



30 May 2023

**HON. REYNALDO A. REGALADO**  
**Insurance Commissioner**  
**INSURANCE COMMISSION**  
1071 United Nations Avenue  
Manila

**SUBJECT: SUBMISSION OF ANNUAL CORPORATE  
GOVERNANCE REPORT (ACGR)**

**DEAR HON. REGALADO,**

Greetings!

In compliance with Circular Letters No. 2020-71, No. 2020-72, No. 2021-36, and No. 2021-47, we are respectfully submitting our 2022 Annual Corporate Governance Report (ACGR). The necessary documents in support of the report are also hereby attached.

As we combed through the corporate governance specifications of the Commission, we have done a self-assessment and acknowledged the items already complied with, as well as the gaps to be filled and are still works in progress.

We continuously aim for good governance practices to ensure that the company continues to thrive for honest and quality service.

Hoping that everything is in order.

Thank you very much.

Very sincerely,

  
**GABRIELLE MARCELO B. CERNA**  
*Corporate Governance Compliance Officer*

# **ANNUAL CORPORATE GOVERNANCE REPORT**

**OF**

**LIFE & HEALTH HMP, INC.**

Name of Company

For the fiscal year ended **31 DECEMBER 2022**

Certificate Authority Number **HMO-2023-16-R**

**PHILIPPINES**

Province, Country or other jurisdiction of incorporation or organization

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**Principle 1: The company should be headed by a competent, working board to foster the long-term success and sustainability of the corporation in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.**

Recommendation 1.1			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	Compliant	Please see attached CV's of all directors.	
2. Board has an appropriate mix of competence and expertise.	Compliant	Please see attached CV's of all directors.	
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	Compliant	Please see attached CV's of all directors.	
Recommendation 1.2			
1. Board is composed of a majority of non-executive directors	Non-compliant	With the approval of the Board Charter, formal policies and procedures are yet to be fully implemented.	Due to a limited number of stockholders, majority are executive directors. Currently going through re-evaluation and re assessment with the assistance and guidance of our Corporate Governance consultant.
Recommendation 1.3			
1. Company provides in its Board Charter or Manual on Corporate Governance a policy on training of directors.	Non-compliant	Formal policies and procedures are not yet in place.	Draft Manual on Corporate Governance provides that the Committee recommends training programs for directors.
2. Company provides in its Board Charter or Manual on Corporate Governance an orientation program for first time directors.	Compliant	Please see attached certificates of attendance for directors submitted.	This is stated in the approved Board Charter.  All directors have attended a training and orientation course on Corporate Governance.
3. Company has relevant annual continuing	Non-compliant	Formal policies and procedures are not	Training Plan for Board Members and a List of

training for all directors		yet in place.	future trainings are under way.
Recommendation 1.4			
1. Board has a policy on board diversity.	Compliant	This is included in the approved Board Charter.	Please see attached current list of Directors.
Recommendation 1.5			
1. Board is assisted in duties by a Corporate Secretary	Compliant	Currently reevaluating and reassessing the Corporate Secretary position to come up with a clear list of duties and responsibilities of the Corporate Secretary.	
2. Corporate Secretary is a separate individual from the Compliance Officer.	Compliant	Corporate Secretary and the Compliance Officer are separate individuals.	
3. Corporate Secretary is not a member of the Board of Directors	Compliant	This is included in the approved Board Charter.	
4. Corporate Secretary attends trainings on corporate governance.	Compliant	Corporate Secretary attended a corporate governance course on January 14, 2022.	Please see attached certificate from the Institute of Corporate Directors for proof of attendance.
Recommendation 1.6			
1. Board is assisted by a Compliance Officer	Compliant	The CEO is the Compliance Officer. This is included in the approved Board Charter.	Formal policies and procedures are yet to be implemented.
2. Compliance Officer has a rank of Vice President or an equivalent position with adequate stature and authority in the corporation.	Compliant	The CEO is the Compliance Officer.	This is included in the approved Board Charter.
3. Compliance Officer is not a member of the board.	Non-compliant	A formal policy has already been included in the approved Board Charter.	Limited number of Stockholders thereby limited selection within the Members of the Board.

4. Compliance Officer attends trainings on corporate governance annually.	Compliant	Compliance Officer attended a corporate governance course on January 14, 2022.  Please see attached certificate from the Institute of Corporate Directors for proof of attendance.	While formal policies and procedures are not yet in place, a Training Plan for the Compliance Officer and a list of future trainings is under way.
<b>Principle 2: 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 should be clearly made known to all directors as well as to stockholders and other stakeholders.</b>			
Recommendation 2.1			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	Compliant	This was tackled further during the establishment of the Board Charter.	
Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	Compliant	This is included in the Board Charter.	
2. Board oversees and monitors the implementation of the company's business objectives and strategy in order to sustain the company's long-term viability and strength.	Compliant	This is included in the Board Charter.	
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	Compliant	This is included in the approved Board Charter.	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	Compliant	Succession Policy is already in place.	
2. Board adopts a policy on the retirement for directors and key	Non-compliant	Draft Manual on Corporate Governance	Draft Manual on Corporate Governance is already in place, but is yet

officers.		includes Retirement Policy for Directors and Officers.	to be approved.
<b>Recommendation 2.5</b>			
1. Board formulates and adopts a policy specifying the relationship between remuneration and performance of key officers and board members.	Compliant	Remuneration Policy is already in place, but is yet to be fully implemented.	
2. Board aligns the remuneration of key officers and board members with long-term interests of the company	Compliant	Remuneration Policy is already in place, but is yet to be fully implemented.	
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	Compliant	Formal policies and procedures are to be implemented.	This will be tackled further under the Remuneration Policy.
<b>Recommendation 2.6</b>			
1. Board has a formal and transparent board nomination and election policy.	Compliant	Nomination Policy is in place.	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Non-compliant	This is included in the Draft Corporate Governance Manual.	Corporate Governance Manual is yet to be approved.
3. Board nomination and election policy includes how the company accepts nominations from minority shareholders	Compliant	Nomination Policy is in place.	
4. Board nomination and election policy includes how the board reviews nominated candidates	Compliant	Nomination Policy is in place.	
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election, or replacement of a director.	Compliant	Nomination Policy is already in place, but is yet to be fully implemented.	
6. Board has a process for identifying the quality of	Compliant	Nomination Policy is already in place,	Nomination Committee comes up with the specific

directors that is aligned with the strategic direction of the company.		but is yet to be fully implemented.	qualifications.
Recommendation 2.7			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPT's) and other unusual or infrequently occurring transactions	Compliant	This is reflected in the policy statement of the Related Party Transactions Policy.	
2. RPT policy includes appropriate review and approval of material RPT's, which guarantee fairness and transparency of the transactions.	Compliant	This is reflected in the policy statement of the Related Party Transactions Policy. Full implementation will follow.	
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	Non-compliant		RPT Committee will draft an addendum to the policy.
Recommendation 2.8			
1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Compliant	Board approval is required for such key officers.	A management performance framework shall be established to make sure that necessary measures are in place.
2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive)	Non-Compliant	Formal policies and procedures are not yet in place.	This will be established in 2023. The CEO/Compliance Officer reports to the board.  No CRO/CAE yet.
Recommendation 2.9			

1. Board establishes an effective performance management framework that ensures that Management, including the Chief Executive Officer performance is at par with the standards set by the Board and Senior Management.	Non-compliant	Formal policies and procedures are not yet in place.	A management performance framework shall be established to make sure that necessary measures are in place.
2. Board establishes and effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.	Non-compliant	Formal policies and procedures are not yet in place.	A management performance framework shall be established to make sure that necessary measures are in place.
<b>Recommendation 2.10</b>			
1. Board oversees that an appropriate internal control system is in place.	Compliant	This is reflected in the Internal Audit Manual, full and proper implementation will follow.	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Compliant	This is reflected in the Internal Audit Manual, full and proper implementation will follow.	
3. Board approves the Internal Audit Charter.	Compliant	Internal Audit Charter is approved but yet to be implemented.	
<b>Recommendation 2.11</b>			
1. Board oversees that the company has in place a sound Enterprise Risk Management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	Non-compliant	Formal policies and procedures are not yet in place.	Enterprise Risk Management (ERM) framework will be established.
2. The risk management framework guides the Board in identifying	Non-compliant	Formal policies and procedures are not yet in place.	Enterprise Risk Management (ERM) framework will be



units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.			established.
<b>Recommendation 2.12</b>			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties.	Compliant	Board Charter is already established.	
2. Board Charter serves as a guide to the directors in the performance of their functions.	Compliant	Board Charter is already established.	
3. Board Charter is publicly available and posted on the company's website.	Non-compliant	Website is still under construction at the time of the completion of the Board Charter.	
<b>Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to the audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly contained Committee Charter.</b>			
<b>Recommendation 3.1</b>			
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	Compliant	Committees and its Charters had been established and approved.	
<b>Recommendation 3.2</b>			
1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.	Compliant	Re-election of the Audit Committee is under way.	
2. Audit Committee is composed of at least three appropriately	Non-compliant	Formal policies and procedures are not yet in place.	Re-election of the Audit Committee is under way.

qualified non-executive directors, the majority of whom, including the Chairman is independent.			This will be taken into consideration despite the limited choices, due to limited number of stockholders.
3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	Compliant	Committees and its Charters had been established and approved.	
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	Compliant	Committees and its Charters had been established and approved.	
<b>Recommendation 3.3</b>			
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	Compliant	Formal policies and procedures are in place.	A Corporate Governance Committee had been established.  Reelection for Nomination and Remuneration Committee is under way.
2. Corporate Governance Committee is composed of at least three members, majority of whom should be independent directors.	Compliant	Formal policies and procedures are implemented.	
3. Chairman of the Corporate Governance Committee is an Independent Director	Compliant	Formal policies and procedures are implemented.	
<b>Recommendation 3.4</b>			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Compliant	A Board Risk Oversight Committee (BROC) has been established.	

2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Compliant	A Board Risk Oversight Committee (BROC) has been established.	
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Non-compliant	Due to their limited number, the directors are compelled to be the chairman/members of several committees.	
4. At least on one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Compliant	Please see attached CV's of directors/committee members.	
<b>Recommendation 3.5</b>			
1. The Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	Compliant	RPT Policy is already established.	
2. RPT Committee is composed of at least three non-executive directors, majority of whom should be independent, including the Chairman.	Compliant	RPT Policy is already established.	
<b>Recommendation 3.6</b>			
1. All established committees have a Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	Compliant	Committee Charters were established and approved.  Formal policies and procedures are yet to be fully implemented.	
2. Committee Charters provide standards for evaluating the performance of the Committees.	Compliant	Committee Charters were established and approved.  Formal policies and	

		procedures are yet to be fully implemented.	
3. Committee Charters were fully disclosed on the company's website.	Non-compliant	Due to undergoing website construction, uploading of Committee Charters therein was suspended.	
<b>Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.</b>			
<b>Recommendation 4.1</b>			
1. The directors attend and actively participate in all meetings of the Board, Committees and shareholders' in person or through tele/video conferencing conducted in accordance with the rules and regulations of the Commission.	Compliant	With the approval of the Board Charter, formal policies and procedures are yet to be fully implemented.  Directors and shareholders actively participate in meetings through video conferencing.	Board Charter has been approved.
2. The directors review meeting materials for all Board and Committee meetings.	Compliant	Notice of Meeting and Materials are sent to all directors 21 days before the meeting date.	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant	Everyone is encouraged to ask questions.	
<b>Recommendation 4.2</b>			
1. Non-executive directors concurrently serve as directors to a maximum of Five (5) Insurance Commission Regulated Entities (ICRE's) and publicly-listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's	Compliant	No director is concurrently serving other companies.	

proposals/views and oversee the long-term strategy of the company.			
<b>Recommendation 4.3</b>			
1. The directors notify the company's board where he/she is an incumbent director before accepting a directorship in another company.	Compliant	Formal policies and procedures were established, approved, though there is no need for it to be fully implemented since no director is concurrently serving other companies.	
<b>Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs.</b>			
<b>Recommendation 5.1</b>			
1. The Board is composed of at least twenty percent (20%) independent directors.	Compliant	Formal policies and procedures were established, approved and implemented.	Nine Directors are on the Board including 3 Independent Directors
<b>Recommendation 5.2</b>			
1. The independent directors possess all the necessary qualifications and none of the disqualifications to hold the position.	Compliant	Formal policies and procedures were established, approved and implemented.	Compliant in reference to all circular letters on corporate governance.  This is included in the Board Charter.
<b>Recommendation 5.3</b>			
1. The independent directors serve for a maximum cumulative term of nine years.  As far as Insurance Companies are concerned, the foregoing term limit shall be reckoned from 02January 2015 while the reckoning dare for the Pre-Need Companies and Health Maintenance Organizations shall be from 21September 2016.	Compliant	Formal policies and procedures were established, approved, though there is no need for it to be fully implemented since no independent director has served full term yet.	Compliant in reference to all circular letters on corporate governance. This is included in the approved Board Charter.

For other covered entities, all previous terms served by existing Independent Directors prior to the effectivity of this Circular shall not be included in the application of the term limit prescribed in this item.			
2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Compliant	Formal policies and procedures were established and approved, though there is no need for it to be fully implemented since no independent director has served full term yet.	Compliant in reference to all circular letters on corporate governance. This is included in the approved Board Charter
3. The instance that the company retains an independent director in the same capacity after nine years, the board submits to the Insurance Commission a formal written justification and seek shareholders' approval during the annual shareholders' meeting.	Compliant	Formal policies and procedures were established and approved, though there is no need for it to be fully implemented since no independent director has served full term yet.	Compliant in reference to all circular letters on corporate governance. This is included in the approved Board Charter.
<b>Recommendation 5.4</b>			
1. The positions of the Chairman of the Board and Chief Executive Officer are held by separate individuals.	Compliant	Chairman of the Board and Chief Executive Officer are held by separate individuals.	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	This is included in the approved Board Charter.	
<b>Recommendation 5.5</b>			
1. If the Chairman of the Board is not an Independent Director or where the roles of Chairman and CEO are being held by one person,	Compliant	Chairman of the Board and Chief Executive Officer are held by separate individuals. This is included in the	

the Board should designate a lead director among the independent directors.		approved Board Charter.	
<b>Recommendation 5.6</b>			
1. Directors with material interest in a transaction affecting the corporation should abstain from taking part in the deliberations for the same.	Compliant	This is included in the approved Board Charter. Formal policies and procedures are to be fully implemented.	
<b>Recommendation 5.7</b>			
1. The non-executive directors (NED's) have 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.	Non-compliant	Formal policies and procedures are not yet in place.	Majority of shareholdings are held by executive officers.
2. The meetings are chaired by the lead independent director.	Non-compliant	Formal policies and procedures are not yet in place.	This will be further discussed, re-evaluated, and re-assessed to ensure proper checks and balances are in place.
<b>Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body , and assess whether it possesses the right mix of backgrounds and competencies.</b>			
<b>Recommendation 6.1</b>			
1. The Board conducts an annual assessment of its performance as a whole.	Non-compliant	Evaluation Policy is in place.	The Board will undergo re-evaluation and re-assessment.
2. The performance of the Chairman is assessed annually by the Board.	Non-compliant	This is stated in the Evaluation Policy.	The performance of the Chairman will undergo annual evaluation and assessment.
3. The performance of the individual member of the Board is assessed annually by the Board.	Non-compliant	This is stated in the Evaluation Policy.	The performance of each board member will undergo annual evaluation and assessment.
4. The performance of each committee is assessed annually by the Board.	Non-compliant	This is stated in the Evaluation Policy.	Committee performances will undergo annual evaluation and assessment.

5. Every three years, the assessments are supported by an external facilitator.	Non-compliant	This is stated in the Evaluation Policy.	Engaging the services of an external facilitator will be discussed further.
<b>Recommendation 6.2</b>			
1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	Compliant	The criteria and procedure for evaluation are stated in the approved Evaluation Policy.	This will be further taken up in reference with the approved Board Charter.
2. The system allows for a feedback mechanism from the shareholders.	Compliant	This is stated in the approved Evaluation Policy.	This will be further taken up in reference with the approved Board Charter.
<b>Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.</b>			
<b>Recommendation 7.1</b>			
1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	Compliant	The Code of Business Conduct and Ethics has been established and approved.	
2. The Code is properly disseminated to the Board, Senior Management and employees.	Compliant	The Code of Business Conduct and Ethics has been established, approved, and properly disseminated.	
3. The Code is disclosed and made available to the public through the company website.	Non-compliant	Company's website is under maintenance. The Code of Business Conduct and Ethics shall be made publicly available through the company website.	Code of Business Conduct and Ethics has been established and approved.
<b>Recommendation 7.2</b>			
1. Board ensures the proper and efficient implementation and	Compliant	The Code of Business Conduct provides for	The Board will undergo reevaluation and reassessment to ensure the



monitoring of compliance with the Code of Business Conduct and Ethics.		sanctions in case of violations.	proper and efficient implementation and monitoring of compliance with the Code.
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant	The Code of Business Conduct and Ethics has been established and approved.	The Board will undergo reevaluation and reassessment to ensure the proper and efficient implementation and monitoring of compliance with company internal policies.
<b>Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.</b>			
<b>Recommendation 8.1</b>			
1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.	Compliant	CFO/Accounting Manager presents report to the stockholders.	The Board will undergo re-evaluation and re-assessment to discuss further the establishment of corporate disclosure policies and procedures.
<b>Recommendation 8.2</b>			
1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	This is provided in the Board Charter.	The Board will undergo re-evaluation and re-assessment that shall include full disclosures of all relevant and material information of board members.
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	This is provided in the Board Charter.	This will be further tackled with the establishment of the Board Charter.  The Board will undergo reevaluation and reassessment.
<b>Recommendation 8.3</b>			
1. Company provides a	Non-compliant	Remuneration	This will be further

clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same in the Annual Corporate Governance Report consistent with ASEAN Corporate Governance Scorecard (ACGS) and the Revised Corporation Code.		Committee has been established to come up with formal policies and procedures.	tackled with the establishment of the Board Charter.  The Board will undergo reevaluation and reassessment.
2. Company provides a clear disclosure of its policies and procedure for setting Executive remuneration, including the level and mix of the same in the Annual Corporate Governance Report consistent with ASEAN Corporate Governance Scorecard (ACGS) and the Revised Corporation Code.	Non-compliant	Remuneration Committee has been established to come up with formal policies and procedures.	This will be further tackled with the establishment of the Board Charter.  The Board will undergo reevaluation and reassessment.
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	Non-compliant	Remuneration Committee has been established to come up with formal policies and procedures.	This will be further tackled with the establishment of the Board Charter.  The Board will undergo reevaluation and reassessment.
<b>Recommendation 8.4</b>			
1. Company discloses its policies governing Related Party Transactions (RPT's) and other unusual or infrequently occurring transactions.	Non-compliant	Formal policies and procedures are not yet in place.	This will be further tackled with the establishment of the Related Party Transaction (RPT) Policy.  The Board will undergo reevaluation and reassessment.
2. Company discloses material or significant RPT's in its Annual Company Report or Annual Corporate Governance Report, reviewed and approved	Non-compliant	Formal policies and procedures are not yet in place.	This will be further tackled with the establishment of the Related Party Transaction (RPT) Policy.  The Board will undergo

by the Board, and submitted for confirmation by majority vote of the stockholders in the Annual Stockholders' Meeting during the year.			reevaluation and reassessment.  RPT and Audit Committees shall meet to come up with the specific policies and procedures regarding this matter.
<b>Recommendation 8.5</b>			
1. Company's corporate governance policies, programs and procedures are contained in its Manual or Corporate Governance (MCG).	Non-compliant	Formal policies and procedures are not yet in place.	Currently drafting the Manual on Corporate Governance (MCG) with the guidance of the consultant.
2. Company's MCG is posted on the company website.	Non-compliant	Formal policies and procedures are not yet in place.	As soon as the Manual or Corporate Governance (MCG) is established, it will be posted on the company website.
<b>Principle 9: The company should establish standards for the appropriate selection of an external auditor and exercise effective oversight of the same to strengthen the external auditor's independence and enhance the audit quality.</b>			
<b>Recommendation 9.1</b>			
1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal and fees of the external auditors.	Non-compliant	The Audit Committee has been established. Formal policies and procedures are yet to be implemented.	The Audit Committee Charter has been approved.
2. The appointment, reappointment, removal and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	Non-compliant	The Audit Committee has been established. Formal policies and procedures are yet to be implemented.	The Audit Committee Charter has been approved.
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	Non-compliant	The Audit Committee has been established. Formal policies and procedures are yet to be implemented.	The Audit Committee Charter has been approved.
<b>Recommendation 9.2</b>			

<p>1. Audit Committee Charter includes the Audit Committee's responsibility on:</p> <p>i. assessing integrity and independence of external auditors</p> <p>ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and</p> <p>iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</p>	Non-compliant	The Audit Committee has been established. Formal policies and procedures are yet to be implemented.	The Audit Committee Charter has been approved.
<p>2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.</p>	Non-compliant	The Audit Committee has been established. Formal policies and procedures are yet to be implemented.	The Audit Committee Charter has been approved.
<b>Recommendation 9.3</b>			
<p>1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.</p>	Non-compliant	The Audit Committee has been established. Formal policies and procedures are yet to be implemented.	The Audit Committee Charter has been approved.
<p>2. Audit Committee stays 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</p>	Non-compliant	The Audit Committee has been established. Formal policies and procedures are yet to be implemented.	The Audit Committee Charter has been approved.

auditor's objectivity.			
<b>Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.</b>			
Recommendation 10.1			
1. Board has a clear and focused policy on the disclosure of non-financial information, with the emphasis on the management of Economic, Environmental, Social Governance (EESG) issues of its business, which underpin sustainability.	Non-compliant	While a clear policy has not yet been established, the company, under the mandate of the Board in partnership with government agencies, has participated in environmental programs and activities.	Policies and procedures for the material and reportable non-financial and sustainability issues will be established.
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial framework.	Non-compliant	Formal policies and procedures are not yet in place.	Standard/framework in reporting sustainability and non-financial framework will be established.
<b>Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.</b>			
Recommendation 11.1			
1. The company should have a website to ensure comprehensive, cost efficient, transparent and timely manner of disseminating relevant information to the public.	Compliant	Website is accessible.	Website is currently under enhancement and development.  As soon as all charters, manuals, policies and procedures are established, they will be posted on the website.
<b>INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK</b>			
<b>Principle 12: To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.</b>			
Recommendation 12.1			
1. Company has an adequate and effective control system in the conduct of its business.	Non-compliant	Formal policies and procedures are not yet in place.	Internal Audit Charter is currently under review and still a work in progress.
2. Company has an adequate and effective	Non-compliant	Formal policies and procedures are not	Upon the approval of the Risk Oversight Policy, the

enterprise risk management framework in the conduct of its business.		yet in place.	Enterprise Risk Management framework will be established.
<b>Recommendation 12.2</b>			
1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	Non-compliant	Formal policies and procedures are not yet in place.	Internal Audit Charter is currently under review.
<b>Recommendation 12.3</b>			
1. The company has a qualified Chief Audit Executive (CAE) appointed by the Board.	Non-compliant	Formal policies and procedures are not yet in place.	Internal Audit Charter /Manual is currently under review.  The appointment of a CAE will be tackled.
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	Non-compliant	Formal policies and procedures are not yet in place.	Internal Audit Charter /Manual is currently under review. An Audit Plan will be established.
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	Non-compliant	Formal policies and procedures are not yet in place.	Internal Audit Charter /Manual is currently under review.
<b>Recommendation 12.4</b>			
1. The company has a separate risk management function to identify, assess and monitor key risk processes.	Non-compliant	Formal policies and procedures are not yet in place.	Risk Management Framework will be established.
<b>Recommendation 12.5</b>			
1. In managing the company's Risk Management System, the	Non-compliant	Formal policies and procedures are not yet in place.	Risk Management Framework will be established.

company has a Chief Risk Officer (CRO), who is the ultimate champion of the Enterprise Risk Management (ERM)			
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Non-compliant	Formal policies and procedures are not yet in place.	Risk Management Framework will be established.
<b>CULTIVATING A SYNERGIC RELATIONSHIP WITH STAKEHOLDERS</b>			
<b>Principle 13: The company should treat all shareholders fairly and equitably, and also recognize , protect and facilitate the exercise of their rights.</b>			
Recommendation 13.1			
1. Board ensures that basic stakeholder rights are disclosed in the Manual on Corporate Governance	Non-compliant	Formal policies and procedures are not yet in place.	Draft of Corporate Governance Manual is in file and yet to be approved.
2. Board ensures that basic stakeholder rights are disclosed in the company's website.	Non-compliant	Formal policies and procedures are not yet in place.	Draft of Corporate Governance Manual is in file and yet to be approved.
Recommendation 13.2			
1. Board encourages active shareholder by sending the Notice of Award and Special Stockholders' Meeting with sufficient and relevant information at least 21 days before the meeting.	Compliant	Notices of Meetings are sent 21 days before the meeting with sufficient and relevant information.	
Recommendation 13.3			
1. Board encourages active shareholder participation by making the result of the votes taken during the Annual or Special Shareholders' Meeting publicly available the next working day.	Non-compliant	Formal policies and procedures are not yet in place.	
2. Minutes of the Annual or Special Shareholders' Meeting are available on the company website within five business days from the end of the meeting.	Non-compliant	Due to undergoing website construction, uploading of minutes if meeting therein was suspended.	Draft of Corporate Governance Manual is in file and yet to be approved.
Recommendation 13.4			
1. Board has an alternative	Compliant	Draft Manual on	Draft of Corporate

dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.		Corporate Governance includes provision for Alternative Dispute Mechanism.	Governance Manual is in file and yet to be approved.
2. The alternative dispute mechanism is included in the company's Manual or Corporate Governance.	Compliant	Draft Manual on Corporate Governance includes provision for Alternative Dispute Mechanism.	Draft of Corporate Governance Manual is in file and yet to be approved.
<b>Principle 14: The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stockholders rights and/or interests are at stake , stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.</b>			
Recommendation 14.1			
1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	Non-compliant	Draft of Manual on Corporate Governance covers stockholder's right and protection of interests.	Draft of Corporate Governance Manual is in file and yet to be approved.
Recommendation 14.2			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	Non-compliant	Draft of Manual on Corporate Governance covers stockholder's right and protection of interests.	Draft of Corporate Governance Manual is in file and yet to be approved.
Recommendation 14.3			
1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	Compliant	Stockholders have a venue to air their concerns.	Draft of Corporate Governance Manual is in file and yet to be approved.
<b>Principle 15: A mechanism for employee participation should be developed to create a symbolic environment, realize the company's goals and participate in the corporate governance processes.</b>			
Recommendation 15.1			
1. Board establishes policies, programs and procedures that encourage employees to actively participate in the	Compliant	This is included in the Board Charter.	



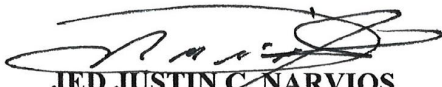
realization of the company's goals and in its governance.			
Recommendation 15.2			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy in its Code of Conduct	Non-compliant	Formal policies and procedures are not yet in place.	Code of Conduct will be established with an anti-corruption policy.
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture	Non-compliant	Formal policies and procedures are not yet in place.	Code of Conduct will be established and properly disseminated.
Recommendation 15.3			
1. Board establishes a suitable framework for whistle blowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation.	Compliant	Whistleblowing Policy is in place.	Draft on Manual on Corporate Governance also provides for Whistleblowing Policy.
2. Board establishes a suitable framework for whistle blowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistle blowing concerns.	Compliant	Whistleblowing Policy is in place.	
3. Board supervises and ensures the enforcement of the whistle blowing framework.	Compliant	Whistleblowing Policy is in place.	
<b>Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a progressive manner that is fully supportive of its comprehensive and balanced development.</b>			
Recommendation 16.1			
1. Company recognizes and places importance on the interdependence between business and society and promotes a mutually beneficial relationship	Compliant	The company established a reach-out program for victims of COVID-19 and Typhoon Odette.	Corporate Community Involvement Policy will be established.

that allows the company to grow its business, while contributing to the advancement of the society where it operates.			
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## CERTIFICATION


The undersigned certify that the responses and explanations set forth in the above Company's Annual Corporate Governance Report are true, complete and correct of our own personal knowledge and/or based on authentic records.

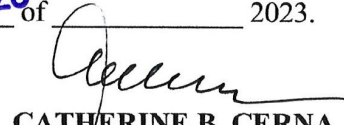
Signed in the City of \_\_\_\_\_ **MAY 30 2023** of \_\_\_\_\_ 2023.


  
**JED JUSTIN C. NARVIOS**  
CHAIRMAN OF THE BOARD  
Signature over printed name

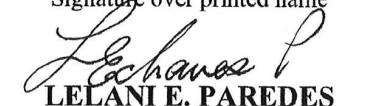
  
**LEA KATRINA B. CERNA**  
CORPORATE SECRETARY  
Signature over printed name

  
**NAZELLE M. VALLESPIN**  
INDEPENDENT DIRECTOR  
Signature over printed name

  
**ROBERT A. QUINDOZA**  
INDEPENDENT DIRECTOR  
Signature over printed name

  
**CATHERINE B. CERNA**  
PRESIDENT/CEO  
Signature over printed name

  
**GABRIELLE MARCELO B. CERNA**  
CORPORATE GOVERNANCE  
COMPLIANCE OFFICER  
Signature over printed name

  
**LELANI E. PAREDES**  
INDEPENDENT DIRECTOR  
Signature over printed name

SUBSCRIBED AND SWORN to before me this **MAY 30 2023** day of \_\_\_\_\_, 2023, by the following who are all personally known to me and who exhibited to me their respective identification document as follows:

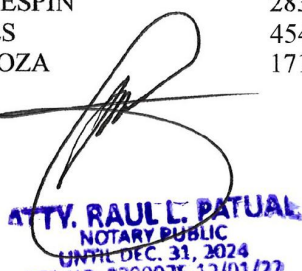
NAME	Tax Identification Nos.
JED JUSTIN C. NARVIOS	222-334-777
CATHERINE B. CERNA	224-057-811
LEA KATRINA B. CERNA	276-202-169
GABRIELLE MARCELO B. CERNA	327-445-742
NAZELLE M. VALLESPIN	283-021-591
LELANI E. PAREDES	454-777-268
ROBERT A. QUINDOZA	171-423-178

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Book No. 164

Series of 2023.

  
**ATTY. RAUL L. PATUAL**  
NOTARY PUBLIC  
UNPIL DEC. 31, 2024  
PTR NO. 2290076-12/01/22  
ROLL NO. 44641  
COMMISSION NO. 0121  
LIFETIME NO. 07936  
90 JAKOSALEM ST., CEBU CITY

## BOARD OF DIRECTORS 2022

NAME	NATIONALITY	POSITION	COMMITTEE	ADDRESS
FRANCO T. BARICUATRO	Filipino	Chairman	<ul style="list-style-type: none"> <li>Member: Corporate Governance and Nomination/Remuneration</li> </ul>	Carmenville Subd., Tunghaan, Minglanilla, Cebu
GABRIELLE MARCELO B. CERNA	Filipino	President/CEO		Amalfi, City Di Mare, Cebu City, Cebu
CATHERINE B. CERNA	Filipino	Treasurer		San Jose Maria Village, Ward 4, Minglanilla, Cebu
MARIA BEBETH N. BERNALES	Filipino	Director	<ul style="list-style-type: none"> <li>Member: <ul style="list-style-type: none"> <li>Audit/RPT</li> <li>Risk Oversight</li> </ul> </li> </ul>	Dakit, Bogu City, Cebu
CHERYL C. MEDALLA	Filipino	Director		San Jose Maria Village, Ward 4, Minglanilla, Cebu
GILLIAN JOY H. DICO-CERNA	Filipino	Director		Amalfi, City Di Mare, Cebu City, Cebu
JED JUSTIN C. NARVIOS	Filipino	Independent Director	<ul style="list-style-type: none"> <li>Chairman: Corporate Governance and Nomination/Remuneration</li> <li>Member: Risk Oversight</li> </ul>	Valleyview Village, Mohon, Talisay City, Cebu
NAZELLE M. VALLESPIN	Filipino	Independent Director	<ul style="list-style-type: none"> <li>Chairman: Risk Oversight</li> <li>Member: Audit/RPT</li> </ul>	Urban Deca Homes, H. Cortes, Kasambagan, Cebu City
ROBERT A. QUINDOZA	Filipino	Independent Director	<ul style="list-style-type: none"> <li>Chairman: Audit/RPT</li> <li>Member: Corporate Governance and Nomination/Remuneration</li> </ul>	Holy Infant Subdivision, Molino II, Bacoar, Cavite