

POLICY NO. – MHI – 004
EFFECTIVITY DATE – 09 Feb 17

ORIGINAL POLICY NO. – NA
ORIGINAL ISSUE DATE – NA

LAST AMENDMENT DATE – NA
PROCEDURE FLOW NO. – NA

POLICY TITLE : CORPORATE GOVERNANCE - METROCARE

POLICY STATEMENT :

The company shall ensure compliance with the standards and requirements on Corporate Governance prescribed by the Insurance Commission (IC) under IC Circular Letter No. 2016-51, and other subsequent or relevant issuances, for the protection and benefit of the company's stockholders, HMO members and stakeholders. The company's compliance will be proportionate to the nature and scale of its operations, and other pertinent circumstances.

OBJECTIVES:

1. To prescribe the minimum corporate governance standards and requirements in compliance with the mandates of the IC.
2. To ensure the company's compliance with the corporate governance requirements and assign responsibility over the proper implementation of this Policy.

POLICY GUIDELINES:

1. BOARD OF DIRECTORS

1.1 Composition –

- 1.1.1 The Board of Directors (BOD) shall be composed of the following members elected by the stockholders of the company:
 - A. Chairman of the Board
 - B. President
 - C. Regular Directors
 - D. Independent Directors
- 1.1.2 The composition of the BOD shall be amended/adjusted to be at all times compliant with the requirements of the IC and other competent authorities.
- 1.1.3 The Chairman of the BOD shall be a non-executive director.
- 1.1.4 The roles of the Chairman and President shall not be combined and occupied by the same person.
- 1.1.5 To achieve the required balance of executives and non-executive directors, the BOD's Chairman and Independent Directors shall at all times be non-executive directors.
- 1.1.6 At least twenty percent (20%) but not less than two (2) members of the BOD shall be Independent Directors. Any fractional result from applying the required minimum proportion shall be rounded up to the nearest whole number.

1.2 Powers/duties and Responsibilities –

- 1.2.1 Powers of the BOD – Unless otherwise provided by law, the corporate powers of the company shall be exercised, all business conducted and all property of the company controlled and held by the BOD. The BOD shall have and exercise the powers provided in the company's By-laws.
- 1.2.2 In addition to other functions of the BOD as provided in the By-laws and existing policies/procedures of the company, the BOD shall have the following functions:
- a. Review and adopt a strategic plan for the company.
 - b. Oversee the conduct of the company's business to ensure that the business is being properly managed and dealings with HMO members, claimants and creditors are fair and equitable.
 - c. Identify principal business risks and ensure the implementation of appropriate risk management systems, as may be necessary and commensurate to the business, to specifically manage the financial and operational risks of the company.
 - d. Recommend and/or approve corporate policies in core areas of operations.
 - e. Plan succession, including appointing, training, fixing the compensation of, and where appropriate, replacing key officers/managers.
 - f. Ensure that an effective system of control is in place for safeguarding the company's assets.
 - g. Review the adequacy and the integrity of the company's internal control systems, including systems for compliance with the requirements of the IC and other applicable laws, regulations, rules, directives and guidelines.
 - h. Select and appoint officers who are qualified to administer the company's affairs soundly and effectively and to establish an adequate selection process for all members.
 - i. Apply fit and proper standards on members, which must include the following minimum qualifications: integrity, technical expertise and experience in the company's business.
 - j. Approve an appropriate compensation package for all members that are consistent with the interest of all stakeholders.
 - k. Review and approve all material and substantial transactions of the company.
 - l. Establish a system of check and balance which applies to the BOD and its members.
 - m. Have an appropriate reporting system so that the BOD can monitor, assess and control the performance of management.
 - n. Present to all stockholders a balanced and understandable assessment of the company's performance and financial condition.
 - o. Ensure faithful compliance with the financial and other reportorial requirements of the IC and other competent authorities.
 - p. Appoint a Compliance Officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.
 - q. Establish committees as may be necessary and commensurate with the business.
 - r. Exercise oversight over the compliance, internal control, risk management, financial audit systems and processes, among others, of the company. All such department and/or committees shall have a direct line to the BOD for such purpose.
- 1.2.3 The members of the BOD are expected to:
- a. Conduct fair business transaction with the company to ensure that personal interest does not bias BOD decisions.
 - b. Avoid situations that would give rise to a conflict of interest. If transactions with the company cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the company than those offered to others. The basic principle to be observed is that a director shall not use his/her position to make profit or to acquire benefit or advantage for him/herself and/or his/her related interests. He/she shall avoid situations that would compromise impartiality.
 - c. Act honestly, in good faith, and with loyalty to the best interests of the company, its stockholders, (regardless of the amount of their stockholdings) and other stakeholders, HMO members, other

clients and the general public, in the performance of his/her functions, including, among others, in the submission of financial and other reports.

- d. Always act in good faith with care which an ordinarily prudent man would exercise under similar circumstances, and always strive to promote the interests of all stockholders. He/she shall also give due regard to the rights and interests of other stakeholders.
- e. Devote time and attention necessary to properly discharge their duties and responsibilities. Directors shall devote sufficient time to familiarize themselves with the company's business. They must constantly be aware of the company's condition and be knowledgeable enough to contribute meaningfully to the BOD'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 company, he/she should neither accept his/her nomination nor run for election as member of the BOD.
- f. Act judiciously. Before deciding on any matter brought before the BOD, every director shall thoroughly evaluate the issues, ask questions and seek clarifications when necessary.
- g. Exercise independent judgment. A director shall view each problem/situation objectively. When a disagreement with others occurs, he/she shall carefully evaluate the situation and state his/her position. He/she shall not be afraid to take a position even though it might be unpopular. Corollarily, he/she shall support plans and ideas that he/she thinks will be beneficial to the company.
- h. Have a working knowledge of the statutory and regulatory requirements affecting the company, including the contents of its Articles of Incorporation and By-laws, the requirements of the IC, and where applicable, the requirements of other government agencies. A director shall also keep him/herself informed of the industry developments and business trends in order to safeguard the company's competitiveness.
- i. Observe confidentiality. Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose any such information to any other person without the authority of the BOD.

1.2.4 In addition to other functions of the BOD Chairman as provided in the By-laws and existing policies/procedures of the company, the Chairman shall have the following functions and responsibilities:

- a. Make certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the company, considering the developments in the business sans regulatory environments, key governance concerns, and contentious issues that will significantly affect the operations.
- b. Guarantee that the BOD receives accurate, timely, relevant, insightful, concise, and clear information and data to enable it to make sound decisions.
- c. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors.
- d. Ensure that the BOD sufficiently challenges and inquires on reports submitted and representations made by management.
- e. Assure availability of proper orientation for first-time directors and continuing training opportunities for all directors.
- f. Make sure that the performance of the BOD is evaluated at least once a year and discussed/followed up on.
- g. Make sure that the BOD provides comprehensive, accurate, reliable and timely reports to the company's stockholders, regulating offices/agencies, and other stakeholders. All reports and submissions to the IC and other competent authorities, financial or otherwise, shall be included in the regular or special meeting of the stockholders.
- h. Discuss governance and strategies with the stockholders and ensure that the views of stockholders are communicated to the BOD.

1.3 Members of the BOD shall be elected by the stockholders of the company based on the following minimum guidelines:

- i. Qualifications and Disqualifications prescribed by the IC and other competent authorities.
- ii. Minimum requirements and qualifications prescribed under existing policies/procedures of the company.
- iii. As far as practicable, and proportionate to the company's nature and scale of operations, appointments to the BOD shall be made on the basis of merits and against subjective criteria.
- iv. The selection and appointment process shall be formal and transparent, held at the regular or special meeting of the stockholders called for such purpose.

1.4 Qualifications and Disqualifications –

1.4.1 As far as practicable, and proportionate to the company's nature and scale of operations, the following are the minimum qualifications of the company's Directors:

- i. Good moral character, unquestioned integrity and recognized competence.
- ii. Ownership of at least one (1) share of the capital stock of the company, in his/her name and recorded in the books of the company.
- iii. At least thirty-five (35) years of age at the time of appointment.
- iv. Attendance in a special seminar on corporate governance conducted by a training provider accredited by the IC.
- v. Compliance with the minimum requirements and qualifications prescribed under existing policies/procedures of the company.
- vi. In addition to the minimum qualifications, Independent Directors must:
 - a. Not have been an officer or employee of the company, its subsidiaries or affiliates or related interests for at least three (3) years immediately preceding his/her term or incumbency.
 - b. Not related within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or majority stockholder of the company or any of its related companies.
 - c. Not a director or officer of the related companies of the company's majority stockholder/s.
 - d. Not a majority stockholder of the company, any of its related companies, or of its majority stockholder.
 - e. Not acting as nominee or representative of any director or substantial stockholder of the company, any of its related companies, or any of its substantial stockholders.
 - f. He/she must be free from any business or other relationships with the company or any of its major stockholders which could materially interfere with the exercise of his/her judgment.

1.4.2 Any of the following circumstances shall constitute as a permanent disqualification for the position of Director:

- a. Conviction by final judgment for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft.
- b. Conviction by final judgment for violation of insurance laws.
- c. Having derogatory records with the National Bureau of Investigation, courts, police, and the IC 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 a director.
- d. Delinquency in the payment of obligations with the company or its related companies where he/she is a director or officer; or at least two obligations with other companies regulated by the IC, under different credit lines or loan contracts.

1.4.3 Any of the following circumstances shall constitute as a temporary disqualification for the position of Director:

- a. Refusal to fully disclose the extent of his/her business interests when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the IC. This disqualification shall be in effect as long as the refusal persists.

- b. Absence or non-participation, for whatever reason, in more than fifty percent (50%) of all meetings, both regular and special of the BOD during the incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding elections.
- c. Conviction for offenses involving dishonesty, breach of contract or violation of insurance laws, which conviction has not yet become final and executory.
- d. Being a director and/or officer of closed insurance companies and insurance intermediaries pending clearance from the IC.
- e. Disqualification for failure to observe/discharge his/her duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification by the IC.
- f. Failure to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar.
- g. Dismissal/termination from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity.
- h. Those under preventive suspension.

1.5 Term Limits –

- 1.5.1 The members of the BOD shall be elected during each regular meeting of the stockholders of the company and shall hold office for one (1) year and until their successors have been elected and qualified.
- 1.5.2 Independent Directors shall serve for five (5) consecutive years, subject to the following rules:
 - i. Service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which the Independent Director position was relinquished or terminated.
 - ii. After completion of the five-year service period, an Independent Director shall be ineligible for election as such unless he/she has undergone a cooling off period of two (2) years; provided, that during such period, the Independent Director concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as Independent Director in the company.
 - iii. An Independent Director re-elected after the cooling off period can serve for another five (5) consecutive years.
 - iv. An Independent Director can only serve for a maximum period of ten (10) years.

1.6 Vacancies –

- 1.6.1 Any vacancy occurring in the BOD other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining stockholders, if still constituting a quorum; otherwise, the vacancy shall be filled by the stockholders at a regular or special meeting called for the purpose. A director so elected to fill a vacancy shall hold office only unexpired portion of the predecessor's term.
- 1.6.2 Any vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filled by election at the same meeting of stockholders without further notice, or at any regular or special meeting of the stockholders called for the purpose, after due notice.

1.7 Meetings –

- 1.7.1 Type of meetings, conduct of meetings, notices, and quorum, shall be in accordance with the rules provided in the By-laws.
- 1.7.2 At all meetings of the BOD, all directors shall act on a fully informed basis, in good faith, with due diligence and care, and at all times in the best interest of the company, its HMO members, stockholders and stakeholders.

1.8 Performance Evaluation –

- 1.8.1 The company's stockholders may require the conduct of a formal and objective evaluation of the performance of the BOD, and that of its committees and individual directors. The performance evaluation shall be based on the guidelines provided in this policy, and other relevant factors such as, but not limited to, attendance and active participation in BOD meetings.
- 1.8.2 The BOD Chairman shall be responsible for the evaluation of all members of the BOD. He/she shall act on the results of the performance evaluation by recognizing the strengths and addressing the weaknesses of each director. He/she may, with the approval of the majority stockholders of the company, propose appointment of new members to the BOD or seek the resignation of directors.
- 1.8.3 Performance evaluation of the Chairman shall be made by non-executive directors taking into account the views of executive directors.
- 1.8.4 Performance evaluation of committees shall be undertaken by the BOD, without the participation of the director/s involved in the committee.
- 1.8.5 The results of the performance evaluation shall be presented in the annual meeting of the stockholders and shall be considered in the selection/appointment of directors for the succeeding year.

1.9 Remuneration –

- 1.9.1 Compensation and allowances of the members of the BOD shall be that as provided in the company's By-laws, subject to existing policies/programs relevant thereto.
- 1.9.2 Any change or adjustment shall be subject to the approval of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting called for the purpose, without the participation of the involved director/s.

1.10 Dispute Resolution -

- 1.10.1 Any intra-corporate dispute shall be resolved in the most amicable and effective manner. For this purpose, the company adopts the dispute resolution mechanisms provided under Republic Act (R.A.) No. 9285 or the Alternative Dispute Resolution Act of 2004.

2. OFFICERS

- 2.1 The BOD shall appoint the following officers of the company:
 - A. President
 - B. Vice President
 - C. Treasurer
 - D. Corporate Secretary
 - E. Compliance Officer
 - F. Such other officers/position as may be necessary
- 2.2 The BOD shall only appoint officers who possess all the requirements and qualifications prescribed by the company, the IC, and other competent authorities.
- 2.3 The powers, duties and responsibilities of the officers appointed shall be those provided in the company's By-laws and other written policies/procedures of the company.
- 2.4 As may be applicable, all officers of the company shall be subject to the same standards and responsibilities prescribed for directors in section 1.2.3 of this Policy.
- 2.5 All officers shall hold office for one (1) year and until their successors shall have been duly elected and qualified. If any position becomes vacant by reason of death, resignation, disqualification or for any other cause, the BOD, by majority vote, may elect a successor who shall hold office for the unexpired term.
- 2.6 Compensation and allowances of the officers shall be determined based on existing policies and practices of the company. Any change or adjustment shall be subject to the approval of the majority of the BOD at a regular or special meeting called for the purpose

3. CORPORATE GOVERNANCE COURSE/TRAININGS

- 3.1 All Directors and Executive Officers of the company are required to attend at least a one-day training and orientation course on Corporate Governance conducted by duly accredited training providers of the IC. All records of trainings and seminars shall be in the custody of the Compliance Officer.
- 3.2 The BOD Chairman shall ensure that the directors continually update their skills, knowledge and familiarity with the company's goals and objectives in order to fulfill their roles in the BOD and/or committees.
- 3.3 The company shall provide the necessary resources in developing and updating its directors' knowledge and capabilities.
- 3.4 The company shall provide an orientation and education program for new members of the BOD
- 3.5 All directors shall have access to the advices and services of the Corporate Secretary and Compliance Officer, who is responsible to the BOD for ensuring that BOD procedures are complied with.

4. RESPONSIBILITY FOR GOOD GOVERNANCE

- 4.1 The BOD and the management of the company shall ensure their commitment to the principles and leading practices contained in this Policy and all related issuances of the IC. The BOD, the management, all members and stockholders, shall undertake every effort necessary to create awareness within the organization.
- 4.2 The company's Compliance Officer shall be responsible in ensuring the company's adherence to the Corporate Governance Principles and Leading Practices prescribed in this Policy and all related issuances of the IC.

IMPLEMENTATION

1. The BOD is responsible for the proper implementation of this Policy.

REPEALING CLAUSE

1. Any policy, procedure, rules or regulations, or instructions not consistent in whole or in part with this Policy are hereby repealed, amended, or modified accordingly.
2. This Policy shall be deemed amended/updated by any official subsequent issuance/s of the IC material hereto, without need of formal amendments.

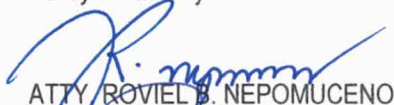
AMENDMENT

1. Any amendment to or cancellation of this Policy must be in writing and duly approved by the President and Board of Directors.


EFFECTIVITY

1. This Policy takes effect ten (10) days after approval by the Board of Directors.

Policy Written By:


ATTY. ROVIEL B. NEPOMUCENO

Recommending approval by:



ELMER Z. ACANCE
President