

MANUAL ON CORPORATE GOVERNANCE

AFDR INSURANCE BROKERS INC.

I. INTRODUCTION

This Manual is intended to serve as a guide to the directors, officers and employees of AFDR Insurance Brokers Inc. to fulfill its commitment to provide the best professional services which encompass, not only a complete portfolio of property, casualty and employee benefits solutions, but also the application of relevant risk management principles.

II. DEFINITION OF TERMS

1. Corporate Governance - is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior – reconciling long-term customer satisfaction with shareholder value – to the benefit of all stakeholders and society.

2. Board of Directors – the governing body elected by the stockholders that exercises the corporate powers of the corporation, conducts all its business and controls its properties.

3. Director – a duly elected member of the Board of Directors

4. Management – a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation.

5. Independent Director – a person who is independent of management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgement in carrying out his responsibilities as a director.

6. Executive Director – a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.

7. Non-Executive Director – a director who has no executive responsibility and does not perform any work related to the operations of the corporation.

8. Internal Control – a process designed and effected by the Board of Directors, Senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations and the organization's policies and procedures.

9. Enterprise Risk Management – a process effected by the Company's Board of Directors, Management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the

achievement of entity objectives.

10. Entity – shall also refer to the Company.

11. Related Party – shall cover the Company's subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the Company exerts direct or indirect control over or that exerts direct or indirect control over the Company; the Company's directors; officers; shareholders and related interests ("DOSRI"), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the Company.

12. Related Party Transaction – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into by an unrelated party that subsequently becomes a related party.

13. Shareholder – refers to an owner of a share of stock in the Company.

14. Stakeholder – any individual, organization or society at large who can either affect and/or be affected by the Company's strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

III. THE BOARD OF DIRECTORS

A. The Company is headed by a competent working Board to foster the long-term success of its corporate objectives and the long-term best interests of its shareholders and other stakeholders and sustainability of the corporation in a consistent manner.

The Board is composed of directors with a collective working knowledge, experience and expertise relative to the insurance and insurance brokerage industry. The Board ensures that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively to properly perform its task of overseeing the management and governance of the Corporation, formulating its vision, mission, objectives, policies and procedures and monitoring and implementing the same.

B. Due to the highly competitive nature of the business, the Board is composed of four (4) non-executive directors with the necessary qualifications to effectively participate and help secure its objectives, have independent judgment on company affairs and to implement proper checks and balances.

C. The Company provides a policy on the training of its directors including first-time directors to orient them on their duties and responsibilities as such, as well as training on the IC-mandated topics; which include:

- a. Code of Corporate Governance for IC Regulated Companies;
- b. ACGS and IC Annual Corporate Governance Report;
- c. Board Responsibilities;
- d. Illegal activities of the corporation/directors/officers;
- e. Protection of minority shareholders;
- f. Liabilities of directors;
- g. Confidentialities;
- h. Conflict of Interest;
- i. RPT;
- j. Enterprise Risk Management; and
- k. Case Studies and Financial Reporting and Audit

All directors are required to attend annual relevant continuing training programs.

D. The Board implements a policy on board diversity to avoid groupthink and to ensure that optimal decision-making is achieved.

E. The Board is assisted in its duties by a Corporate Secretary who is not a member of the Board. She is also required to attend an annual 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:

- a. Safekeeps and preserves the integrity of the minutes of the meetings of the Board and other official records of the Company, 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;
- b. 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;
- c. 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 diligent decisions on matters that require their approval;
- d. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent her from doing so;
- e. Performs required administrative functions;
- f. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements;
- g. Advise on the establishment of board committees and their terms of reference; and
- h. Performs such other duties and responsibilities as may be provided by the IC.

E. The Board is assisted in its duties by a Compliance Officer, who is also the Vice President for Finance. She is a member of the Board of Directors and had attended training on corporate governance.

The **Compliance Officer** is a member of the Company's management team in charge of the compliance function. Similar to the Corporate Secretary, she is primarily liable to the corporation and its shareholders, and not to the Chairman or President of the Company. She has, among others, the following duties and responsibilities:

- a. Ensures proper onboarding of new directors (i.e., orientation on the Company's business, charter, articles of incorporation and by-laws, among others);
- b. Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, the Code of Corporate Governance, rules and regulations and all governance issuances of the regulatory agencies;
- c. Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- d. Ensures the integrity and accuracy of all documentary submissions to regulators;
- e. Appears before the IC when summoned in relation to compliance with the Code of Corporate Governance;
- f. Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- g. Identifies possible areas of compliance issues and works towards the resolution of the same;
- h. Ensures the attendance of Board members and key officers to relevant trainings; and
- i. Performs such other duties and responsibilities as may be provided by the IC.

F. The Roles And Responsibilities Of The Board

The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Company's articles and by-laws, and other legal pronouncements and guidelines are clearly made known to all directors as well as to shareholders and other stakeholders.

The Board members should act on a fully informed basis, in good faith, with due diligence and care (i.e. duty of care), and in the best interest of the Company and all shareholders of (i.e. duty of loyalty).

The Board should 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.

G. The Board is headed by a competent and qualified Chairperson.

The roles and responsibilities of a **Chairman** include, among others, the following:

- a. 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;
- b. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;

- e. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- f. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

H. The Board has adopted an effective succession planning program for directors, key officers, and management to ensure growth and continued increase in the shareholders' value. This includes adopting a policy on the retirement age for directors and key officers as part of the management succession and to promote dynamism in the Company.

I. The Board has formulated and adopted a policy of not giving remuneration for directors. Each director will only be given a fixed per diem for each meeting attended. The remuneration and performance of key officers should be aligned with the long-term interests of the Company.

The remuneration of employees in control functions (e.g., risk, compliance and internal audit) is determined independently of any business line being overseen, and performance measures are based principally on the achievement of their objective so as not to compromise their independence.

J. The Board has formulated a formal and transparent board nomination and election policy that includes how it accepts nominations from minority shareholders and reviews nominated candidates. The policy also includes an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director. In addition, its process of identifying the quality of directors is aligned with the strategic direction of the Company.

The process also includes monitoring the qualifications of the directors.

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

1. Permanently Disqualified -

- 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 the insurance laws;
- Persons who have been judicially, declared insolvent, spendthrift, or unable to enter into a contract; or
- 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 -

- 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 of the Insurance Commission;
 - Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;
 - Persons dismissed/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;
 - 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 any involvement in the alleged irregularity;
 - Persons who are delinquent in the payment of their obligations as defined hereunder:
- a. 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;
 - b. Obligations shall include all borrowings from an insurance company, or its related companies obtained by:
 - I. A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorser, or surety for loans from such institutions;
 - II. The spouse or child under the parental authority of the director or officer;
 - III. Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
 - IV. 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
 - V. 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.

K. The Board has the overall responsibility of ensuring that there is a group-wide policy and system governing Related Party Transactions (“RPT”) particularly those, which pass certain thresholds of materiality. The policy includes the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. Material or significant RPTs are reviewed and approved by the Board and submitted for confirmation by majority vote of the stockholders in the annual stockholders’ meeting.

The policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations. The Board also ensures that transactions occur at market prices, at arm’s length basis and under conditions that protect all the rights of all shareholders.

L. The Board is primarily responsible for approving the selection and assessing the performance of the Management led by the President & Chief Executive Officer (CEO), and control functions led by their respective heads (SVP-Employee Benefits, VP-Property and Casualty and VP-Finance & Chief Audit Executive).

The responsibility of appointing a competent management team at all times, monitor and assess the performance of the management team based on established performance standards rests with the Board. In the selection process, fit and proper standards are applied on key personnel and due consideration is given to integrity, technical expertise and experience in the Company’s business, either current or planned.

Results of performance evaluation are linked to other human resource activities such as training and development, remuneration, and succession planning. These likewise form part of the assessment of the continuing fitness and propriety of management, including the Chief Executive Officer, and personnel in carrying out their respective duties and responsibilities.

M. The Board is responsible in overseeing that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing of potential conflicts of interest of Management, board members, and shareholders. The Board will also formulate the Internal Audit Charter; which will include:

the minimum internal control mechanisms such as overseeing the implementation of risk management, compliance and internal audit, and reviewing the corporation’s human resource policies, conflict of interest situations, compensation program for employees and the management succession plan.

N. The Board ensures that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks.

The risk management framework guides the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

O. The Board still has to formulate a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter will serve as a guide to the directors in the performance of their functions and will be publicly available and posted on the Company's website.

IV. Board Committees

All Board Committees are guided by their respective Committee Charters that state in plain terms the purpose, membership, structure, operations, reporting processes, resources and other relevant information concerning such committee. The Committee Charters also provide standards for evaluating the performance of the Committees.

V. Board's Commitment to the Corporation

1. To show full commitment to the Company, the directors devote their time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

The directors attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele/videoconferencing conducted in accordance with the rules and regulations of the Insurance Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the director reviews meeting materials and if called for, asks the necessary questions or seeks clarifications and explanations.

The absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his/her incumbency is a ground for disqualification in the succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen events.

2. The non-executive directors of the Board do not serve as directors to other Insurance Commission Regulated Entities and Publicly Listed Companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the Company. In the event a director intends to accept a directorship in another company, he/she should first notify the Board of the Corporation prior to such acceptance.

VI. Reinforcement of Board Independence

The board endeavors to exercise an objective and independent judgment on all corporate affairs.

Hence:

1. The Board is composed of two (2) independent directors.
2. The Board ensures that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position as provided under the Revised Corporate Governance, to wit:

An **Independent Director** refers to a person who:

- a. 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;
- b. 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;
- c. is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the covered entity, or in any of its related companies or of its majority corporate shareholders;
- d. is not a relative by affinity or consanguinity within the fourth 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;
- e. 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;
- f. 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;
- g. 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 person 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;
- h. was not appointed in the covered entity, its subsidiaries, affiliates or related companies as Chairman "Emeritus", "Ex-Officio", Regular Directors, Officers or Members of any Advisory Board, or otherwise appointed in a

capacity to assist the board of directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his election/appointment;

i. 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

j. 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.

The Board's independent directors serve for a maximum cumulative term of nine years. After which, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Company wants to retain an independent director who has served for nine years, the Board shall submit a formal written justification to the Insurance Commission and seek shareholders' approval during the annual shareholders' meeting.

3. The positions of **Chairman of the Board** and **Chief Executive Officer** are held by separate individuals and each have clearly defined responsibilities.

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

- a. Builds the corporate culture and motivates the employees of the corporation;
 - b. Serves as the link between internal operations and external stakeholders.
 - c. Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;
 - d. Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
 - e. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
 - f. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
 - g. Directs, evaluates and guides the work of the key officers of the corporation;
 - h. Manages the corporation's resources prudently and ensures a proper balance of the same;
 - i. Provides the Board with timely information and interfaces between the Board and the employees.
4. A **director** with a material interest in any transaction affecting the corporation must abstain from taking part in the deliberations for the same to ensure that he has no influence over the outcome of the deliberations.
 5. The **non-executive directors (NEDs)** hold separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions,

without any executive directors present to ensure that proper checks and balances are in place within the corporation. The lead independent director chairs the meetings.

VII. Assessment of Board Performance

The **Board** has set up an Appraisal Process for it to conduct annual evaluation of its performance including the performance of the Chairman, individual members and committees.

The Appraisal Process provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system allows for a feedback mechanism from the shareholders.

VIII. Strengthening Board Ethics

The Board has adopted a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings.

The Code had been disseminated to the Board, senior management and employees. It will be disclosed and made available to the public through the Company website.

The Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

A. Disclosure and Transparency

IX. Company Disclosure Policies and Procedures

The Company has put in place corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

The General Information Sheet of the Corporation as well as the Articles of Incorporation, By-Laws of the Corporation and the Manual on Corporate Governance will be posted in the Company's website pursuant to the requirements of the Insurance Commission.

The qualifications of the directors and key management officers shall be disclosed to the Insurance Commission as well as the training, which they had undergone as part of its reports.

X. Strengthening the External Auditor's Independence And Improving Audit Quality

The Company's Audit Committee is responsible for the selection of an external auditor, and the exercise of effective oversight of the same to strengthen the external auditor's independence and enhance audit quality rest with the said Committee.

The Company shall disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. It is alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.

XI. Increasing Focus On Non-Financial And Sustainability Reporting

The Company shall ensure that the material and reportable non-financial and sustainability issues are disclosed.

The Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.

XII. Promoting A Comprehensive And Cost-Efficient Access To Relevant Information

The Company maintains a website wherein it disseminates relevant information and is accessible to the public.

A. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK

XIII. Strengthening The Internal Control System And Enterprise Risk Management Framework

To ensure the integrity, transparency and proper governance in the conduct of its affairs, the Company has set up an internal audit system headed by the Vice-President for Finance as the Chief Audit Executive (CAE) who reports to the CEO and the Board; the functions of which include the following:

- a. Provide a 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;
- b. Perform regular and special audit as contained in the annual audit plan and/or based on the Company's risk assessment;
- c. Perform consulting and advisory services related to governance and control as appropriate for the organization;
- d. Perform compliance audit of relevant laws, rules and regulations contractual obligations and other commitments, which could have a significant impact on the organization;
- e. Review, audit and assess the efficiency and effectiveness of the internal control system of all areas of the Company;
- f. Evaluate 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;
- g. Evaluate specific operations at the request of the Board or Management, as appropriate; and
- h. Monitor and evaluate governance processes.

The Company set up a Risk Management Team composed of the Vice-President for Property and Casualty and Senior Vice-President for Employee Benefits as Chief Risk Officers (CROs) who directly report to the CEO and the Board.

The risk management team's functions include the following activities, among others:

- a. Defining a risk management strategy;
- b. Identifying and analyzing key risks exposure relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization's strategic objectives;
- c. Evaluating and categorizing each identified risk using the Company's predefined risk categories and parameters;
- d. Establishing a risk register with clearly defined, prioritized and residual risks;
- e. Developing a risk mitigation plan for the most important risks to the Company, as defined by the risk management strategy;
- f. Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the CEO and the Board;
- g. Monitoring and evaluating the effectiveness of the organization's risk management processes.

B. CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS

XIV. Promoting Shareholder Rights

The Board clearly defines the basic rights of its shareholders in this Manual; which rights relate to the following, among others:

Pre-emptive rights - All stockholders of a stock corporation shall enjoy preemptive right to subscribe to all issues or disposition of shares of any class, in proportion to their respective shareholdings, unless such right is denied by the articles of incorporation or an amendment thereto: Provided, That such preemptive right shall not extend to shares issued in compliance with laws requiring stock offerings or minimum stock ownership by the public; or to shares issued in good faith with the approval of the stockholders representing two-thirds (2/3) of the outstanding capital stock, in exchange for property needed for corporate purposes or in payment of a previously contracted debt.

Dividend policies – Dividends may be declared from the net profits of the corporation at such times and in such percentages as the Board of Directors may deem proper. Stock dividends shall be declared in accordance with law, and no dividend shall be declared that will impair the capital of the corporation.

Right to propose the holding of special meetings – Special meetings of the stockholders may be called by the President at his discretion or on the demand of stockholders holding a majority of the subscribed capital stock of the corporation.

A written notice stating the day, hour and place of the meeting and the general nature of the business to be transacted shall be sent to each stockholder of record at least 21 days before

the meeting; provided, however, that this requisite may be waived in writing by all the stockholders.

Voting procedures that would govern the Annual and Special Shareholders' Meeting –

At each meeting of the stockholders, every stockholder shall be entitled to vote in person or proxy, and he shall have one vote for each share of stock standing in his name on the books of the corporation at the time of the closing of the transfer books for such meeting.

Any stockholder entitled to vote at the meetings of the stockholders may be represented and vote thereat by proxy appointed in an instrument in writing, subscribed by such stockholder or by his duly authorized attorney, and delivered to the Secretary at or before the time of such meeting. Proxies shall be properly signed, but they shall require no other attestation.

Intra-Corporate Disputes –

The Board; based on the recommendation of the Company's external legal counsel and after a thorough evaluation of the dispute will decide intra-corporate disputes.

C. DUTIES TO STAKEHOLDERS

XV. Respecting The Rights Of Stakeholders And Effective Redress For Violation Of Stakeholder's Rights

The rights of the Company's stakeholders such as its clients, suppliers, sub-contractors and insurance providers/partners are respected and an effective procedure for the redress of any violation of their rights is in place.

The procedure includes the following:

1. Customers/clients can call the Company hotline and a hotline personnel will immediately respond or refer the caller to the officer-in-charge.
2. Anyone with a grievance against any employee or officer of the Company can write or call the concerned Department Head who will immediately respond to address the caller's grievance/concern.
3. The Office of the President & CEO is open to address any grievance/concern of any client, supplier, sub-contractor and insurance provider/partner.

XVI. Encouraging Employees' Participation

To encourage employees' participation in the realization of the Company's goals and in its governance as well as foster unity among the employees and officers, the Company provides for the following programs and training:

1. Annual Company Outing
2. Annual Performance Appraisal/Rating of each employee
3. Inter-department Bowling Competition
4. Regular Seminar/webinar for employees to update their knowledge and skills relative to their job
5. Annual physical examination and flu vaccine for all employees
6. Anti-Covid vaccines for employees

The Company has a strict policy against corrupt practices and prohibits any solicitation from its suppliers, sub-contractors and insurance provider/partners.

The Board has tasked the HR/Administrative Department headed by its Vice-President with handling any whistleblowing concerns. The Department will hear any complaints on illegal or unethical practices and ensure that the complaining employee is shielded from any retaliation.

The Department will enforce the penalty/punishment; which will be meted to the erring employee. Depending on the gravity of the offense, the penalty/punishment may consist of:

First Offense – Written Memorandum from the Human Resources Department

Second Offense – Written Memorandum from the President & CEO with a stern warning

Third Offense – Suspension for 2 to 3 days

Fourth Offense - Termination

XVII. Encouraging Sustainability And Social Responsibility

As part of its commitment to the community and in the exercise of its social responsibility, the Company implements a community project annually. For the last three (3) years, it had undertaken the repair and improvement of schools in Laguna and provisioned the students with school bags and school supplies and some groceries for the teachers.

Last year, in response to the demand for food and water in Brgy. Sta Ana, San Mateo, Rizal; the Company, with the assistance of the Philippine Army, distributed food packs and water as well as face masks.

The Company is also serious in contributing to the preservation of the environment, hence, it strictly observes garbage segregation and disposal.