

STRONGHOLD INSURANCE COMPANY, INC.

BOARD OF DIRECTORS' CORPORATE GOVERNANCE POLICY MANUAL



STRONGHOLD INSURANCE COMPANY, INCORPORATED
CORPORATE GOVERNANCE POLICY MANUAL

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CORPORATE GOVERNANCE POLICY MANUAL

I. INTRODUCTION

WE, The Board of Directors and Management including the officers and staff of **Stronghold Insurance Company, Inc.** hereby commit ourselves to comply with the highest principles of good corporate governance. We are fully aware of our fiduciary duties, accountabilities and responsibilities with our stakeholders and shall ensure that corporate goals are fully attained.

The Board of Directors, Officers and Employees of the Company hereby commit ourselves to comply with the principles and practices contained in this Manual which shall serve as the standard in attaining our goals and objectives and at the same time provide as guide in the daily activities of the organization.

II. OBJECTIVE

This Manual institutionalizes the principles and practices of good Corporate Governance pursuant to the objectives of the *Code of Corporate Governance* issued by the Insurance Commission for the purpose of instilling corporate accountability and to promote the interest of policyholders, clients and claimants.

III. BRIEF HISTORY

The Company had its humble beginnings when the then Mabuhay Insurance & Guaranty Co., Inc. was established on March 21, 1960 as wholly owned Filipino non-life insurance company.

Mr. David C. Mercado with the other new shareholders, became the new owner of Mabuhay Insurance & Guaranty Co., Inc. when he acquired the firm in December 1980. Immediately thereafter, the new Management Team of Mr. Mercado changed the corporate name to what is now known as Stronghold Insurance Co., Inc. This was duly approved by the Securities and Exchange Commission on June 22, 1981.

The Company was able to create a name in the insurance industry as a dependable provider of various non-life insurance coverages. It was able to withstand the pecuniary effects of the huge losses brought about by natural causes that struck our country thru the settlement of legitimate claims filed with the Company.

In line with our Commitment of making our products and services easily available to the ever growing number of clienteles and stakeholders in various places of the country, we have put up a vast network of Regional/Branch Offices strategically located in key cities of the Philippines.

Stronghold Insurance Company, Inc. takes pride of its accomplishment to where it is now by being a financially stable entity. Proof of this is the steady growth of its net worth over the years of its operations.

Stronghold Insurance's Paid up capital as of December 31, 1980 was Php 4 million. This grew by leaps and bounds to about Php700 million as of December 31, 2018.

As part of our Corporate Social Responsibility, our office has been active in supporting charitable activities that will assist the marginalized and less fortunate to cope up with the pressing basic needs.

With these initiatives, the Company will remain steadfast in its obligation of providing dependable risk coverages through prudent and sound business practice coupled with technical expertise.

IV. **OUR MISSION**

- ❖ We are committed to be reputable preferred non-life insurance company, providing excellent protection and services with innovative and responsive insurance products consistent with our social responsibility and participation in the economic growth of our nation.
- ❖ We shall foster harmonious and mutually beneficial relationships with our intermediaries.
- ❖ We are dedicated to provide career advancement opportunities within our organization.
- ❖ We aim to secure for our stockholders equitable and reasonable returns of their investments.

V. **OUR VISION**

We envision to be the most highly regarded non-life insurance provider ready to meet the challenges of a globalized market consistent with good business practices and corporate governance.

VI. OUR COMMITMENT

WE, at Stronghold Insurance Company, Inc., are committed to providing our clients with excellent service, characterized by technical expertise, personal efficient and technologically aided processes to bring about speedy and quality service guided by the highest ideals of professionalism and integrity.

WE aspire to provide non-life insurance service to corporate clients and individual including the ordinary Filipino family to have a basic insurance protection.

WE intend to cover the Philippine market with non-life insurance lines including Fire, Motor, Marine, Casualty and Suretyship.

WE highly consider the dignity of every individual in all our activities as a business firm and value-centered institution and will uphold a sense of justice in our employer-labor relations.

WE are fully aware of our vital role as a corporate citizen in the line of insurance industry and are committed to help in the task of nation building through active participation in the socio-economic endeavors.

WE are committed to attaining leadership in the domestic and foreign markets in terms of sustained growth, stability, profitability, and return on equity, professional management and responsible stewardship.

VII. DEFINITION OF TERMS

- ❖ **Corporate Governance** - it is the system by which companies are directed and managed. It influences how will the objectives be set and achieved, risk monitoring and assessment and how to optimize performance.
- ❖ **Company** - STRONGHOLD INSURANCE COMPANY, INC. (SICI).
- ❖ **Board of Directors** - refers to the governing body at SICI duly elected by the stockholders which exercises the corporate powers as provided in the Corporation Code of the Philippines. It conducts all transactions and controls all properties of the Company.
- ❖ **Management** - the officers of the Company that was granted authority by the Board of Directors to carry out the policies it has laid down in the conduct of business of the organization.

- ❖ **Independent Director** - is a person other than an officer or employee of the Company or its subsidiaries or any other individual having any relationship with the Company that would impede in the exercise of independent judgment in carrying out the responsibilities as a director. Aside from the director's fees and shareholdings, he should be independent of management and free from any business or other relationship that can be perceived as a material interference with the exercise of his independent judgment.
- ❖ **Internal Auditing** - it is an independent, objective assurance and consulting activity designed to add value to and improve an organization's operations. It helps the organization realize its objectives by providing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal auditing achieves this by providing insight and recommendations with emphasis on analyses and assessments of data and business processes.
- ❖ **Internal Control** - it is the process devised by the Company's Board of Directors for the attainment of objectives in the effectiveness and capability of operations, the dependability of financial reporting and faithful compliance with applicable laws, rules, regulations and internal control policies.
- ❖ **Related Party** - shall comprise the Company's subsidiaries including affiliates and any party that the company exercise direct or indirect control over the entity, its directors, officers, shareholders and related interests including their close family members as well as corresponding persons in affiliated companies. It also includes such other persons or juridical entities whose interest may pose potential conflict with the interest of the Company.
- ❖ **Related Party Transactions** - It is the transfer of resources, services or obligations between a reporting entity and a related party, notwithstanding whether a value has been charged. It also includes not only transactions that are entered into with related parties, but also unsettled transactions that were entered into with an unrelated party which eventually becomes a related party.
- ❖ **Internal Control System** - it is the framework by which internal controls are developed, implemented, alone or in consonant with other existing policies or procedures, for the purpose of managing and controlling a particular risk or business activity, to which the Company is exposed.

- ❖ **Enterprise Risk Management** - it is the process, formulated by the Company's Board of Directors, Management and key personnel, effected in a strategy setting and across the establishment that is intended to ascertain potential events that may affect the organization, management of risks that are within its risk appetite, and providing reasonable assurance towards achievement of its objectives.
- ❖ **Stakeholders** - referring to the group of company owners, officers and employees, policyholders suppliers, creditors and the community as well.
- ❖ **Shareholders** - refers to the owner of share of stock in the Company.
- ❖ **Related Interests** - referring to individuals related to each other within the fourth degree of consanguinity or affinity, legitimate or common law and to two or more companies owned or controlled by one person or by the same family group or the same group of persons.

VIII. CORPORATE GOVERNANCE STRUCTURE

1. BOARD OF DIRECTORS

- ❖ The Board of Directors are principally responsible in complying with the highest standard of good governance set forth by the Company.
- ❖ They are duty bound to act on matters based on a fully informed basis, in good faith, with due diligence and care.
- ❖ The Board shall be responsible in approving and overseeing the implementation of the corporate plans and strategies.

1.1. Composition of the Board and Independent Directors

- 1.1.1. The Board shall be composed of seven (7) directors shall be elected by the stockholders at the annual meeting, by a plurality of votes. The directors shall hold office for one (1) year or until their successors shall have been chosen and shall have qualified, in accordance with the Amended Articles of Incorporation and By-Laws. If for any reason, the annual meeting of stockholders shall not be held at the time appointed by the by-laws or shall be adjourned, the directors when in office shall continue

in office until such election shall have been held for their successors.

- 1.1.2. The Board shall have three (3) independent directors that shall constitute the members of the Board.

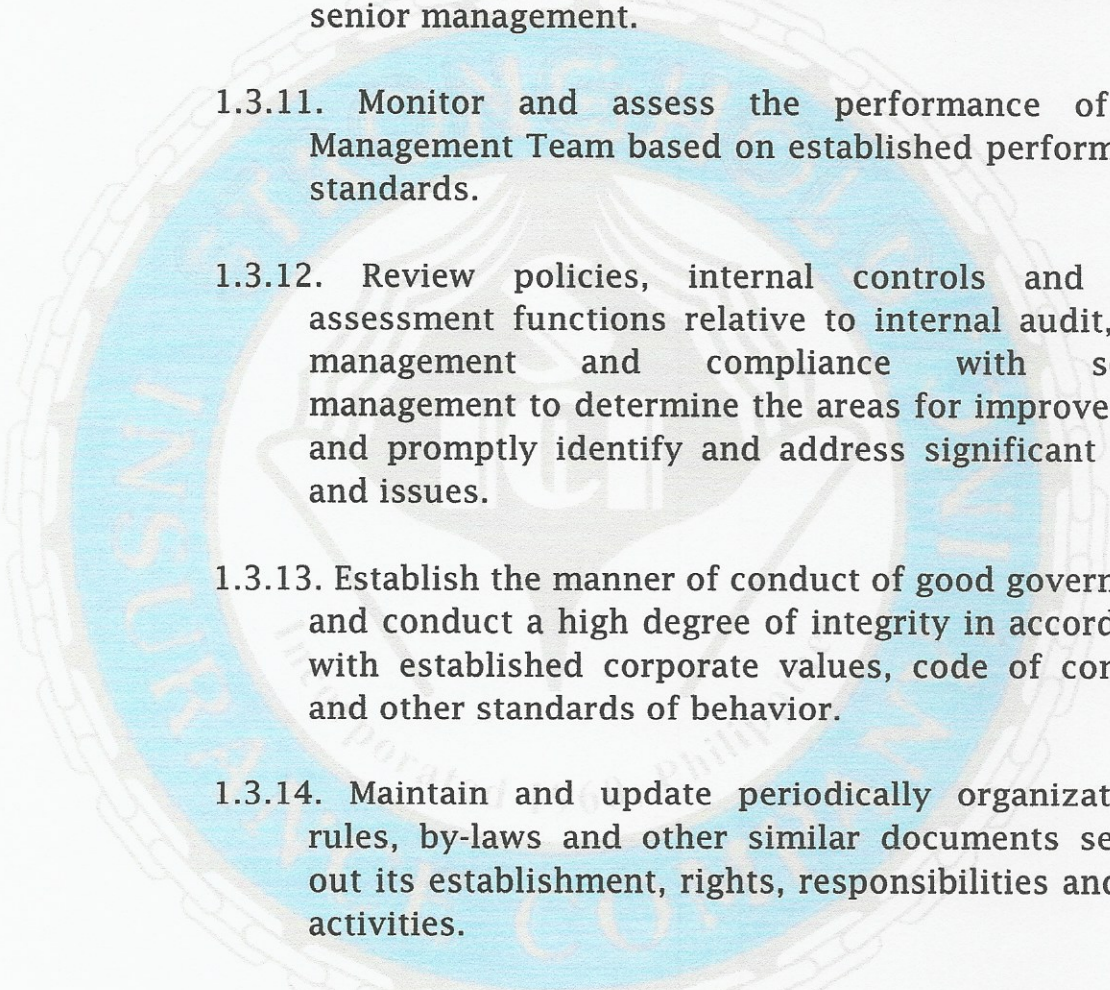
1.2. Key Responsibilities of the Board of Directors

- 1.2.1. The stewardship of the Company rests with the Board of Directors. They are responsible for the long term success of the Company in order to sustain competitiveness and profitability in accordance with the corporate objectives and ensure that the best interest of the stockholders are properly secured.

- 1.2.2. The Board shall formulate/review/revise as the need arises the Company's vision, mission, policies and procedures including strategic objectives which shall serve as guide in carrying out its activities that includes measures to effectively monitor management's accomplishments.

1.3. General Responsibilities of the Board of Directors

- 1.3.1. Approval for final adoption of corporate strategies with proactive oversight of strategy execution.
- 1.3.2. Formulation and adoption of corporate policies, starting with a policy related to corporate governance and oversight of strategy execution.
- 1.3.3. Performance monitoring which covers financial and non-financial performance as well as oversight of risk management.
- 1.3.4. Review and approve of budget prepared by Management as the revisions thereto and actual monitoring of actual performance as against the budget.
- 1.3.5. Setting up of an accountability system which includes provision for rewards, incentives as well as penalties.
- 1.3.6. Promotion of a philosophy of ethics, social responsibility and good governance.

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- 1.3.7. Oversee the selection of the composition of higher management.
 - 1.3.8. To create and approve positions and the person to fill such position including compensation as recommended by the President & General Manager.
 - 1.3.9. Adoption of an effective succession planning for Management.
 - 1.3.10. Establishment of a formal performance monitoring standard to effectively assess the performance of senior management.
 - 1.3.11. Monitor and assess the performance of the Management Team based on established performance standards.
 - 1.3.12. Review policies, internal controls and self-assessment functions relative to internal audit, risk management and compliance with senior management to determine the areas for improvement and promptly identify and address significant risks and issues.
 - 1.3.13. Establish the manner of conduct of good governance and conduct a high degree of integrity in accordance with established corporate values, code of conduct and other standards of behavior.
 - 1.3.14. Maintain and update periodically organizational rules, by-laws and other similar documents setting out its establishment, rights, responsibilities and key activities.
 - 1.3.15. Assess, at least annually, the performance and effectiveness of the entire organization including its various committees, the President and General Manager, the individual directors, as well as the Company.
 - 1.3.16. Regular review of the board composition in order to achieve a balanced membership.
 - 1.3.17. Appointment of committee memberships taking into consideration their qualifications and expertise which

may include independent directors and non-executive members of the board.

1.3.18. Utilize the work output conducted by the internal audit, risk management and compliance function including the external auditors to monitor the overall performance of the Company.

1.3.19. Ensure the Company's faithful compliance with all applicable laws, rules, regulations and best business practices.

1.3.20. Identify the stakeholders in the community in which the Company operates or which are directly affected by its operations, and formulate a clear policy for an accurate, timely and effective communication with them to contribute to societal goals of a philanthropic or charitable nature by engaging in or supporting volunteering or ethical-oriented practice .

1.3.21. Formulate and implement policies and procedures which shall ensure the integrity and transparency of related party transactions between and among the Company and its associates, joint ventures, major stockholders, affiliates, major stockholders, Directors and officers, including their spouses children and dependent siblings and parents, and interlocking Director relationships with members of the Board.

1.3.22. Appoint a Compliance Officer who shall have the rank of at least a Vice President or its equivalent

1.3.23. Ensure the establishment of a suitable Management Information System; and

1.3.24. See to it that the interests of stockholders are adequately protected.

1.4. Qualifications of the Board of Directors

1.4.1. Shall own at least one (1) share of the capital stock of the Company whose share shall be in his name and properly recorded in the books of the Company.

1.4.2. Shall at least be twenty five (25) years of age at the time of appointment.

- 1.4.3. Shall possess integrity, probity and credibility in the performance of functions.
- 1.4.4. Shall have the necessary competence, skills and experience in terms of management competencies preferably in the insurance field.
- 1.4.5. Shall be physically and mentally fit and morally upright.
- 1.4.6. Shall have no conflict of interest, no competing officership, directorships, and membership position in other companies with similar business.
- 1.4.7. Shall not be otherwise disqualified by law or by any circular of the Insurance Commission.
- 1.4.8. Shall have attended a special seminar on corporate governance by a training provider duly accredited by the Insurance Commission.

1.5. Disqualification of a Board of Director

The disqualification of a Board of Director is divided into two (2) categories:

1.5.1. PERMANENT DISQUALIFICATION

1.5.1.1. A person 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.

1.5.1.2. A person convicted by final judgment of the court for violation of insurance laws.

1.5.1.3. A person who was been judicially declared as insolvent, spendthrift and unable to enter into a contract.

1.5.1.4. Director, officer or employee of closed insurance companies or any insurance intermediary who was responsible for such institution's closure as determined by the Insurance Commission.

1.5.2. TEMPORARY DISQUALIFICATION

1.5.2.1. A person who declines to disclose fully the extent of his business interest when required

pursuant to provisions of law, circular, memorandum or rule or regulation of the Insurance Commission. The disqualification shall be in effect as long as the refusal persists.

1.5.2.2. A Director who, for whatever reason/s, has not participated for more than fifty percent (50%) of all meetings, both regular and special of the Board of Directors during their incumbency.

1.5.2.3. A person convicted of offenses involving dishonesty, breach of contract or violation of insurance laws but has not yet become final and executory.

1.5.2.4. Directors or officers of insurance companies that have shutdown down and insurance intermediaries that have pending clearance from the Insurance Commission.

1.5.2.5. Directors that were disqualified for failure to discharge their duties and responsibilities as specified under existing regulations. This will apply until the lapse of the specific period of disqualification of the Insurance Commission.

1.5.2.6. Directors who have not yet attended the special seminar on corporate governance until he/she was able to attend such seminar.

1.5.2.7. A person dismissed/terminated from employment for cause unless they have cleared themselves of involvement in the alleged irregularity.

1.5.2.8. Those under preventive suspension.

1.5.2.9. 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 ability to discharge the duties of

an insurance director. The disqualification shall apply until they have cleared themselves of their participation in the alleged irregularity.

1.5.2.10. A person delinquent in the payment of his obligations as described below:

a. Delinquent in the payment of obligations of a person with the insurance company or its related companies wherein he/she is a director or officer or having at least two obligations with other insurance companies under different credit lines or loan contracts;

b. Obligations include all borrowings from an insurance company or its related companies obtained by:

- ✓ A director or officer who secures for his own account or as a representative or agent of others or where he/she acts as a guarantor, endorser or surety for loan from such institutions;
- ✓ The spouse or child under parental authority of a director or officer;
- ✓ A person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
- ✓ A partnership of which a director or officer, or his/her spouse is a managing partner or general partner owning a controlling interest in the partnership; and
- ✓ A corporation, association or firm wholly owned or majority of the capital has been contributed by any group of persons mentioned above.

Such disqualification shall be in effect as long as the delinquency persists.

1.6. Qualifications of an Independent Director

The Board shall ensure that an Independent Director possesses the necessary qualifications and none of the

disqualifications for an independent director to hold the position.

An Independent Director shall refer to a person who -

- 1.6.1. Not a regular director or officer or employee of the Company, its subsidiaries, affiliates or any of its related companies for the past three (3) years starting from the date of election/appointment.
- 1.6.2. Not a regular director or officer or employee of the Company's majority stockholders and its related companies for the past three (3) years starting from the date of election/appointment.
- 1.6.3. Not an owner of more than two percent (2%) of shares of stocks sufficient to elect one (1) seat in the board of directors of the Company or in any of its related companies or of its majority corporate shareholders.
- 1.6.3. Not or has not been an officer or employee of the Company during the past three (3) years counted from the date of election.
- 1.6.4. Not a relative by affinity or consanguinity within the fourth (4th) degree of a director, officer or stockholder holding shares of stock sufficient to elect one (1) seat in the board of the Company or any of its related company/ies or substantial stockholders.
- 1.6.5. Not acting as nominee or representative of any director or Substantial shareholder of the covered entity or any of its related companies or any of its substantial shareholders.
- 1.6.6. Not retained as a professional adviser, auditor, consultant, agent or counsel of the Company, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm for the last three (3) years counted from the date of his election/appointment.
- 1.6.7. Is independent of management and separate from any business or other relationship, has not engaged and does not engage in any transaction with the Company or any of its related companies or with any of its substantial shareholders whether by himself or with other persons or through a firm of which he is a

partner or of a company of which he is a director or substantial shareholder, other than transactions, which are conducted at arm's length and will not materially interfere with or influence the carrying out of his judgment.

1.6.8. Has not been appointed in the Company, its subsidiaries, affiliates or related companies as Chairman "Emeritus", "Ex-Officio", Regular Director, Officer or Member of any Advisory Board, or otherwise appointed in a capacity to assist the Board of Directors in the performance of their duties and responsibilities for the past three (3) years reckoned from the date of his election/appointment.

1.6.9. Is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and

1.6.10. Is not employed as an executive officer of another company where any of the Company's executives serve as regular directors.

1.7. Disqualification of an Independent Director

1.7.1. Conviction of a criminal involving moral turpitude.

1.7.2. Conviction by final judgement of the Court of Law for violation of insurance laws.

1.7.3. Have derogatory records either with PNP, NBI, Court of Law, Interpol and insurance authorities of other countries (with regard to foreign directors) involving violation of any law, rule or regulation of the government entity or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of the insurance director.

1.7.4. A person who is delinquent in the payment of obligations with the insurance company or its related companies where he/she is a director or officer or obtained in any other insurance company.

1.7.5. Judiciously declared to be insolvent.

1.7.6. An Independent Director hired to be an officer or Employee or Officer of the Company.

1.8. Term Limits of Independent Directors

1.8.1. An Independent Director of the Company may serve as such for a maximum cumulative term of nine (9) years. After said period, he shall be perpetually barred from re-election. However, he may continue to qualify for nomination and election as a non-independent director. For purposes of computing the maximum cumulative term of nine (9) years, the reckoning period is 2 January 2015.

1.8.2. In the instance that the Company wants to retain an Independent Director who has served for nine (9) years, the Board shall provide meritorious justification/s and secure shareholder's approval during the annual stockholder's meeting.

1.9. Board Meetings and Quorum Requirement

1.9.1. The members of the Board shall attend its regular and special meetings in person and can actively participate in the deliberations on matters during said meetings.

1.9.2. At all meetings, there shall be present, either in person or proxy,—stockholders representing the majority of the Capital Stock of the Corporation entitled to vote and permitted by law to vote in order to constitute a quorum. The Chairman of the Board shall preside and in his absence, the President and General Manager. The Secretary of the Board of Directors shall act as Secretary and in his absence, the appointee of the Presiding Officer of the meeting shall act as secretary.

1.9.3. An independent director, as far as practicable, be in attendance. However, the absence of an independent director may not affect the quorum requirement provided he is duly notified of the meeting.

1.9.4. A minority of the Board present at any regular or special meeting shall, in the absence of a quorum, be adjourned to a later date and shall not transact any business until a quorum has been attained.

1.10. Specific Duties and Responsibilities of the Chairman of the Board of Directors:

- 1.10.1. To call, convene and preside over all meetings of the Board of Directors whenever he may deem it necessary, either on his own initiative or upon the request of the President & General Manager, or at least two (2) members of the Board; and the stockholders and majority of the stockholders in accordance with the Amended by-Laws.
- 1.10.2. To supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions and recommendations of the President & General Manager, Management and Directors.
- 1.10.3. To make certain that the agenda of meeting pertains to the Company's strategic matters, overall risk appetite with due consideration on developments in the business and regulatory environment which will significantly affect operations.
- 1.10.4. To provide leadership in the board of Directors. The one acting as chairperson of the Board shall guarantee the effective functioning of the board and seeing to it that a relationship of trust among the members of the board is maintained.
- 1.10.5. To ensure that the board takes an informed decision. The chairperson of the board shall ensure a sound decision making process is in effect and should encourage and promote judicious discussions and ensure that dissenting views can be expressed and to be considered during the decision-making process.
- 1.10.6. To maintain qualitative and timely lines of communication and information between the Board and Management.
- 1.10.7. To assist in ensuring compliance with the Company's guidelines on corporate governance.
- 1.10.8. To sign stock certificate with the Treasurer and the Secretary.

1.10.9. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all the directors.

1.10.10. To perform such other functions as are assigned to him by law or by the Board of Directors.

1.11. Remuneration of Directors and Officers

- ❖ Every Director shall receive such compensation for their services as may from time to time be fixed by the stockholders subject to the limitations set forth by the Corporation Code of the Philippines. Each Director shall also be entitled to reasonable per diem, as may be determined by the Board.

2. BOARD COMMITTEES

In order to aid in complying with the principles of good corporate governance, The Board of Directors shall constitute, at a minimum, the following Committees:

2.1 Executive Committee

2.1.1. The Executive Committee shall be composed of the President and two (2) members of the Board duly elected by the Board of Directors.

2.1.2. Approves transactions as per authorities delegated by the Board.

2.1.3. Conducts monthly and annual operational review.

2.1.4. Reviews the investment activities of Management.

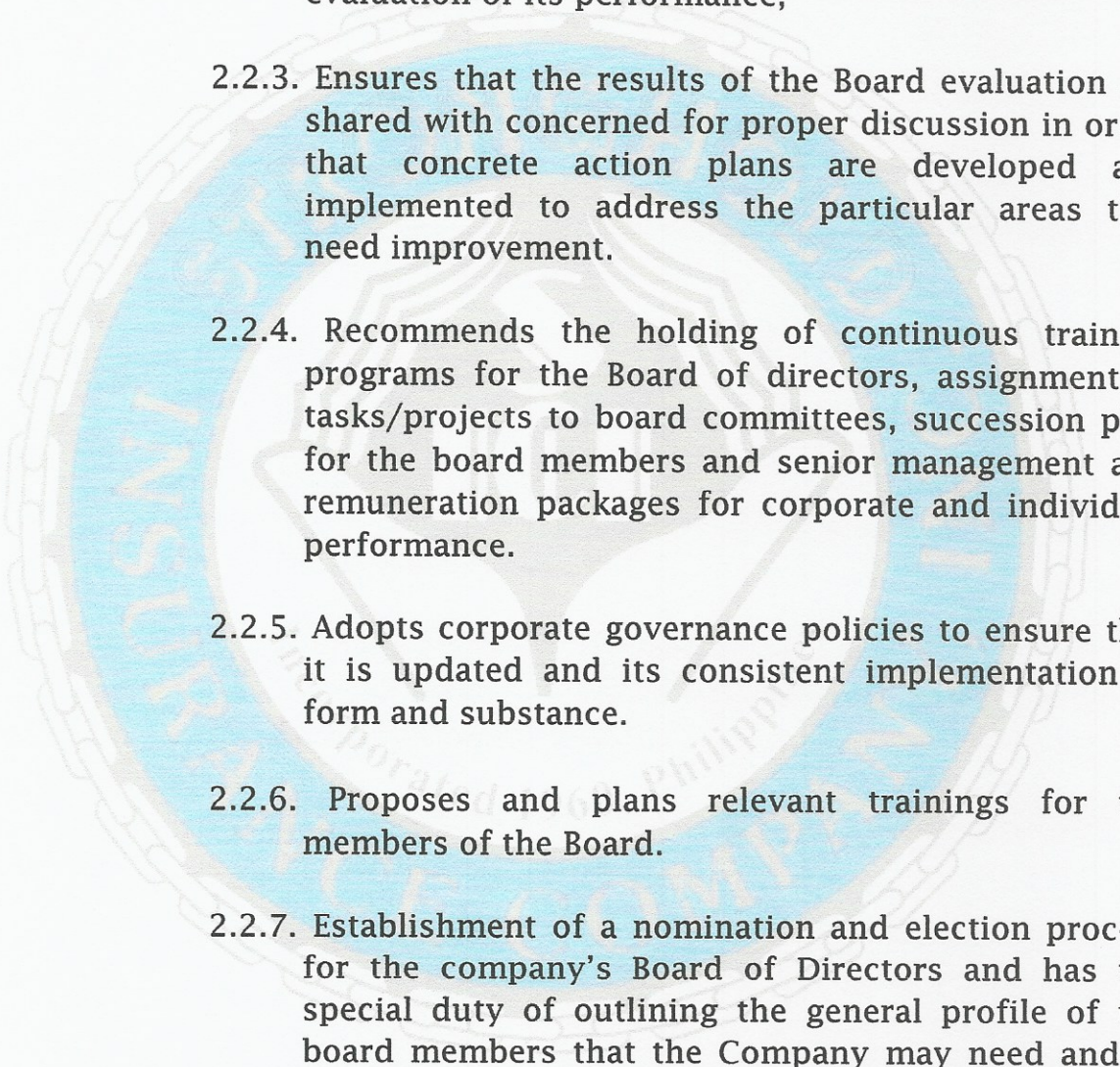
2.1.5. Reviews the financial operations of the Company.

2.1.6. Evaluates project and program proposals not within Management authority.

2.1.7. Assessment of the strategic and operational plans.

2.2. Corporate Governance Committee

The Corporate Governance Committee is tasked with guaranteeing compliance with and proper observance of corporate governance principles and practices with the following functions:

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- 2.2.1. Oversees the proper implementation of the corporate governance framework and conducts periodical review of the structure to ensure it maintains its appropriateness due to material changes in the Company's size, complexity and business strategy, including its business and regulatory environments;
 - 2.2.2. Oversees the regular conduct of performance evaluation of the Board and its committees including executive management and carry out an annual self-evaluation of its performance;
 - 2.2.3. Ensures that the results of the Board evaluation are shared with concerned for proper discussion in order that concrete action plans are developed and implemented to address the particular areas that need improvement.
 - 2.2.4. Recommends the holding of continuous training programs for the Board of directors, assignment of tasks/projects to board committees, succession plan for the board members and senior management and remuneration packages for corporate and individual performance.
 - 2.2.5. Adopts corporate governance policies to ensure that it is updated and its consistent implementation in form and substance.
 - 2.2.6. Proposes and plans relevant trainings for the members of the Board.
 - 2.2.7. Establishment of a nomination and election process for the company's Board of Directors and has the special duty of outlining the general profile of the board members that the Company may need and to ensure that appropriate knowledge, competencies and expertise to complement the existing skills of the Board; and
 - 2.2.8. Formulation of a formal and transparent procedure to come up with a policy for determining the remuneration of directors and officers consistent with the Company's culture and strategy as well as the business environment in which it operates.

2.3. Audit Committee

- 2.3.1. The Audit Committee shall be composed of three (3) members duly elected by the Board.
- 2.3.2. Must be chaired by an independent board member preferably with experience on finance and accounting.
- 2.3.3. To provide assistance to the Board of Directors in performing its oversight responsibility to the shareholders in relation to the Company's financial statements and financial reporting process.
- 2.3.4. Monitoring and evaluation of the adequacy and effectiveness of the internal control methods and procedures of the Company.

3. KEY OFFICERS AND THEIR RESPONSIBILITIES

3.1. The President & General Manager

- 3.1.1. The Chief Operating Officer of the Company shall be the President & General Manager who shall be elected by the Board of Directors from among its members.
- 3.1.2. The President & General Manager of the Company shall, among other powers and duties inherent with the office, execute and administer the policies, methods and procedures, instructions and resolutions approved by the Board of Directors and direct supervision of the operations and administration of the Company.
- 3.1.3. To oversee the proper implementation of all contracts and at the same time enter into authorized transactions in behalf of the Company.
- 3.1.4. Oversee the decisions and actions taken by the subordinate officers and other authorities that may be delegated by the Board.
- 3.1.5. To represent the corporation in judicial proceedings and in any transaction of business which the corporation may have with any branch of government;

3.1.6. To sign contracts, documents and instruments that maybe necessary;

3.1.7. To sign, together with the Treasurer, or their respective assigns all checks, drafts, or documents drawn against the account of the corporation with any banking institution with the approval of the Board of Directors;

3.1.8. To sign all certificate of stock to be issued and countersigned by the Treasurer and Corporate Secretary.

3.1.9. To recommend to the Board of Directors the appointment and promotion or dismissal of officers and employees of the Company, together with their respective compensation and terms and conditions of employment, as well as the dismissal of any of them except those who are appointed or removed by the Board of Directors.

3.1.8. To transfer, assign including reassignment of officers and personnel of the Company in the pursuit of quality service.

3.1.10. To regularly report to the Board of Directors on the status of the operations of the Company.

3.1.11. To perform such other functions assigned to him by the Board of Directors.

3.2. The Executive Vice President

3.2.1. In the absence of the President, except for those reasons contained and stipulated in Article of the By-Laws of the Corporation, the Executive Vice President shall assume the position of the President with the corresponding powers and duties incidental to the position of the President as stated in the By-Laws.

3.2.2. In case of absence or disability of both the President and Executive Vice President, the Board of Directors shall elect a director to assume the position of the President during such absence or disability.

3.3. Treasurer

3.3.1. Shall have custody of the Corporation's books, Accounts as well as of its cash funds provided that he

shall not keep in his possessions as such cash exceeding in amount that which is necessary to meet the petty cash requirements of the day in the normal course of business.

3.3.2. Deposit or cause to be deposited all moneys and other valuable effects in the name and credited in the name of the Corporation in such banks or trust companies or other depositories as the Board may designate from time to time.

3.3.3. Ensure that funds are available on a timely basis and at the most economical means.

3.3.4. Shall have such other duties and responsibilities as the Board of Directors may assign from time to time.

3.4. The Corporate Secretary

3.4.1. The Corporate Secretary should be a Filipino Citizen residing in the Philippines, must be an officer of the Company and a member of the Philippine Bar.

3.4.2. Must be well adept with insurance matters as well as deep working knowledge of the operations of the Company.

3.4.3. The Corporate Secretary is responsible for notifying all the parties concerned on matters pertaining to stockholders' and board meetings.

3.4.4. Shall inform the members of the Board of the matters to be taken up in the meetings and must see to it that the members have before them accurate information that will enable them to arrive at sound decision on matters that require their approval.

3.4.5. Attend all Board meetings and provide the necessary assistance to Members of the Board during each Board and Stockholder's meetings while in the performance of their duties and responsibilities in accordance with the law and By-Laws of the Company.

3.4.6. Responsible for the proper safekeeping and preservation of the integrity of the proceedings in the Minutes of the meetings, as well as other official records of the Company.

3.5 Vice-Presidents

- 3.5.1. Shall familiarize themselves with the affairs of the Corporation.
- 3.5.2. Shall assist the Executive Vice-President in the operations of the Corporation and perform such duties and functions assigned to them by the Board of Directors.

3.6 Compliance Officer

- 3.6.1. The Compliance Officer shall hold the position of at least Vice President or its equivalent level.
- 3.6.2. The Compliance Officer shall be in-charge of monitoring the compliance of the Company with the provisions and requirements of this Manual including the rules and regulations imposed by the government regulatory agencies.

Should there be violations committed, he shall render a report to the Board.
- 3.6.3. Identify, monitor and control compliance risks.
- 3.6.4. Appear before government agencies, should the need arise.
- 3.6.5. The Compliance Officer shall see to it that the Board of Directors are well informed of any related statutory changes affecting the Company.

3.7. The External Auditor

- 3.7.1. The Audit Committee shall nominate an External Auditor that is duly accredited by the Securities and Exchange Commission for appointment by the Board.
- 3.7.2. The External Auditor shall conduct an independent examination which shall provide an objective assurance on the manner by which the Company's financial reports were prepared and presented.
- 3.7.3. The External Auditor shall not, at the same time, provide internal audit services to the Company.

3.7.4. The External Auditor shall be rotated or changed every five (5) years or earlier, or its lead partner assigned to the Company, should be changed with the same frequency.

3.7.5. The External Auditor shall assess and communicate to the Audit Committee the result of its assessment on the capability of the Company's management, the strength of the Company's control environment and adequacy of the organization's accounting/information systems to comply with financial and prudent reporting responsibilities.

3.7.6. No Director or Officer of the Company and no firm or corporation of which such Director or Officer is a member shall be qualified to discharge the responsibilities of an Auditor.

3.8. The Internal Auditor

3.8.1. Provides for an independent risk-based assurance service to the Board, Audit Committee and Management with emphasis on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring the effective performance management and accounting in the Company, (3) communicating risk and control information and (4) coordinate the activities and information among the Board, external and internal auditors and Management;

3.8.2. Performs regular and special audit in accordance with the annual audit plan and/or based on the Company's risk assessment;

3.8.3. Performs consulting and advisory services in relation to governance and control that is suitable to the Company;

3.8.4. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments that will have a significant impact on the Company;

3.8.5. Conducts review, audit and assessment of the efficiency and effectiveness of the internal control system in the different areas of the Company;

3.8.6 Evaluates programs in relation to operational matters to determine whether results are in accordance with established objectives and goals and whether they are implemented accordingly; and

3.8.2. Monitors and evaluates governance processes.

IX. RIGHTS AND PROTECTION OF STOCKHOLDERS

1. Right to Vote

- ❖ Stockholders shall have the right to elect, remove and replace Directors and vote on certain matters pertaining to corporate acts in accordance with the Corporation Code of the Philippines. Plurality of votes of the stockholders entitled to vote shall be used in the election of Directors.

2. Right to inspect corporate books and records

- ❖ Any stockholder shall, upon request, be provided with periodic reports which disclose personal and professional information regarding the directors and officers and other information such as their holdings of the Company's shares, dealings with the Company, relationship among Directors and key officers, and the aggregate compensation of Directors and officers.

3. Right to Information

- ❖ The stockholder shall be provided, upon request, with periodic reports which disclose personal and professional information about the Directors and officers and such other matters 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.

4. Appraisal Right

- ❖ The stockholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares of stocks in the manner provided under the Corporation Code of the Philippines in any of the following circumstances:

- In case of any amendment to the Articles of Incorporation which has the effect of changing or restricting the rights of any stockholder or class of

shares, or of authorizing references in any respect superior to those 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 assets of the Company.
- In case of merger or consolidation.

5. Pre-emptive Right

- ❖ The stockholders shall enjoy pre-emptive right to subscribe to all issues or disposition of shares in proportion to their respective shareholdings in accordance with the Corporation Code of the Philippines.

6. Right to dividends

- ❖ Dividends may be declared only from the surplus profit of the transactions of the corporation's business and at such times as the Company may determine and in accordance with the provisions of laws and regulations.

X. PUBLIC ACCOUNTABILITY

- ❖ It shall be the responsibility of the Company that its dealings with the public are conducted in a fair, honest and reasonable manner. The Officers of the Company shall avoid conflict of interests and shall not be involved in any unfair or deceitful acts or conduct that would comprise unfair trade practices that are detrimental to the interest of policyholders and claimants.
- ❖ Overlapping of interests shall be revealed to the Board at all times including any material transaction involving such interests. An approval of the Board shall first be obtained for material related party transactions.
- ❖ Related party transactions shall be conducted in a manner comparable to regular commercial practices to protect the best interest of the Company, its policy holders, claimants and creditors.

XI. REPORTS AND DISCLOSURES

- ❖ The Board shall commit at all times the full disclosure of all material information that can adversely affect the interest of

stockholders and other stakeholders which shall be publicly disclosed in a timely manner.

- ❖ The reports or disclosures required under this Corporate Governance Manual shall be prepared and submitted to the Securities and Exchange Commission by the in charge office/officer.
- ❖ The Company shall submit the necessary reports that may be required by the regulatory bodies/agencies in accordance with existing regulations concerning related party transactions among entities.

XII. COMMUNICATION PROCESS

- ❖ This Manual shall be accessible for inspection by any stockholder of the Company at any reasonable hours of business day.

XIII. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

- ❖ The Company shall put up an evaluation system in order to determine and measure the compliance with this Manual. Any violation of the provisions of this Manual shall be subjected to penalty in accordance with the rules and regulations of the Company.

CORPORATE SECRETARY'S CERTIFICATE

KNOW ALL MEN BY THESE PRESENTS:

That I, **FLORENTINO H. GARCES**, of legal age, Filipino, with postal address at 17th Floor, Security Bank Centre, 6776 Ayala Avenue, Makati City, after having been duly sworn to in accordance with law, hereby depose and say:

1. That I am the **Corporate Secretary** of **STRONGHOLD INSURANCE COMPANY, INC.**, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office located at 17th Floor, Security Bank Centre, 6776 Ayala Avenue, Makati City;
2. As Corporate Secretary of the Corporation, I have custody the Minutes Book where all the minutes of meetings of the Board of Directors and the Stockholders are recorded;
3. That at the Regular Meeting of the Board of Directors and Stockholders of STRONGHOLD INSURANCE COMPANY, INC., held at its office on June 15, 2020 at 3:00 o'clock in the afternoon, the following resolutions were ratified to comply with the requirements of the Code of Corporate Governance for Insurance Commission Regulated Companies:

A. Approval of Corporate Governance Policy Manual

"RESOLVED, AS IT IS HEREBY RESOLVED, that the Board of Directors of the Corporation approved the implementation of CORPORATE GOVERNANCE POLICY MANUAL of the Company.

B. Election of Independent Directors

1. Chairman of Audit Committee

"RESOLVED, that pursuant to the Corporate Governance Policy Manual of the Corporation, hereby authorizes, appoints and designates, **Mr. EDMUND V. SAIYO**, as Chairman of the Audit Committee, effective immediately with powers and authorities appurtenant thereto.

2. Chairman of Corporate Governance Committee

"RESOLVED, that pursuant to the Corporate Governance Policy Manual of the Corporation, hereby authorizes, appoints and designates, **Mrs. SONIA M. ROCO**, as Chairman of the Corporate Governance Committee, effective immediately with powers and authorities appurtenant thereto.

APPROVED"


FLORENTINO H. GARCES
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 15th day of June, 2020 in the City of Makati, affiant exhibited to me competent evidence of his identity bearing his picture and signature in the form of **Non-Professional Driver's License** with No. **N03-94-157872** issued by **Land Transportation Office** valid until **October 16, 2022**.

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Book No. XIX ;
Series of 2020.


ATTY. DAVID JOHN T. HERNANDEZ
NOTARY PUBLIC FOR MAKATI CITY
COMMISSION No. M-278
UNTIL DECEMBER 31, 2020
6th/F-ZETA II ANNEX BUILDING
191 SALCEDO STREET, LEGASPI VILLAGE
MAKATI CITY, METRO MANILA
ROLL OF ATTORNEYS No. 59749
IBP OR No. 100591 / 01-02-2020 / MANILA III
PTR No. 1923696 / 01-02-2020 / MANILA
MCLE COMPL. No. VI0021957 / 04-12-2019