



CARITAS LIFE INSURANCE CORPORATION

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MANUAL ON CORPORATE GOVERNANCE

The Board of Directors and Management, i.e. officers and staff, of Caritas Life Insurance Corporation hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

1. OBJECTIVE

This Manual shall institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

2. COMPLIANCE SYSTEMS

2.1. Compliance Officer

2.1.1. To insure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer who shall hold the position of Vice-President or its equivalent. The Compliance Officer shall have direct responsibilities to the Chairman of the Board.

2.1.2. He shall perform the following duties:

- Monitor compliance with the provisions and requirements of this Manual;
- Appear before the Securities and Exchange Commission upon summon on similar matters that need to be clarified by the same;
- Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;

- Issue a certification every January 30th of the year on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same; and
 - Identify, monitor and control compliance risks.
- 2.1.3. The appointment of the Compliance Officer shall be immediately disclosed to the Securities and Exchange Commission on SEC Form 17-C. All correspondence relative to his functions shall be addressed to said Officer.

2.2 Plan of Compliance

2.2.1. Board of Directors

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

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

2.2.1.1. General Responsibility

A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness.

2.2.1.2. Specific Duties and Functions

To insure a high standard of best practice for the Corporation and its stakeholders, the Board shall:

- Install a process of selection to ensure a mix of competent directors and officers;
- Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives;
- Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- Identify the Corporation's major and other stockholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- Adopt a system of internal checks and balances;

- Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted; and
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation.

2.2.1.3. Duties and Responsibilities of a Director

A Director shall have the following duties and responsibilities:

- To conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions;
- To devote time and attention necessary to properly discharge his duties and responsibilities;
- To act judiciously;
- To exercise independent judgment;
- To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies;
- To observe confidentiality; and
- To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

2.2.2. Board Committee

To aid in complying with the principles of good governance, the Board shall constitute the Audit Committee.

2.2.2.1. Composition

The Audit Committee shall be composed of at least three (3) members of the Board. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment.

2.2.2.2. Duties and Responsibilities

- Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.
- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal, and other risks of the Corporation, and crisis management.
- Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.
- Perform direct interface functions with the internal and external auditors.
- Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
 - a.) A definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standard (IAS) compliant.
 - b.) An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
- Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company through a step-by-step procedure and policies handbook that will be used by the entire organization.
- Recommend to the Board the firm of external auditors to be retained for three to five years (and, should termination of the audit assignment be considered during the course of the audit, review the firm's proposed discharge).
- Review the firm of external auditor's compensation, the proposed terms of its engagement (e.g. the scope and plan of the forthcoming audit), the non-audit activities for which it is engaged.
- Review the following:
 - a.) The report of the external auditors to the committee respecting their audit.
 - b.) Any related management letter commenting on weakness, etc., observed.
 - c.) Management's response to recommendations made by the external auditors in connection with the audit.
 - d.) The company's annual financial statements.

- e.) Any certification, report, opinion, or review rendered by the external auditors that arose in connection with the preparation of those financial statements.
 - f.) Reports of the internal auditors that are material to the company as a whole.
 - g.) Management's responses to those reports
- Consider, in consultation with the external auditors and the internal audit executive, if any, the adequacy of the company's internal controls.
 - Consider, major changes and other major questions of choice respecting the appropriate accounting principles to be used in the presentation of the corporation's financial statements, when presented by the external auditors, or the management.

2.2.3. The Corporate Secretary

2.2.3.1. The Corporate Secretary is an officer of the company and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision, and specific business objectives of the corporate entity come with his duties.

2.2.3.2. The Corporate Secretary shall be a Filipino citizen.

2.2.3.3. Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills.

2.2.3.4. Duties and Responsibilities:

- Gather and analyze all documents, records, and other information essential to the conduct of his duties and responsibilities to the Corporation.
- As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting.
- Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- Attend all Board meetings and maintain record of the same.
- Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

2.2.4. External Auditor

- 2.2.4.1. An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the company. He shall be selected and appointed by the stockholders upon recommendation of the Audit Committee.
- 2.2.4.2. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.
- 2.2.4.3. The external auditor of the company shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.
- 2.2.4.4. The company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.
- 2.2.4.5. If an external auditor believes that the statements made in the company's annual reports, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

2.2.5. Internal Auditor

- 2.2.5.1. The Corporation shall have in place an independent internal audit function which shall be performed by the Internal Auditor or a group of Internal Auditors, through which its Board and senior management shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.
- 2.2.5.2. The Internal Auditor shall report to the Audit Committee.
- 2.2.5.3. The minimum internal control mechanisms for management's operational responsibility shall center on the Chief Executive Officer, being ultimately accountable for the Corporation's organizational and procedural controls.
- 2.2.5.4. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

3. COMMUNICATION PROCESS

- 3.1. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
- 3.2. An adequate number of printed copies of this Manual must be reproduced under the supervision of Human Resource Administration Department (HRAD), with a minimum of at least one (1) hard copy of the Manual per department.

4. TRAINING PROCESS

- 4.1. If necessary, funds shall be allocated by the Chief Financial Officer or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.
- 4.2. A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

5. REPORTS OR DISCLOSURE SYSTEM OF CARITAS LIFE INSURANCE CORPORATION'S CORPORATE GOVERNANCE POLICIES

The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or Officer through the Corporation's Compliance Officer.

6. SHAREHOLDERS BENEFIT

The company recognizes that the most cogent proof of good governance is that which is visible to the eyes of its investors. Therefore the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the company and its investors:

6.1. INVESTORS' RIGHTS AND PROTECTION

6.1.1. Rights of Investors / Minority Interests

The Board shall be committed to respect the following of the stockholders:

- 6.1.1.1. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- 6.1.1.2. Cumulative voting shall be used in the election of directors.

6.1.1.3. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

6.1.2. Pre-emptive Right

All stockholders shall have pre-emptive rights, unless the same is denied in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

6.1.3. Power of Inspection

All shareholders 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.

6.1.4. Power of Information

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

6.1.5. Right to Dividends

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

6.1.5.2. The company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a.) when justified by definite corporate expansion projects or programs approved by the Board; or b.) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c.) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

6.1.6. Appraisal Right

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

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
 - In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
 - In case of merger or consolidation.
- 6.1.6.1. It shall be the duty of Directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments. The shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

7. MONITORING AND ASSESSMENT

- 7.1. The Audit Committee shall report regularly to the Board of Directors.
- 7.2. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 8 of this Manual.
- 7.3. The establishment of such evaluation system, including the features thereof, shall be disclosed in the company's annual report or in such form of report that is applicable to the corporation. The adoption of such performance evaluation system must be covered by a Board approval.
- 7.4. This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.
- 7.5. All business processes and practices being performed within any department or business unit of Caritas Life Insurance Corporation that are not consistent with any portion of this manual shall be revoked unless upgraded to the compliant extent.

8. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

- 8.1. To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after 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 provision of this Manual:

- In case of **first violation**, the subject person shall be reprimanded.
 - Suspension from office shall be imposed in case of **second violation**. The duration of the suspension shall depend on the gravity of the violation.
 - For **third violation**, the maximum penalty of removal from office shall be imposed.
 - Monitor compliance with the provisions and requirements of this Manual;
- 8.2. The commission of a third violation of this manual by any member of the board of the company or its subsidiaries and affiliates shall be sufficient cause for removal from directorship.
- 8.3. 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.

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