MAPFRE INSULAR INSURANCE CORPORATION

CODE OF GOOD CORPORATE GOVERNANCE

Table of Contents

PREFACE

To support the objectives of the Insurance Commission of enhancing the corporate accountability of insurers and intermediaries, promote the interests of their stakeholders specifically those of the policyholders, claimants and creditors, Mapfre Insular has prepared and adopted a Manual on Corporate Governance.

The governing bodies of Mapfre Insular have felt a particular concern for good corporate governance, and to this end, a series of principles and rules were established in order to define the structure and composition of its management bodies and govern the relations between them, in order to ensure that their actions are in accordance with the rules and principles defined herein. Mapfre Insular's directors, officers, and staff are enjoined to implement and observe this Manual. As Mapfre Insular progresses, the Manual shall be kept under constant review and revision to meet the emerging standards of good corporate governance practices.

CORPORATE GOVERNANCE PRINCIPLES & LEADING PRACTICES

ARTICLE 1: PRELIMINARY PROVISIONS

SECTION 1: General Policy

The Board of Directors (the "Board") and Management of Mapfre Insular hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of Mapfre Insular's corporate goals.

SECTION 2: Objective

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

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

SECTION 3: Definition of Terms

1. ***Corporate Governance*** – is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimized.

2. ***Board of Directors*** – refers to the collegial body that exercises the corporate powers of all corporations formed under the Corporation Code. It conducts all business and controls or holds all properties of such corporations.

3. ***Management*** – refers to the body given the authority to implement the policies determined by the Board of Directors in directing the course/business activity/ies of the corporation.

4. ***Executive Director*** – refers to a director who is at the same time appointed to head a department/unit within the corporate organization.

5. ***Non-Executive Director*** – refers to a Board member with non-executive functions.

6. ***Independent Director*** – refers to a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having any relationship with the corporation, which could interfere with the exercise of independent judgment in carrying out the responsibilities of a director. This means that apart from the director's fees and shareholdings, he should be independent of management and free from any business or other relationship that could materially interfere with the exercise of his independent judgment.

7. ***Control*** – exists when the parent owns directly or indirectly through subsidiary more than one half of the voting power of an enterprise unless, in exceptional circumstance, it can be clearly demonstrated that such ownership does not constitute control. Control may also exist even when ownership is one half or less of power of an enterprise when there is:

   a) power more than one half of the voting rights by virtue of an agreement with other stockholders; or
   b) power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
   c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
   d) power to cast the majority votes at meetings of the board of directors or equivalent governing body; or
   e) any other arrangement similar to any of the above.

8. ***Internal Control*** - refers to the process effected by a company's Board of Directors, management and other personnel, designated to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws, regulations, and internal control policies.

9. ***Internal Control Environment*** – refers to the framework under which internal controls are developed, implemented, alone or in concert with other policies or procedures, to manage and control a particular risk or business activity, or combination of risks or business activities, to which the company is exposed.

10. ***Business Risk*** – the threat an event or action will adversely affect an organization's ability to achieve its business objectives and execute its strategies successfully.

11. ***Actuarial Risk*** – risk which an insurance underwriter covers in exchange for premiums.

12. ***Risk Management*** – procedure to minimize the adverse effect of a financial loss by (a) identifying potential sources of loss; (b) measuring the financial consequences of a loss occurring; and (c) using controls to minimize actual losses or their financial consequences.

13. ***Internal Auditing*** – refers to an independent, objective assurance and consulting activity designed to add value and improve an organization's operation. It helps an organization accomplish its objectives by bringing a

systematic, and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

14. ***Internal Audit Department*** – refers to a department, division, tram of consultants, or other practitioner(s) that provide independent, objective assurance and consulting services designed to add value and improve an organization's operation.

15. ***Independence*** – refers to that environment which allows the person to carry out his/her work freely and objectively.

16. ***Objectivity*** – refers to an unbiased mental attitude that requires a person to carry out his/her work in such manner that he/she has an honest belief in his/her work product and that no significant quality compromises are made. Objectivity requires the person not to subject his/her judgment to that of others.

17. ***Standards for the Professional Practice Internal Auditing (SPPIA)*** – refers to the criteria by which the operations of an internal auditing department are evaluated and measured. They are intended to represent the practice of internal auditing as it should be, provide a framework for performing and promoting a broad range of value-added internal audit activities and foster improved organizational processes and operations.

18. ***Stakeholders*** – refers to the group of company owners, officers and employees, policyholders, suppliers, creditors and the community.

19. ***Parent*** – is a corporation who has control over another corporation directly or indirectly through one or more intermediaries.

20. ***Related company*** – means another company which is: (a) its parent or holding company; (b) its subsidiary or affiliate; or (c) a corporation where an insurance company or its majority stockholder owns such number of shares which allow/enable him to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner.

21. ***Substantial or major shareholder*** – shall mean a person, whether natural or juridical, owning such number of shares that will allow him to elect at least one (1) member of the board of directors of an insurance company or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security.

22. ***Majority stockholder or Majority shareholder*** – means a person, whether natural or juridical, owning more than fifty percent (50%) of the voting stock of an insurance company.

23. ***Subsidiary*** – means a corporation more than fifty percent (50%) of the voting stock of which is owned or controlled directly or indirectly through one or more intermediaries by an insurance company.

24. ***Affiliate*** – is a juridical person that directly or indirectly through one or more intermediaries, is controlled by, or is under common control with the insurance companies or its affiliates.

25. ***Related interests*** – shall mean individuals related to each other within the fourth consanguinity or affinity, legitimate or common law, and two or more company owned or controlled by a single individual or by the same family group or the same group of persons.

ARTICLE 2: THE BOARD OF DIRECTORS

Every company should be headed by an effective Board to lead and control the company and ensure its success. Compliance with the principles of good corporate governance shall start with the Board of Directors.

SECTION 1: Composition of the Board

The Board shall be composed of nine (9) members who are elected by the stockholders of Mapfre Insular. There shall be at least two (2) independent directors.

The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no individual or small group of individuals can dominate the decision-making process.

Considering that the insurance business is imbued with public interest, the role of the Chairman and Chief Executive Officer shall in principle be separate, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

Where the roles are combined, there shall be a strong independent element on the Board. Check and balance shall be clearly provided for, to help ensure that independent outside views, perspectives and judgments are given proper hearing on the Board. The Chairman of the Board shall be a non-executive director.

Non-Filipino citizens may become members of the Board of Directors of an insurance company to the extent of the foreign participation in the equity of said insurance company. Provided, that pursuant to Section 23 of Corporate Code of the Philippines (BP Blg. 68) a majority of the directors must be residents of the Philippines.

SECTION 2 : Governance, Responsibilities, Duties and Functions of the Board

A. Board Governance

The Board is primarily responsible for the corporate governance of Mapfre Insular. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

B. General Responsibility

1. Review and adopt a strategic plan for the company along with management objectives and the annual budgets.
2. Oversee the conduct of the company's business to ensure that the business is being properly managed and dealings with policyholders, claimants and creditors are fair and equitable.
3. Identify principal business risks and ensure the implementation of appropriate risk management systems to specifically manage the underwriting, reinsurance, investment, financial, and operational risks of the company.
4. Approve corporate polices in core areas of operations, specifically underwriting, investments, reinsurance and claims management.

5. Plan succession, including appointing, training, fixing the compensation of, and where appropriate, replacing senior management.

6. Develop and implement an investor relations program or adopt shareholder communications policy for the company.

7. Review the adequacy and the integrity of the company's internal control systems and management information systems including systems for compliance with the Insurance Code and other applicable laws, regulations, rules, directives and guidelines.

8. Select and appoint officers who are qualified to administer insurance affairs soundly and effectively and to establish an adequate selection process for all personnel.

9. Apply fit and proper standards on personnel. It must have integrity, technical expertise and experience in the institution's business, either current or planned, which should be the key considerations in the selection process.

10. Establish an appropriate compensation package for all personnel that are consistent with the interest of all its stakeholders.

11. Review and approve material transactions not in the company's ordinary course of business.

12. Establish a system of check and balance which applies to the Board and its members.

13. Have an appropriate reporting system so that the Board can monitor, assess and control the performance of Management.

14. Present to all its members and shareholders a balanced and understandable assessment of the company's performance and financial condition.

15. Appoint a Compliance Officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.

16. The Board shall be entitled to the services of a Corporate Secretary who must ensure that all appointments are properly made, that all necessary information are obtained from directors, both for the company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the requirements of the Insurance Commission and other regulatory agencies.

17. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors including their spouses, children and dependent siblings and parents and of interlocking director relationships by members of the board.

18. Constitute an Audit Committee and such committees it deems necessary to assist the Board in the performance of its duties and responsibilities.

19. Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration.

SECTION 3: Appointments to the Board

1. There shall be a formal, rigorous and transparent procedures for the Selection and appointment of new directors to the Board.

2. Appointments to the Board shall be made on merit and against subjective criteria.

3. Careful deliberation and consideration shall be done to ensure that appointees have enough time for the job. This is particularly important in the case of Chairmanship.

4. Plans shall be in place for orderly succession to the Board and that of the senior management level in order to maintain a balance of appropriate skills and experiences within the company

SECTION 4: Information and Professional Development

1. The Chairman shall be responsible for ensuring that the directors receive and accurate, timely and complete information.

2. The Chairman shall ensure that the directors continually update their skills, knowledge and familiarity with the company's goals and objectives in order to fulfill their roles in the Board and/or board committees.

3. The Company shall provide the necessary resources in developing and updating its directors' knowledge and capabilities.

4. The Corporate Secretary through the Chairman shall be responsible for advising the Board about governance matters.

5. The Chairman shall ensure that as an integral element of the process of appointing new directors, the company provides an orientation and education program for new recruits to the Board.

6. The Board shall ensure that directors, especially non-executive directors, have access to independent professional advice at Mapfre Insular expense to discharge their responsibilities as directors. Committees shall be provided with sufficient resources to undertake their duties.

7. All directors shall have access to the advices and services of the Corporate Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. Both the appointment and removal of the Corporate Secretary shall be decided by the Board.

Section 5: Multiple Board Seats

1. The optimum number of directorships shall be generally related to the capacity of a director in performing his duties diligently.

2. The CEO and other executive directors shall submit themselves to a low indicative limit (four or lower) on membership in other corporate boards.

3. The same low limit also applies to independent non-executive directors who serve as full-time executives in other corporations.

4. There can be a higher indicative limit (five or lower) for other directors who hold non-executive position in any corporation. In any case, the capacity of directors to serve with diligence shall not be compromised.

Section 6. Board Remuneration

1. Levels of remuneration shall be sufficient to attract and retain the quality of directors to run the company successfully.

2. Significant proportion of executive directors' remuneration is structured so as to link rewards to corporate and individual performance.

3. Levels of remuneration of non-executive directors shall reflect their experiences, responsibilities and performances.

4. The performance-related elements of remuneration shall form a significant proportion of the total remuneration package of executive directors and shall be designed to align their interests with those of shareholders and to give these directors keen incentives to perform at the highest levels.

5. No director shall be involved in deciding his or her own remunerations.

6. A form shall be developed on Full Business Interest Disclosure as part of the pre-employment requirements. For all incoming officers and senior managers, they shall declare under penalty of perjury all their existing business interests or shareholdings that may directly or indirectly affect the performance of their duties.

7. Provide in the corporation's annual report information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officer for the previous fiscal year and the ensuing year.

ARTICLE 3: INDIVIDUAL DIRECTORS

SECTION 1: Qualifications and Disqualifications of a Director

A. Qualifications

1. Directors sitting on the board in any insurance entity shall be possessed of the necessary skills, competence and experience, in terms of management capabilities, preferably in the field of insurance or insurance-related disciplines. In view of the judiciary nature of insurance obligations, directors shall also be persons of integrity and credibility.

2. Every director shall own at least one (1) share of the capital stock of the corporation whose share should be in his name and recorded in the books of the corporation.

3. Each director shall be at least twenty-five (25) years of age at the time of his appointment.

4. Each director must have attended a special seminar on corporate governance conducted be a training provider accredited by the Insurance Commission.

5. A personal career showing respect for business legislation and all other laws regulating economic and business activities, as well as for proper commercial, financial, and insurance practice.

6. Shall not to be disqualified from holding public office or from administrative or managerial positions at financial or insurance institutions.

7. Shall not hold any incompatible position or be ineligible or disqualified under the laws currently in force.

8. Shall not be a first or second-degree relation, even by marriage, of members of the management bodies, managers, supervisors, or employees in active employ.

9. Shall not have reached the age of 70.

B. Disqualifications:

Without prejudice to specific provisions of law prescribing disqualifications for directors, the following are disqualified from becoming directors:

1. Permanently disqualified

Directors/officers/employees permanently disqualified from holding a director position:

a. Persons who have been convicted by final judgment of the court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft;

b. Persons who have been convicted by final judgment of the court for violation of insurance laws;

c. Persons with derogatory records with the NBI, court, police, Interpol and insurance authorities of other countries (for foreign directors) involving violation of any law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of an insurance director. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity;

d. Persons who are delinquent in the payment of their obligations as defined hereunder:

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

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

1. A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorsers, or surety for loans from such institutions;

2. The spouse or child under the parental authority of the director or officer;

3. Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;

4. A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and

5. A corporation, association or firm wholly-owned or majority of the capital is contributed by any or a group of persons mentioned in the foregoing items 1, 2, and 4:

This disqualification should be in effect as long as the delinquency persists.

e. Any person convicted by final judgment or order by a competent judicial or administrative body of any violation of Corporation Code committed within five (5) years prior to the date of his election or appointment, or any time with a maximum term of imprisonment of more than six years.

2. Temporarily disqualified (disqualified for a specific/indefinite period of time):

a. Persons who refuse to fully disclose the extent of their business interests when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as the refusal persists;

b. Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special of the Board of Directors during their incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding elections;

c. Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;

d. Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;

e. Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification by the Insurance Commission;

f. Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;

g. Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;

h. Those under preventive suspension;

SECTION 2: Duties and Responsibilities of a Director

A. General Responsibility

The position of a director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders (the corporation itself, its stockholders, its creditors, its management and employees, and the public at large). These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner.

B. Specific Responsibilities:

1. Conduct fair business transaction with Mapfre Insular to ensure that personal interest does not bias board decisions.

2. Directors, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institutions cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others. The basic principle to be observed is that a director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He shall avoid situations that would compromise impartiality.

3. Act honestly, in good faith, and with loyalty to the best interest of the institution, its stockholders, (regardless of the amount of their stockholdings) and other stakeholders such as its policyholders, investors, borrowers, other clients and the general public. A director must always act in good faith with care which an ordinarily prudent man would exercise under similar circumstances, while a director shall always strive to promote the interest of all stockholders. He shall also give due regard to the rights and interests of other stakeholders.

4. Devote time and attention necessary to properly discharge their duties and responsibilities. Directors shall devote sufficient time to familiarize themselves with the institution's business. They must constantly be aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the board's work. They must attend and actively participate in board and committee meetings, request and review meeting materials, ask questions and request explanations. If a person cannot give sufficient time and attention to the affairs of the institution, he should neither accept his nomination nor run for election as member of the board.

5. Act judiciously. Before deciding on any matter brought before the board of directors, every director shall thoroughly evaluate the issues, ask questions and seek clarifications when necessary.

6. Exercise independent judgment. A director shall view each problem/ situation objectively. When a disagreement with others occurs, he shall carefully evaluate the situation and state his position. He shall not be afraid to take a position even though it might be unpopular. Corollarily, he shall support plans and ideas that he thinks will be beneficial to the institution.

7. Have a working knowledge of the statutory and regulatory requirements affecting the institution, including the contents of its articles of incorporation and by-laws, the requirements of the Insurance Commission, and where applicable, the requirements of other government agencies. A director shall also keep himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness.

8. Observe confidentiality. Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the Board.

9. The directors concerned shall each be required to acknowledge receipt of the copies of such specific duties and responsibilities and shall certify that they fully understand the same.

10. Directors should appoint a Corporate Secretary who shall be a Filipino citizen capable of carrying out the duties to which the post entails and his removal shall be a matter for the entire Board to decide. The Corporate Secretary shall submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

11. Maintain the proper decorum at Board and Committee meetings and treat all individuals fairly, with respect and courtesy.

SECTION 3: Independent Directors

The Board shall elect at least two (2) Independent Directors.

Qualifications of Independent Directors

1. An independent director shall be one who has not been an officer or employee of the corporation, its subsidiaries or affiliates or related interests for at least three (3) years immediately preceding his term or incumbency;

2. He or she is not related within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or majority shareholder of the company or any of its related companies;

3. He or she is not a director or officer of the related companies of the institution's majority shareholders;

4. He or she is not a majority shareholder of the company, any of its related companies, or of its majority shareholder;

5. He or she is not acting as nominee or representative of any director or substantial shareholder of the company, any of its related companies, or any of its substantial shareholders; and

6. He or she is free from any business or other relationships with the institution or any of its major stockholders which could materially interfere with the exercise of his judgment, i.e., has not engaged and does not engage in any transaction with the institution, or any of its related companies or any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner director or a shareholder.

7. Shall not receive from the Company, or from its Group, any sum or benefit for any item other than the remuneration for being a director, unless these are insignificant. For these purposes, dividends and pensions complements received by the director by reason of his/her previous professional or employment relationship shall not be taken into account, provided that these complements are of an unconditional nature, and as a result the company that is paying them may not discretionally suspend, amend, or revoke their receipt, without incurring in a breach of duty.

8. Shall not be, or to have been during the preceding three years, associates of the External Auditor, or responsible for the Company's audit report or for that of any other company of its Group.

9. Shall not to be an Executive Director or Senior Manager of another different company where an executive director or Senior Manager of the Company is an External Director.

10. Shall not maintain, or to have maintained during the preceding year, a significant business relationship with the Company, or with any group company, whether in his/her own name or as a significant shareholder, director, or Senior Manager of an entity that maintains or has maintained such a relationship. Business relationships shall be deemed to be those of supplying goods or services, including financial services, and those of adviser or consultant.

11. Shall not be a significant shareholder, Executive Director, or Senior Manager of an entity that receives, or has received during the last three years, significant donations from the Company or its Group. Those persons who are merely patrons of a Foundation that receives donations shall not be deemed to be included under this number.

12. Shall not hold a significant shareholding participation in the Company.

Section 4: Election/Re-Election

1. All directors shall be subject to votation by shareholders at the first annual general meeting after their nomination, and to re-election thereafter until the election and qualification of their successors.

2. Each director shall represent all shareholders and shall be in a position to participate independently and objectively.

ARTICLE 4: BOARD COMMITTEES

The Board shall constitute the proper committees to assist it in good corporate governance. Only the Committee Chairman and members are entitled to be present at the nomination, audit or remuneration committee meetings but others may attend at the invitation of a particular committee.

SECTION 1: Nomination Committee

1. Shall be composed of at least three (3) members of the board of directors, one of whom must be independent.

2. Shall review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors. It should prepare a description of the roles and capabilities required of a particular appointment.

3. For the appointment of the Chairman, it should prepare job specifications, including an assessment of the time commitment expected of him, recognizing the need for his availability in the event of crisis. The Chairman's other significant commitments shall also be disclosed to the Board before his appointment and included in the annual report. Any change thereof shall be reported to the Board and included in the next annual report.

4. The terms and conditions of appointment of nonexecutive directors shall be made available for inspection. The letter of appointment shall specify the expected time commitment. They shall undertake sufficient time to meet and do what is expected of them. Their other significant commitments shall be disclosed to the Board before appointments, indicating the time lines and in any case, the Board shall be informed of subsequent changes.

5. The Nomination Committee shall consider the following guidelines in the determination of the number of directorship for the Board:

   1. The nature of the business of the corporation, where he is a director;
   2. Age of the director;
   3. Number of directorships/active memberships and officerships in other corporations or organizations; and
   4. Possible conflicts of interest.

   5. Generally, the optimum number shall be proportional to the capacity of a director to perform his duties diligently.

SECTION 2: Audit Committee

1. Shall be comprised of independent board members, preferably with accounting and finance experiences.

2. Provides oversight of the institution's internal and external auditors.

3. It shall be responsible for the setting-up of internal audit department, and the appointment of the internal auditors as well as of independent external auditors.

3. It shall monitor and evaluate the adequacy and effectiveness of the internal control system of the company.

SECTION 3: Remuneration Committee.

1. Compensation or Remuneration Committee is composed of at least three (3) members, one of whom is an independent director.

2. It shall judge or make plans where to position the company relative to other companies. But such comparisons shall be used with caution in view of the risk of an upward ratchet of the level of remuneration with no corresponding improvement in performance.

3. It shall delegate responsibilities for setting up remunerations for all executive directors and chairman, including pension rights or any compensation payments.

4. It shall also recommend and monitor the level and structure of salaries including remunerations for senior management. The definition of senior management for this purpose shall be determined by the Board but would normally include first level management below Board level.

SECTION 4: Executive Committee

1. The Board of Directors, if it deems such action is necessary, may choose from its own members an Executive Committee of FIVE (5), with such alternate members who may vote in lieu of a member who is absent or incapacitated, provided that the Chief Executive Officer shall be one of the five members of the Executive Committee. In case such Executive Committee is appointed, it shall possess and may exercise all the powers of the Board of Directors which may be lawfully delegated in the management and direction of the affairs of the company in all cases in which specific directions shall not have been by the board of Directors, either by resolutions, power of attorney or contracts entered into with other parties during the intervals between the meeting of the Board of Directors.

2. All such action by any such Executive Committee shall be reported to the Board of Directors at its meeting next succeeding such action and shall be subject to revision and alteration by the Board; provided for that purpose. Vacancies in any such Executive Committee may be filled by the Board of Directors.

3. A majority of any such committee shall be necessary to constitute a quorum and in every case the affirmative vote of the majority of the members shall be necessary for the passage of any resolution. Any such Executive Committee may act by the written resolution of a quorum thereof, although nor formally convened, it shall fix its own rules of procedure and shall meet as provided by such resolution or by resolution of the board, and shall also meet at the call of the Chairman or any member of the Committee. (As amended on March 24, 1997)

ARTICLE 5 : THE CORPORATE SECRETARY

SECTION 1: Qualifications

The Corporate Secretary and Assistant Corporate Secretary are expected of the highest degree of professionalism, integrity and diligence. They shall have the following qualifications:

a. They shall be resident Filipino citizens of good moral character.

b. They shall have adequate administrative, legal and interpersonal skills.

SECTION 2: Duties and Responsibilities of the Corporate Secretary

The Corporate Secretary should –

a. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of Mapfre Insular;

b. Be loyal to the mission, vision and objectives of Mapfre Insular;

c. Work fairly and objectively with the Board, Management and stockholders;

d. Have appropriately administrative and interpersonal skills;

e. Be aware of the laws, rules and regulations necessary in the performance of this duties and responsibilities;

f. Have a working knowledge of the operations of Mapfre Insular;

g. Inform the members of the Board, in accordance with the By-Laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

h. Ensure that all Board procedures, rules and regulations are strictly followed by the members;

i. Perform such other responsibilities as required by Mapfre Insular's By-Laws and the existing laws and regulations.

ARTICLE 6: ACCOUNTABILITY & AUDIT

Section 1: Internal Control & Risk Management

1. The Board shall ensure that an effective system of control is in place for safeguarding the corporation's assets.

2. Major risks facing the corporation which are likely to affect the performance and financial condition of the corporation (including underwriting risk, reinsurance risks, investment risk, geographical risk, operational risk and legal risk) and the approach taken by management in dealing with these risks, shall be reported to the Board to enable the latter to effectively address said risks.

3. The Board shall ensure that reports accurately reflect the financial condition and the results of corporate operations.

4. The Board shall regularly review the system of securing adherence to key internal policies as well as to significant laws and regulations that apply to it. An effective and comprehensive internal audit of the corporation's internal control system shall be carried out by independent and competent staff. Audit findings and recommendations shall be reported to the Board and the senior management level of the corporation.

5. The Board shall protect shareholders' value through adequate financial controls. The Board shall foster and encourage a corporate environment of strong internal control, fiscal accountability, high ethical standards and compliance with the law and code of conduct

Section 2: Related Party Transactions

1. Overlapping interests in the insurance entity shall be disclosed to the Board and any material transaction involving such interests shall be similarly disclosed.

2. Related-party transactions shall be conducted in terms that are at least comparable to normal commercial practices to safeguard the best interest of the insurance corporation, its policyholders, creditors and claimants. In all cases, the provisions of Title 20, Chapter III of the Insurance Code on Holding Companies shall be complied with.

3. Related party transactions shall be disclosed fully to the Board. Prior Board approval shall be obtained for related party transactions that are material in nature.

Section 3: Internal Audit

1. The Board shall establish an audit committee and internal audit office.

2. The internal audit shall be independent of the activities it audits and shall be done with impartiality and with due professional care.

3. The Board or the Audit Committee shall determine the directors of the internal audit.

4. The Audit Committee shall elevate to international standards the accounting and auditing processes, practices and methodologies.

5. Develop a definitive time table within which the accounting system of the corporation will be 100% International Accounting Standard (IAS) compliant as well as furnishing an accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.

6. Corporate Independence shall be maintained so as not to compromise the interests of policyholders, claimants, creditors, minority shareholders and other stakeholders. Controlling or substantial interest shall be disclosed to the Board, and the latter shall ensure compliance with the provisions of Title 20, Chapter III of the Insurance Code on Holding Companies.

Section 4: The External Auditor

1. The External Auditor shall report directly to the Audit Committee.

2. The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the SEC who shall

undertake an independent audit of Mapfre Insular, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders.

3. Non-audit work may be given to the external auditor provided it does not conflict with its duties as an independent auditor, or does not pose a threat to its independence. The Audit Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in Mapfre Insular's annual report. The Audit Committee will evaluate and determine the non-audit work, if any, of the external auditor, and review periodically any non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses.

4. When an external auditor ceases to perform its services, the reason/s and the date of effectivity of such action shall be reported in Mapfre Insular's annual and current reports. The report shall include a discussion of any disagreement on accounting principles or practices, financial disclosures or audit procedures which the former auditor and Mapfre Insular failed to resolve satisfactorily.

5. The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to Mapfre Insular, should be changed with the same frequency.

ARTICLE 7: SHAREHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTEREST

1. The Board shall respect the rights of the stockholders, namely:

   a. Right to vote on all matters that require their consent or approval;

   b. Pre-emptive right to all stock issuances, subject to the requirements of the By-Laws and existing laws and regulations,

   c. Right to inspect corporate books and records;

   d. Right to information;

   e. Right to dividends; and

   f. Appraisal right.

2. The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings. The stockholders should be encouraged to personally attend such meetings. If they could not attend, they should be apprised ahead of time of their right to appoint a proxy subject to the requirements of the by-laws.

3. The Chairman shall ensure that the views of shareholders are communicated to the Board.

4. The Chairman shall discuss governance and strategies with major shareholders.

5. Non-executive directors shall be offered the opportunity to attend meetings with major shareholders and shall be expected to attend when requested by major shareholders.

6. The independent director/s shall attend sufficient meetings with major shareholders to listen to their views in order to develop a balanced understanding of the issues and concerns of major shareholders.

7. The Board shall use the AGM or Annual Stockholders' Meeting to communicate with investors and encourage their participation.

8. The company shall count all proxy votes and, except where a poll is called, shall indicate the level of proxies lodged on each resolutions, and the balance for and against the resolution and the number of abstentions, after it has been dealt with on a show of hands.

9. The company ensures that votes cast are properly received and recorded.

10. The Board proposes a separate resolution at the AGM on each material issue (i.e. reports, accounts).

11. The Chairman, directors and members of the Audit, Remuneration and Nomination committees shall be present at the AGM to answer questions.

12. Notices, annual reports including the latest annual Financial Statements of the company shall be given to stockholders at least two (2) weeks prior to the AGM.

ARTICLE 8: COMPLIANCE AND MONITORING SYSTEM

Section 1. Compliance Officer

1. The Board shall appoint a Compliance Officer who shall report directly to the Board of Directors .The Compliance Officer shall perform the following duties:

    a. Monitor compliance with the Manual and the rules and regulations of regulatory agencies;

    b. Appear before the SEC when summoned on matters in relation to compliance with the Manual

    c. Determine violation/s of the Manual and recommend penalty for violation thereof, for further review and approval of the Board and adopt measures to prevent a repeat of the violation;

    d. Identify, monitor and control compliance risks.

    e. Annually prepare and submit to the Office of the Insurance Commission a corporate governance scorecard as required by the Code of Corporate Governance before deadline set by the Insurance Commission.

ARTICLE 9: PUBLIC ACCOUNTABILITY

Section 1: Essential Standards

1. Officers of Mapfre Insular shall avoid conflicts of interest.

2. They shall not engage in any unfair or deceptive acts or conduct that constitutes unfair trade practices detrimental to policyholders and claimants;

ARTICLE 10: RESPONSIBILITY FOR GOOD GOVERNANCE

The Board of Directors and the management of Mapfre Insular and intermediaries shall commit themselves to the principles and leading practices contained in this Code of Corporate Governance. The board, the management, employees and shareholders, who believe that corporate governance is a necessary component of what constitutes sound strategic business management, will undertake every effort necessary to create awareness within the organization.