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## **I. INTRODUCTION**

From its inception in 1978 the Health Care and Development Corporation of the Philippines (HC&D) made an enduring commitment to provide comprehensive health care plans to individuals/families and groups/corporate employees, and even customized plans for students. As a subsidiary of the University of Perpetual Help System – DALTA, which prides itself as one of the leading Logos in Education and Health industry among others, HC&D strives to maintain the trust of the public and the highest confidence for its products and services. Henceforth, this Corporate Governance Manual shall serve to be the tool to ensure compliance to regulations, equipping the Organization to readily adopt best practices on good governance. HC&D starting from the Board of Directors down to the Rank-and-File Employees share the same conviction that a sound corporate governance is the key to organizational success, and therefore shall strengthen awareness within the organization.

All Directors, Officers, and Committee Members, shall be provided a copy of this Manual. For easy access, a digital version shall be available for viewing in the Company’s website while physical copies shall be made available at the Office of the Chairman of the Board, CEO, and the General Manager.

## **II. OBJECTIVES**

Embarking on a journey to be a vital player in the HMO Industry, it is the primary objective of HC&D to succeed in this endeavor by adhering to nothing less but the highest ethical standards and quality service with the following Mission and Vision Statement as compass.

### ***Mission Statement –***

To help our clients protect their health and financial well-being by providing value for money in medical insurance products

### ***Vision –***

HC&D will be a nationally recognized health delivery organization, acknowledged for its efficient service, ethics and rational practice of medicine.

## **III. CORPORATE PRINCIPLES AND GOVERNANCE FRAMEWORK**

This Manual reflects the Company’s key principles and framework for good corporate governance.

## **A. Corporate Principles**

Corporate performance and accountability are vital to sustain the Organization, and so compliance with the principles of a sound corporate governance should start with the Board. HC&D firmly believe that the management and direction of the Organization must be translated into clear processes and defined structures in order to enhance long term shareholder value while taking into account the interests of all stakeholders – This is the principle of a sound corporate governance. Whatever the strategies would be, the same must be aligned to sustainable economic development. The Board of Directors, in accordance with its oversight responsibilities, is the one charged with the proper governance of the organization by clearly defining the responsibilities and accountabilities of each of its members, and of the organization as a whole.

## **B. Governance Framework**

HC&D carefully crafted a framework of governance that is designed to work for the benefit of everyone concerned by ensuring that the organization adheres to accepted ethical standards and best practices, as well as formal laws, rules and regulations.

The following are the distinctive and delineated responsibilities and corresponding accountabilities of key persons:

<b>Governance Objectives</b>	<b>Specific Group Involved</b>	<b>Responsibilities / Tasks</b>
Oversight	Board of Directors	Formulates policies, approves plans, allocate resources, require compliance and assess performance
Stewardship	Officers	Strategically deploy resources
Performance	Officers and Executive Committee	Execute plans, control/manage processes, report progress
Control	Board Committee	Assesses internal controls,

Functions	with Compliance Officer	risk management and compliance
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#### **IV. GOVERNANCE SYSTEM AND STRUCTURE**

##### **A. The Board of Directors**

The highest governing body entrusted with the strategic guidance of the organization is the Board. It is the only entity that exercise corporate powers, oversight, control to its properties, and monitoring of the organization’s overall management and is ultimately responsible for overseeing general management of the Corporation.

The Board is primarily responsible for approving and overseeing the implementation of the Company’s strategic objectives, risk strategy, corporate governance and corporate values, including the means to effectively monitor senior management’s performance.

Having an effective Board is vital in fostering its long-term success and securing its sustained competitiveness and profitability in a manner consistent with its fiduciary responsibilities, corporate objectives and best interests of the Corporation.

A board director having a fiduciary role shall act in a manner characterized by transparency, accountability and fairness.

##### *1. Duties and Function of the Board*

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

- a. Act on a fully informed basis, in good faith, with due diligence and in the best interest of the organization and its stakeholders;
- b. Treat all members fairly and apply high ethical standards taking into account the interest of various stakeholders;
- c. Fulfill the following Key functions of the Board:
  - c.1) Formulate, review and guide strategy, policies, plans of action, budgets and business plans, set performance

objectives, monitor performance and compliance, and oversee major capital expenditures;

c.2) Monitor the effectiveness of governance practices and make changes as needed;

c.3) Ensure a formal and transparent board election process.

c.4) Monitor and manage potential conflicts of interest's issues, involving the board members, officers, the secretariat and members of the organization, including matters such as misuse of assets and abuse of related party transactions.

c.5) Ensure the integrity of the accounting and financial reporting system, including the independent audit of the organization's financial statements and that appropriate systems of controls are in place covering risk management, financial and operational controls, and compliance with law and relevant standards.

d. Exercise objective and independent judgment on corporate and organizational affairs;

e. Define and disclose the mandate, composition and working procedures of standing and special committees.

In order to discharge their responsibilities, board members should have access to accurate, relevant and timely information

## **B. Constitution of the Board of Directors**

The membership of the HC&D Board of Directors shall be subject to the following:

B.1) The number of directors of the Company shall be eleven (11) who are to serve until their successors are elected and qualified as provided by the by-laws.

B.2) The corporation shall ensure that there are at least two (2) independent directors in the Board.

B.3) The non-executive directors shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

B.4) Considering that the HMO business is imbued with public interest, the role of the Chairman and Chief Operating 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.

B.5) Where the roles are combined, there shall be a strong independent element on the Board. Check and balance shall be clearly provided for, to help ensure that independent outside views, perspectives and judgments are given proper hearing on the Board. The Chairman of the Board shall be a non-executive director, and as such cannot be likewise be the Chief Executive Officer.

### **C. Board Balance and Independence**

The Board 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:

C.1) The Board shall include a balance of executive directors and nonexecutive directors (particularly independent non-executive directors) such that no individual or small group of individuals can dominate the Board's decision making.

C.2) Only the Committee Chairman and members are entitled to be present at the committee meetings but others may attend at the invitation of a particular committee.

C.3) The Board shall identify in its annual report any non-executive director it considers to be independent.

C.4) 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.

## **D. Policy on Multiple Board Seats**

A director shall exercise due discretion in accepting and holding directorships other than that of the HC&D, provided that, in holding such 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.

Further, the Board shall see to it that it shall adopt internal guidelines that will address the competing time commitments of Directors serving on multiple boards

## **E. Board Committees**

Pursuant to the Corporation's By-Laws, the Board of Directors shall constitute the following committees in accordance with the principles of good corporate governance:

### E.1) Regular Committees

#### E.1.1) *The Nomination Committee*

This Committee shall have the power and function to review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors.

It shall be composed of at least three (3) members of the board of directors, one of whom must be independent.

It shall review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors. It should prepare a description of the roles and capabilities required of a particular appointment.

For the appointment of the Chairman, it shall prepare job specifications, including an assessment of the time commitment expected of him, recognizing the need for his availability in the event of crisis.

The Committee shall ensure that the Chairman's other significant commitments shall also be disclosed to the Board before his appointment and included in the annual report. Any change thereof shall be reported to the Board and included in the next annual report. The terms and conditions of appointment of nonexecutive directors shall be made available for inspection. The letter of appointment shall specify the expected time commitment. They shall undertake sufficient time to meet and do what is expected of them. Their other significant commitments shall be disclosed to the Board before appointments, indicating the time lines and in any case, the Board shall be informed of subsequent changes.

In evaluating the nominees, the Committee shall consider the following guidelines:

- a. The nature of the business of the corporation, where the nominee is a director;
- b. Age of the director, relative to the matter of his psychological maturity and his physical capacity;
- c. Number of directorships/active memberships and *officerships* in other corporations or organizations (Generally, the optimum number shall be proportional to the capacity of a director to perform his duties diligently); and
- d. Possible conflicts of interest.

E.1.2) *The Audit Committee:*

The Audit Committee Shall be comprised of three (3) members where at least two (2) of which must be independent board members, including its Chairman, preferably with accounting and finance experiences.

The Chief Operating Officer, Chief Finance Officer and/or Treasurer, or officers holding equivalent positions, shall not be appointed as members of the Audit Committee.

The Audit Committee shall, among others, have the following specific responsibilities:

- a. Provide oversight of the institution's internal and external auditors.
- b. It shall be responsible for the setting-up of internal audit department, and the appointment of the internal auditors as well as of independent external auditors.
- c. It shall monitor and evaluate the adequacy and effectiveness of the internal control system of the company.
- d. Ensure transparency and proper reporting with emphasis on the reports' integrity, timeliness and compliance with standards;

#### E.1.3) *Personnel and Remuneration Committee*

This Committee is responsible for the review and evaluation of the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors

The Committee shall be composed of at least three (3) members, one of whom is an independent director.

It shall evaluate or make plans where to position the company, relative to other companies in terms of remuneration. Such comparisons shall be however be exercised with caution in view of the risk of an upward ratchet of the level of remuneration with no corresponding improvement in performance.

It shall delegate responsibilities for setting up remunerations for all executive directors and chairman, including pension rights or any compensation payments.

Further, it shall also recommend and monitor the level and structure of salaries including remunerations for senior management. The definition of senior management for this purpose shall be determined by the Board but would normally include first level management below Board level.

#### E.1.4 *Executive Committee (EXECOM)*

The Executive Committee shall be composed of five (5) members duly appointed by the Board, who shall also appoint a Committee Chairperson and Committee Secretary. In accordance with this, members of the Committee may be removed or replaced, and any vacancies in the Committee shall be filled by the Board.

The Committee shall exercise the authority granted with utmost judiciousness and shall report regularly to the Board at its subsequent meeting for information.

The Executive Committee's primary purpose is to function when the Board is not in session. The Committee shall have all the power and authority of the Board in the governance, management and direction of the business and affairs of the Company except for those matters expressly provided for in Section 35 of the Corporation Code, the Company's By-Laws and other pertinent laws, rules or regulations.

An act of the Executive Committee which is within the scope of its power shall not require ratification or approval for its validity and effectivity.

All actions of the Executive Committee shall be reported to the Board at the meeting thereof.

##### E.1.4.1) EXECOM Chairman

The Chairman of the Executive Committee is the Chief Executive Officer (CEO) who shall likewise be legal representative of the Corporation and has the following powers:

- Execute the resolutions of general meetings of the Members of the Board of Trustees, and of the executive Committee

- Sign, in accordance with said resolutions, such contracts, instruments, and powers of attorney as may be necessary
- Represent the Corporation and vote at stockholders' meetings all stocks owned by the Corporation in other corporations or companies
- Prepare the annual budget of the Corporation
- Appoint and discharge employees occupying the positions authorized by the Board of Trustees or by the Executive Committee
- Supervise the accounting and general cash flow, and sign with the President and the Treasurer, the Balance Sheet, Profit and Loss Statement, and Annual Reports
- Attend to any correspondence, and sign receipts for incoming monies
- With the consent of the Board, the Chairman of the Executive Committee may delegate to any of the officers of the Corporation any and all powers granted him, provided, however, that such delegation shall not divest the Chairman of the authority to exercise the same powers.

## **F. Members of the Board**

In adherence to best practices and good governance, the Board's composition should reflect an appropriate membership mix or diversity taking into account the skills, representation, tenure, gender, age, and applicable experience. Other considerations are amiable personality qualities, communication capabilities, capacity and commitment to devote appropriate time to properly discharge the task, professional reputation and community standing and alignment of the quality of directors with the Company's strategic directions.

### F.1 Directors

#### F.1.1) Qualifications

In addition to the qualifications for membership in the Board as provided for in the Corporation Code, Securities Regulation Code and other relevant laws, as well as in the By-Laws of the HC&D, the Chairman and members of the Board must:

- a) Hold at least (1) share of stock of the Corporation registered in his name in the books of the Corporation.
- b) Not engaged in any business which competes with or is antagonistic to that of the Corporation.
- c) Be a college graduate or have sufficient experience in managing a business.
- d) Be at least twenty-one (21) years old
- e) Possesses integrity and who has not been judicially declared insolvent, spendthrift or unable to enter into a contract.

#### F.1.2) Disqualification

##### a) Temporary Disqualification

The following are the grounds for any person who would sit or sits on the Board to be considered as temporary disqualified from holding such directorship for a specific/indefinite period of time:

- 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;
- 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;

- Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
- 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 by the Insurance Commission;
- Directors who failed to attend the special seminar, workshop, or courses on corporate governance. This disqualification applies until the director concerned had attended such seminar;
- Persons dismissed or terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- Those under preventive suspension;

b) Permanent Disqualification

Directors/ officers/ employees permanently disqualified from holding a director position:

- 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;
- Persons who have been convicted by final judgment of the court for violation of insurance laws;
- 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;

- Any person who has reached the fixed retirement age, as determined by the policy therefor, as approved by the Board.

## F.2. 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. He/she may only sit at the board for a maximum cumulative number of nine (9) years.

The Corporation shall have such number of Independent Directors that constitute at least twenty percent (20%) of the members of the Board of Directors, but in no case be less than two (2) provided that any fractional result from applying the required minimum portion, i.e, 20%, shall be rounded up to the nearest whole number.

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;

He or she is not related within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or majority shareholder of the company or any of its related companies;

He or she is not a director or officer of the related companies of the institution's majority shareholders;

He or she is not a majority shareholder of the company, any of its related companies, or of its majority shareholder;

He or she is not acting as nominee or representative of any director or substantial shareholder of the company, any of its related companies, or any of its substantial shareholders; and

He or she is free from any business or other relationships with the institution or any of its major stockholders which could materially interfere with the exercise of his judgment, i.e., has not engaged and does not engage in any transaction with the institution, or any of its related companies or any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner director or a shareholder.

### F.3 Duties and Responsibilities

Directors and Independent Directors shall:

- a) Conduct fair business transaction with the insurance company to ensure that personal interest does not bias board decisions.
- b) Directors, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institutions cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution 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 stockholders, (regardless of the amount of their stockholdings) and other stakeholders such as its

policyholders, investors, borrowers, other clients and the general public. A director must always act in good faith with care which an ordinarily prudent man would exercise under similar circumstances, while a director shall always strive to promote the interest of all stockholders. He shall also give due regard to the rights and interests of other stakeholders. Devote time and attention necessary to properly discharge their duties and responsibilities. Directors shall devote sufficient time to familiarize themselves with the institution's business. They must constantly be aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the board's work. They must attend and actively participate in board and committee meetings, request and review meeting materials, ask questions and request explanations. If a person cannot give sufficient time and attention to the affairs of the institution, he should neither accept his nomination nor run for election as member of the board.

- d) 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.
- e) Exercise independent judgment. A director shall view each problem/ situation objectively. When disagreements occur, he/she shall carefully evaluate the situation and state his position. He shall not be afraid to take a position even though it might be unpopular. Corollary, he shall support plans and ideas that he thinks will be beneficial to the institution. Have a working knowledge of the statutory and regulatory requirements affecting the institution, including the contents of its articles of incorporation and by-laws, the requirements of the Insurance Commission, and where applicable, the requirements of other government agencies.
- f) A director shall also keep himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness.
- g) 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.

- h) Directors should appoint a Corporate Secretary who shall be a Filipino citizen capable of carrying out the duties to which the post entails and his removal shall be a matter for the entire Board to decide. He/she must not be a Member of the Board and must not be appointed as Compliance Officer. It shall be his/her duty to submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

#### F.4 Board Remuneration

- The members of the Board of Directors shall receive a fixed remuneration package based on experience, professional background, level of responsibilities and attendance in Board and committee meetings.
- It shall be in accordance with the common industry practices based on reasonableness and fairness.
- The package shall be designed to attract and retain directors and officers needed to run the company successfully
- A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.
- Levels of remuneration of non-executive directors shall reflect their experiences, responsibilities and performances.
- The performance-related elements of remuneration shall form a significant proportion of the total remuneration package of executive directors and shall be designed to align their interests with those of shareholders and to give these directors keen incentives to perform at the highest levels.
- Levels of remuneration for non-executive directors shall reflect the time commitment and responsibilities of the office or position. Remuneration for non-executive directors shall not include share options. If, options are granted, shareholders' approval shall be sought in advance and any share acquired by way of an exercise of an option shall be held until at least one year after the non-executive director leaves the board. Holding

of share options is relevant to determine the non-executive director's independence.

- There shall be formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual directors.
- No director shall be involved in deciding his or her own remunerations.

#### F.5 Performance Evaluation

- A formal and rigorous annual evaluation of the Board's own performances and that of its committees and individual directors shall be undertaken.
- The chairman shall act on the results of the performance evaluation by recognizing the strengths and addressing the weaknesses of each director. He may propose appointment of new members to the Board or seek the resignation of directors.
- Performance evaluation of the Board, its committees and its individual directors shall be conducted and reported in the annual report.
- Performance evaluation of the Chairman shall be made by non-executive directors, led by the senior independent director, taking into account the views of executive directors.

#### F.6 Election/Re-elections

- Election of Directors shall take place during the Annual Stockholders' Meeting of the Company. Pursuant to the Corporation Code, cumulative voting may be used in the election of directors
- Each director shall represent all shareholders and shall be in a position to participate independently and objectively.

- Non-executive directors shall be elected for a specified term and may only be removed in accordance with the Corporation Code of the Philippines.

#### F.7 Access and Accuracy of Information, Professional Training, and Development

- The Board shall ensure that all the directors shall have access, receive an accurate, timely and complete information affecting the Company.
- It shall adopt, thru the Chairman, a continuing effort to update the skills, knowledge and familiarity of all its members with the Company's goals and objectives in order to fulfill their roles in the Board and/or board committees.
- The Company shall provide the necessary resources in developing and updating its directors' knowledge and capabilities.
- The Corporate Secretary through the Chairman shall be responsible for advising the Board about governance matters.
- The Chairman shall ensure that as an integral element of the process of appointing new directors, the company provides an orientation and education program for new recruits to the Board.
- The Board shall ensure that directors, especially non-executive directors, have access to independent professional advice at company's expense to discharge their responsibilities as directors. Committees shall be provided with sufficient resources to undertake their duties.
- All directors shall have access to the advices and services of the Corporate Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. Both the appointment and removal of the Corporate Secretary shall be decided by the Board

#### **G. Accountability and Audit**

Accurate Financial Reporting is anchored on clear-cut accountability as well as independent and accurate audit mechanisms, hence:

- a. The Board 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, policyholders, creditors and claimants.
- c. The Board and the senior management level shall receive regular reports on key aspects of the operations of the company. This shall include an analysis of premium growth, underwriting performance, investment results, claims management and credit control, which could provide a sound basis for assessing and identifying real and potential problems by formulating appropriate policies and strategies thereof.
- d. The Board shall ensure faithful compliance with the financial and other reportorial requirements under the Insurance Code using a standard format provided by the Insurance Commission

## **H. Internal Control and Risk Management**

The Board shall ensure that an effective system of control is in place for safeguarding the corporation's assets.

Major risks facing the corporation which are likely to affect the performance and financial condition of the corporation (including underwriting risk, reinsurance risks, investment risk, geographical risk, operational risk and legal risk) and the approach taken by management in dealing with these risks, shall be reported to the Board to enable the latter to effectively address said risks.

The Board shall ensure that reports accurately reflect the financial condition and the results of corporate operations.

The Board shall regularly review the system of ensuring adherence to key internal policies as well as to significant laws and regulations that

may apply. An effective and comprehensive internal audit of the corporation's internal control system shall be carried out by independent and competent staff. Audit findings and recommendations shall be reported to the Board and the senior management level of the corporation.

The Board shall ensure that adequate financial controls are observed. 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.

## **I. Executive Officers**

The By-Laws enumerates the various officers of the Company and defined their respective duties and responsibilities. Other officers may be appointed and their duties defined by the Board as the exigencies of the service may require.

Each officer shall contribute his share in the pursuit of good corporate governance. His service shall be characterized by honesty and integrity, diligence and dedication, efficiency and effectiveness, loyalty and fidelity, adherence to sound industry practices and the rule of law, as well as fairness and equity to all.

### **I.1 Qualifications of an Officer**

An officer shall have the following minimum qualifications:  
performance

- He/she shall be at least twenty-one (21) years of age; and
- He/she shall be at least a college graduate, or have at least five (5) year experience in health or healthcare operations or related activities or in a field related to his position and responsibilities.
- He/she must be fit and proper for the position he is being proposed/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.

- 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 company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies

## I.2 Duties and Responsibilities of Officers

Duties and responsibilities of Officers shall include among others the following:

- To set the tone of good governance from the top.
- To promote the good governance practices within the Company by ensuring that policies on governance as approved by the Board are consistently adopted.
- To oversee the day-to-day management of the Organization.
- To ensure that the activities and operations are consistent with the Company's strategic objectives, risk strategy, corporate values and policies as approved by the Board.
- To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency.

## **V. COMPLIANCE AND MONITORING**

### **A. Appointment of Compliance Officer**

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

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

The Compliance Officer performs the following duties:

- a. Monitors compliance with the provisions and requirements of this Manual and the rules and regulations of the regulatory agencies.
- b. Determines violation/s of this Manual, reports the same to the Board and recommends 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 by the Board.
- c. Appears and represents the company before the Insurance Commission (the “Commission”) upon summons on relevant matters that need to be clarified by the same or in relation to compliance with this Manual.
- d. Issues a certification every January 30th of the year on the extent of the company’s compliance with this Manual for the completed year, and if there are any deviations, explains the reason/s for such deviations; and
- e. Identify, monitor and control compliance risks.
- f. As may be required by the Commission, prepare, accomplish and submit the scorecard on the scope, nature and extent of the actions the Corporation has taken to meet the objectives of this Manual.
- g. Such Compliance Officer shall annually must attend trainings, workshops, seminars or webinars to ensure that he/she is abreast on current best practices and strategies for compliance with good corporate governance.

## **B. Code of Conduct and Ethics**

HC&D is particularly steadfast in observing corporate conduct beyond reproach with all-out commitment to discipline of doing business with integrity.

To support HC&D’s all-inclusive long-term interests of all who has a stake in the institution, the Organization depends on its employees and officers in embracing the standards outlined here as follows:

- The observance of appropriate conduct and corporate discipline aimed to promote a corporate culture of professionalism and maturity, characterized by appropriate work ethics, socially-acceptable behaviors and moral standards;
- The pursuit of career advancement, personal growth, and other activities which are not contrary to good customs, morals, and the ideals of the HC&D shall be highly encouraged;
- That as a member of the HC&D community, everyone is expected to challenge business practices or behaviors that may undermine the principles and guidelines adhered to by the Company, thereby, protecting its interests, image, reputation, and integrity in all dealings.

It is imperative that directors, officers and employees live by the values that the HC&D stands for and reflect these values in their behaviors at all times, whether in the performance of other personal matters outside HC&D which may affect the latter's image.

To enforce compliance measures, there shall be a carefully crafted Code of Conduct which would be available at all times with the Human Resources Department for easy access of all directors, officers and employees. Breaches of the provision thereof are subject to disciplinary actions which may range from reprimand, suspension, termination set forth under this Corporate Governance Manual and the Company's Manuals in accordance with the principle of due process.

### **C. Monitoring and Assessment**

Each Board Committee shall report regularly to the Board and the latter shall conduct an annual evaluation of the former's performance through self-assessment by the individual Director of their respective individual performance, the performance of their Board Committee to which they belong, and the Board as a whole through the accomplishment of Self-Assessment Forms (SAF).

The Chairman's performance is evaluated by non-executive Directors, taking into consideration the views of the executive Director. Non-executive Directors shall submit an accomplished Assessment Form of the Board Chairman (Annex A) to the Governance Committee.

The establishment of such evaluation system, including the features thereof, shall be disclosed in the company's annual report (SEC Form 17-A) or in such

form of report that is applicable to the Company as per Insurance Commission regulations.

In order to measure the performance of the Board of Directors, on annual basis, the Board Members and all Board Committees shall accomplish the Self-Assessment Form which shall be consolidated and presented by the Compliance Officer to the Board through the Audit or Risk Committee.

The self-assessment shall be done at the end of the year. The accomplished SAFs shall be submitted to the Corporate Secretary on or before the first Board meeting of the ensuing year.

The adoption of such performance evaluation system must be covered by a Board approval.

This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.

## **VI. REPORTORIAL AND DISCLOSURE SYSTEM**

All reportorial requirements or disclosures required by regulatory agencies such as the SEC and IC shall be timely and regularly prepared and submitted by the Office of the Corporate Secretary or responsible officer designated by the Company.

All material information about the Company that could potentially affect share price, its viability or the interest of its stockholders and other stakeholders, shall be publicly and timely disclosed. Such information shall include earnings results, acquisition or disposal of assets, off balance sheet transactions, Board changes, related party transactions, shareholdings of directors, changes to ownership and direct and indirect remuneration of members of the Board and Management.

It shall be the primary commitment of the Board to adhere on full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms (if listed) and submissions to the Commission for the interest of its stockholders and other stakeholders.

Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management, corporate strategy, and off-balance sheet transactions.

All disclosed information shall be released via the approved stock exchange procedure for Company announcements (if applicable) as well as through the annual report.

The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

## **VII. PENALTIES FOR NON-COMPLIANCE**

The following penalties shall be imposed, after due notice and hearing, on the Company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provisions of this Manual, subject to the following:

- a. 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 Company shall be at least reprimanded or warned.
- b. Suspension from the office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation. This shall not be applicable to directors.
- c. For third violation, the maximum penalty of removal from office shall be imposed. With regard to directors, the provision of Section 28 of the Corporation Code shall be observed.

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

## **VIII. PUBLIC ACCOUNTABILITY**

HC&D's operations and activities are imbued with public interest. Like insurance companies and insurance intermediaries under the watch of the Insurance Commission, the Company shall ensure that their dealings with the public are always conducted in a fair, honest, and equitable manner.

HC&D undertakes that it shall not engage in any unfair or deceptive acts or conduct that constitutes unfair trade practices detrimental to members and the public in general.

## **ANNEX A**

### **ASSESSMENT OF THE PERFORMANCE OF THE BOARD CHAIRMAN**

The non-executive Members of the Board, led by the senior Independent Director, shall evaluate the Chairman of the Board to ensure that he exercises an appropriate balance of power, increased accountability and greater independence in his decision-making. This two-part questionnaire shall take into account the objective and subjective opinions of the Nonexecutive Trustees.

This internal evaluation form shall be used to assess the performance of the Board Chairman in accordance with the criteria of the Corporate Governance Manual, the company by-Laws, and such other criteria that the Insurance Commission may provide. The views of the executive Trustees shall also be taken into account in evaluating the Chairman.

The implementation of such assessment, including the actions made by the Board Chairman based on the results of the evaluation made may be disclosed in the corporation's annual report.

This policy will be reviewed by the Governance Committee annually or more frequently as legal or regulatory requirements may dictate.

	YES / NO	Remarks
1. The Chairman presided the Annual Members' Meeting and meetings of the Board of Trustees in the previous fiscal year.		
2. The Chairman has been responsible for ensuring that the directors/trustees receive accurate, timely, and complete information.		
3. There is an effective line of communication between the Chairman and the members of the Board.		
4. The Chairman has provided for an adequate orientation process for new Trustees.		
5. The Chairman has ensured that the directors continually update their skills, knowledge and familiarity with the company's goals and objectives and has provided the necessary resources to achieve this.		

Please rate the subsequent questions using the rating system below:

- 1- Highly effective
- 2- Effective
- 3-Neither effective nor ineffective
- 4- Ineffective
- 5-Highly ineffective

	Rating	Remarks
1. How would you rate the performance of the Chairman in terms of focus, use of time, and overall efficiency of the Board Meetings?		
2. How do you rate the Chairman in terms of his ability to manage the Board's agenda, and in responding to changing circumstances?		
3. How would you rate the Chairman in terms of his communication of the necessary information that you need in order to effectively exercise your best judgment as a member of the Board?		
4. How would you rate the Chairman in terms of his time commitment to the Board, recognizing his other significant commitments outside the company?		
5. How would you rate the Chairman overall, in terms of his competence, enthusiasm, and contribution to the Board's work?		