the Office of the President of the Compliance Officer's Office. For concerns directly involving the President and the other Executive directors, the report should be addressed to the Board of Directors thru the Office of the Chairman.

The Compliance Officer is responsible for ensuring that all complaints about unethical or illegal conduct are investigated and resolved. The Compliance Officer will advise the Board of Directors of all complaints and their resolution.

- D. **Acting in Good Faith.** Anyone filing a written complaint concerning a violation or suspected violation must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.
- E. **Confidentiality.** Violations or suspected violations may be submitted on a confidential basis by the complainant. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

ARTICLE XI OTHER BEST CORPORATE GOVERNANCE PRACTICES

- A. **Encouraging Employees' Participation.** The Board shall establish policies, programs and procedures that would encourage the employees to participate in the realization of the Company's goals and in its governance. These policies and programs may include among others: (a) health, safety and welfare; (b) trainings and developments; and (c) rewards and compensation.

- B. **Corporate Social Responsibility.** The Company recognizes and places an importance on Corporate Social Responsibility. The Company ensures that it promotes a mutually beneficial relationship that allows it to grow its business, while contributing to the advancement of the society where it operates.
- C. **Scholarship Program Involvement.** The company takes active involvement socio economic programs thru a non-stock non-profit organization engaged in undertaking activities related to education such providing scholarship program for deserving students and life-long learning activities for out of school youth.

ARTICLE XII STAKEHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS

A. 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:

1. **Voting Right.** Stockholders shall have the right to elect, remove and replace Directors and vote on certain corporate acts in accordance with the Corporation Code. Cumulative voting shall be used in the election of Directors.
2. **Pre-emptive Right.** All stockholders shall have pre-emptive rights, unless the same is denied in the Articles of Incorporation or amendment thereto. They shall have the right to subscribed to all issues or disposition of shares in proportion to their respective shareholdings in accordance with the Corporation Code of the Philippines.
3. **Right of Inspection.** All stockholders shall be allowed to inspect corporate books and records, including minutes of Board meetings and stock registries. in accordance with the Corporation Code, and shall be furnished with annual reports including financial statements, without cost or restrictions.
4. **Right of Information.** The stockholders 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 officers.
The minority stockholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

The minority stockholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters which management is mandated to provided information on. If such matters are not included in the agenda of the stockholders' meeting, then the minority stockholders shall be allowed to propose to include such matters in the agenda, the same being within the definition of legitimate purposes.

5. **Right of Information.** Dividends shall be declared and paid out of the surplus profits of the Company as often and at such times as the Company may determine and in accordance with the provisions of the law and regulations.

6. **Appraisal Rights.** The stockholders 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 the Corporation Code of the Philippines.

B. Promotion of Shareholders' Rights

1. The Board shall be transparent and fair in the conduct of the annual and special Shareholders' meetings of the Corporation. The Board shall encourage active Shareholders participation by send the Notice of annual and special Shareholders' Meeting with sufficient and relevant information at least fifteen (15) business days before the meeting. The Shareholders shall be encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of law, rules and regulations and the By-laws, the exercise of a proxy shall be resolved in the stockholder's favor.
2. The Board shall encourage active Shareholders participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the minutes of the Annual and Special Shareholders' Meeting shall be made available on the Company Website within five (5) business days from the end of the meeting.
3. The Company may consider adopting an Alternative Dispute Resolution.
4. 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.
5. 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 and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. 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.
6. Communication with the shareholders shall be handled by the Corporate Secretary' Office.

C. Other Stakeholders

1. It is the policy of the Corporation to conduct its business with utmost regard to the principles of fairness and transparency under the 'best policies rule' as regards its Stakeholders. The stakeholders of the Corporation are its partners in business which includes its employees, members, medical care providers such as hospitals, doctors, laboratories and clinics.
2. The Board shall adopt a transparent framework and process that allows Stakeholders to communicate with the Company and to obtain redress for the violation of their rights. Communication Stakeholders shall be handled by the Compliance Officer's Office.
3. The Board shall establish policies, programs and procedures 1hat encourage employees to actively participate in the realization of the Company's goals and ifs governance including but not limited to:
 - a. Health, safety and welfare;
 - b. Training and development; and
 - c. Reword and compensation.
4. The Board shall set the tone and make stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. The same shall be disseminated to all employees across the Corporation through trainings to embed them in the Company's culture.

5. The Board shall set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. The same shall be disseminated to all employees across the Corporation through trainings to embed them in the Company's culture.
6. The Board shall establish a suitable framework for whistleblowing and ensure its enforcement to allow employees to freely communicate their concerns about illegal or unethical practices, without fear of retribution and to have direct access to an independent member of the Board or unit created to handle whistleblowing concerns.
7. The Company shall recognize and place importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Company sustainable growth, while contributing to the advancement of the society where it operates.

ARTICLE XIII ALTERNATIVE DISPUTE RESOLUTION

The Alternative Dispute Resolution System shall cover disputes between the Company and its stockholders, and the Company and third parties, including the regulatory authorities, as herein provided. A dispute shall mean conflict of claims or rights, or an assertion of claim or demand by a stockholder or a third party, including regulatory authorities, met by contrary claims or assertions on the part of the company and vice versa. (Hereinafter, "Dispute"). The System shall not cover mere complaints. A complaint shall mean a statement of some grievance or dissatisfaction by a stockholder or a third party.

The following procedures shall apply:

- A. Assessment.** There shall be assessment and evaluation on the nature of the Dispute.
- B. Negotiation.** Negotiation shall be an initial mode of amicably settling a dispute. The unit concerned shall promptly commence negotiation with the opposing party for possible settlement. During the negotiations, the disputing parties shall identify the issues, explore ways of settling those issues, and strive for a mutually acceptable resolution.
- C. Mediation.** In the event that no settlement is reached after negotiation, the concerned unit shall determine whether the Dispute is proper for mediation. Mediation is a voluntary process in which a mediator, selected by the disputing parties, facilitates communication and negotiation, and assists the parties in reaching a voluntary agreement regarding a dispute. The assigned officer shall submit to the Management a report on the conduct and outcome of the mediation.
- D. Arbitration.** In the event that no settlement is reached after mediation, the concerned unit shall determine, taking into account relevant factors, whether the Dispute is proper for arbitration. Upon determination that Arbitration is proper, the assigned officer shall promptly propose to the opposing party resort to arbitration as a mode of settling the Dispute under applicable law and rules.

All Disputes between the Company and stockholders shall be monitored by the Office of the Corporate Secretary; disputes between the Company and third parties not involving regulatory authorities shall be monitored by the Legal affairs; and disputes between the Company and regulatory authorities shall be monitored by the Compliance Office. All Disputes referred to the ADR process shall be reported to the Board of Directors.

Any settlement during negotiation or mediation shall be submitted by Management to the Board of Directors for approval or other appropriate action.

ARTICLE XIV ACCOUNTABILITY AND AUDIT

The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

Thus, it is essential that Management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.

ARTICLE XV SANCTIONS FOR NON-COMPLIANCE

The Company shall establish an evaluation system to determine and measure compliance with this Manual and violation of any of its provision shall be subject to penalty in accordance with the rules and regulations of the Company.
