



# MANUAL ON CORPORATE GOVERNANCE

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By: Enterprise Risk Management and Compliance Department

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Board of Directors	

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## I. Introduction

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The Board of Directors and Management, i.e., officers and staff, of **Aventus Medical Care, Inc.** (“Aventus”) commit themselves to adhere to the highest principles of good corporate governance as embodied in the Company’s Amended By-Laws, Code of Conduct and Code Ethical Standards, and this Manual on Corporate Governance, as may be issued and/or amended. The Company subscribes to the philosophy of integrity, accountability, and transparency in its manner of doing business; dealing fairly with its clients, investors, stockholders, employees, agents, and the communities affected by its activities; professionalism among its Board of Directors, executives and employees in managing the Company, and respect for the laws and regulations of the countries affecting its businesses.

The Board and Management believe that corporate governance is a necessary component of sound strategic business management and will, therefore, undertake every effort necessary to create awareness within the organization to ensure that the principles of fairness, accountability, and transparency are adhered to in conducting the day-to-day business of the Company.

## II. Objective

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

## III. Definition of Terms

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The following terminologies will be a helpful tool for the users of this Policy:

**Corporate Governance** — the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal, and social obligations towards their stakeholders. Corporate governance is a system of direction, feedback, and control using regulations, performance standards, and ethical guidelines to hold the Board and Management accountable for ensuring ethical behavior — reconciling long-term customer satisfaction with shareholder value — to the benefit of all stakeholders and society. Its purpose is to maximize the organization’s long-term success, creating sustainable value for its shareholders, stakeholders, and the nation.

**Board of Directors** — the governing body elected by the stockholders that exercises the corporate powers of Aventus, conducts all its business, and controls its properties.

**Management** — members of the Executive Committee given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of Aventus.

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

**Executive director** — a director who has executive responsibility for the day-to-day operations of Aventus.

**Non-executive director** — a director who has no executive responsibility and does not perform any work related to the operations of Aventus.

**Conglomerate** — a group of corporations that has diversified business activities in varied industries, whereby the operations of such businesses are controlled and managed by a parent corporate entity.

**Internal control** — a process designed and effected by the Board of Directors, Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete, and timely financial and management information; and compliance with applicable laws, regulations, and Aventus’s policies and procedures.

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

**Corporation** - shall also refer to Aventus.

**IC or Insurance Commission** – the Insurance Commission of the Philippines.

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

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

**Shareholder or Stockholder** - refers to an owner of a share of stock in Aventus.

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

**Related Policies and Documents:**

- Articles of Incorporation
- By-Laws
- Board Committee Charter
- Compliance Management Policy
- Governance Policies
  - Anti-Bribery and Corruption
  - Gifts and Entertainment Policy
  - Whistleblowing Policy
- Related Party Transactions Policy
- Anti-Money Laundering/Counter-Terrorism Financing Policy Manual
- Code of Conduct and Ethical Behavior
- Code of Discipline

#### IV. ASEAN Corporate Governance Scorecard (ACGS) and IC Annual Corporate Governance Report (ACGR)

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In an Advisory dated May 3, 2013, and Circular Letter (CL) 14-2013 dated July 1, 2013, Insurance Commissioner Emmanuel F. Dooc prescribed the adoption of the **ASEAN Corporate Governance Scorecard (ACGS)** by insurance companies and mutual benefit associations (MBAs). The ACGS replaced the Corporate Governance Scorecard (CGS) required under Circular Letter (CL) 21-2009, dated August 12, 2009. However, it would be two years later under CL 2015-23, dated May 8, 2015, when the Guidelines on Compliance with the ACGS would be provided. In the most recent CL 71-2020, the Commission announced the Revised Code of Corporate Governance (the “Code”) for Insurance Commission Regulated Companies (ICRCs).

The Code is intended to ensure that the corporate governance standards of ICRCs are of a level at par with its regional and global counterparts. The latest G20/ Organization for Economic Co-operation and Development Principles of Corporate Governance, the Association of Southeast Asian Nations Corporate Governance Scorecard, and the Code of Corporate Governance for Publicly Listed Companies issued by the Securities and Exchange Commission (SEC) were used as key reference materials in the drafting of the Code. The Code will adopt the “comply or explain” approach. If a company cannot comply with the Code, it must identify any areas of non-compliance, explain the reasons, and provide an action plan to address non-compliant areas in the **Annual Corporate Governance Report (ACGR)**.

The Code is arranged as follows: Principles, Recommendations, and Explanations. The Principles can be considered as high-level statements of corporate governance good practice, and apply to all ICRCs. The Recommendations are objective criteria that are intended to identify the specific features of corporate governance good practice that are recommended for companies operating according to the Code. Alternatives to a Recommendation may be

justified in particular circumstances if good governance can be achieved by other means. When a Recommendation is not complied with, the company must disclose and describe the

non-compliance, and explain how the overall Principle is being achieved. The alternative should be consistent with the overall Principle. The annual corporate governance report shall contain the descriptions and explanations written in plain language and a clear, complete, objective, and precise manner so that shareholders and other stakeholders can assess the company's governance framework. The Explanations strive to provide companies with additional information on the recommended best practice.

Two (2) copies of a fully accomplished ACGR shall be filed with the Insurance Commission on or before May 30 of the following year. Each copy of the ACGR shall be duly notarized and shall bear the original and manual signatures. The ACGR shall be certified under oath by (1) Chairman of the Board; (2) CEO or President; (3) All Independent Directors; (4) Corporate Governance Compliance Officer; and (5) Corporate Secretary. The ACGR shall cover all relevant information from January to December of the given year.<sup>1</sup>

## V. Governance Landscape

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### A. Board of Directors

The Board of Directors is responsible for the overall direction and control of the management of the Corporation, the formulation of the policies to be applied, and the conduct of the business of the Corporation. It shall, among others:

- i. Oversee the good governance of the Corporation;
- ii. Appoint the officers of the Corporation;
- iii. Establish the expenditure signing limits of the Corporation in a manner that will enable the Corporation's business to be operated in an efficient manner;
- iv. Establish the remuneration terms of the Officers of the Corporation;
- v. Review and agree upon the Corporation's annual budget and monitor the Corporation's progress against the approved budget;
- vi. Establish a clear regular dividend payment policy for the Corporation; and
- vii. Appoint the Corporation's external auditors.

The Board shall approve a set of delegation of authority to the President on certain matters not specified in the By-Laws and relating to the Corporation's business and affairs, to the extent permitted under Philippine laws. The delegation shall be embodied in a board resolution or a general authorization issued by the Board.

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<sup>1</sup> IC Circular Letter No. 2020-71.



The Board may create such committees, with such functions, as it may deem to be in the best interests of the Corporation.<sup>2</sup>

Moreover, the Board shall:

- Review and adopt a strategic plan for the Corporation;
- Oversee the conduct of the Corporation's business to ensure that the business is being properly managed and dealings with policyholders, claimants, and creditors are fair and equitable;
- 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 Corporation;
- Approve corporate policies in core areas of operations, specifically underwriting, investments, reinsurance, and claims management;
- Plan succession, including appointing, training, fixing the compensation of, and where appropriate, replacing senior management;
- Develop and implement an investor relations program or adopt shareholder communications policy for the Corporation;
- 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;
- Select and appoint officers who are qualified to administer insurance affairs soundly and effectively and to establish an adequate selection process for all personnel;
- 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;
- Establish an appropriate compensation package for all personnel that are consistent with the interest of all its Stakeholders;
- Review and approve material transactions, not in the Corporation's ordinary course of business;
- Establish a system of check and balance which applies to the Board and its members;
- Have an appropriate reporting system so that the Board can monitor, assess and control the performance of Management;
- Present to all its Shareholders a balanced and understandable assessment of the Corporation's performance and financial condition;
- Appoint a Compliance Officer, following the requirements of the Revised Code of Corporate Governance of the Insurance Commission, who shall be responsible for coordinating, monitoring, and facilitating compliance with existing laws, rules, and regulations; and
- 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 is obtained

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<sup>2</sup> By-Laws.

from directors, both for the Corporation's 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.<sup>3</sup>

## **B. Directors**

Directors, including Independent Directors, are expected, among others:

- i. To comply with the Corporation's Articles of Incorporation, By-Laws, and policies approved by the Board of Directors and/or stockholders;
- ii. To act in good faith and promote the success of the Corporation for the benefit of its stockholders;
- iii. To exercise independent judgment, that is, not to subordinate the director's power to the will of others;
- iv. To exercise reasonable care, skill, and diligence in the performance of his duties;
- v. To avoid conflicts or possible conflicts between the interests of the director and those of the Corporation;
- vi. Not to accept any benefit from third parties because of being a director or doing anything as director of the Corporation; and
- vii. To declare any interest in a proposed transaction or arrangement to be undertaken by the Corporation immediately upon knowledge thereof.<sup>4</sup>

Directors and Independent Directors shall further:

- Conduct fair business transaction with Corporation to ensure that personal interest does not bias Board decisions;
- Directors, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the Corporation cannot be avoided, in the regular course of business, and upon terms not less favorable to the Corporation than those offered to others. The basic principle to be observed is that a director shall not use his position to make a profit or to acquire benefit or advantage for himself and/ or his related interests. He shall avoid situations that would compromise impartiality;
- Act honestly, in good faith, and with loyalty to the best interest of the Corporation, Stockholders (regardless of the number of their stock holdings), and 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 Stakeholders;
- Devote time and attention necessary to properly discharge their duties and responsibilities. Directors shall devote sufficient time to familiarize themselves with

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<sup>3</sup> IC Circular Letter No. 2016-51.

<sup>4</sup> Corporation Code of the Philippines.

the Corporation's business. They must constantly be aware of the Corporation'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 a member of the Board;

- 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;
- 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;
- 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 to safeguard the institution's competitiveness; and
- Observe confidentiality. Directors must observe the confidentiality of non-public information acquired because of their position as directors. They may not disclose said information to any other person without the authority of the Board.<sup>5</sup>

## **C. Chairman of the Board**

### **i. Functions and Responsibilities**

The functions and responsibilities of the Chairman include, among others, the following:

- provide leadership for the Board and ensure that the Board works effectively and performs its duties responsibly;
- ensure that Board meetings are held per the By-Laws and annual schedule approved by the Board;
- supervise the preparation of the agenda of each meeting in coordination with the Corporate Secretary, taking into consideration the proposals of the President, Management and Directors of the Company, and make certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- ensure that the lines of communication and flow of information between Management and the Board are maintained;

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<sup>5</sup> IC Circular Letter No. 2016-51.

- ensure that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- facilitate discussions on key issues by fostering an environment conducive to constructive debate and leveraging on the respective skills and expertise of the Directors;
- ensure that the Board evaluates the reports submitted and representations made by Management;
- assure the availability or proper orientation for first-time Directors and continuing training opportunities for all Directors; and
- make sure that the performance of the Board is evaluated at least once a year and discussed/followed up on.

#### ii. **Separation of Roles of Chairman and President**

It is the Chairman who determines the effectiveness of the Board's operations. The President, reporting to the Board in turn, has/have responsibility for the general management of the Company.

The Chairman of the Board cannot concurrently serve as the President and CEO of the Company to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for an independent decision. The Chairman of the Board shall be a Non-executive Director.<sup>6</sup>

#### **D. Corporate Secretary**

The Board should ensure that it is assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer. The Corporate Secretary should not be a member of the Board of Directors and should annually attend training on corporate governance. The Corporate Secretary is primarily responsible to the Corporation and its Shareholders, and not to the Chairman or President of the Company and has, among others, the following duties and responsibilities:

- i. Safekeeps and preserves the integrity of the minutes of the meetings of the Board, as well as other official records of the Corporation;
- ii. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- iii. Works fairly and objectively with the Board, Management and Stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and Stakeholders, including Shareholders;
- iv. Advises on the establishment of Board committees and their terms of reference;

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<sup>6</sup> IC Circular Letter No. 2016-51.

- v. Informs members of the Board, following the By-laws, of the agenda of their meetings at least five (5) working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- vi. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family, and serious accidents, prevent him/her from doing so;
- vii. Performs required administrative functions;
- viii. Oversees the drafting of the By-laws and ensures that they conform with regulatory requirements; and
- ix. Performs such other duties and responsibilities as may be provided by applicable law, rules, and regulations.<sup>7</sup>

## **E. Compliance Officer**

The Board should ensure that it is assisted in its duties by a Compliance Officer, who should have a rank of Vice President or an equivalent position with adequate stature and authority in the Corporation. The Compliance Officer should not be a member of the Board of Directors and should annually attend training on corporate governance. The Compliance Officer is a member of the Management in charge of the compliance function. Similar to the Corporate Secretary, he/she is primarily liable to the Corporation and its Shareholders, and not to the Chairman or President. He/she has, among others, the following duties and responsibilities:

- i. Ensures proper onboarding of new directors (i.e., orientation on the Corporation's business, charter, Articles of Incorporation, and By-laws, among others);
- ii. Monitors, reviews, evaluates, and ensures the compliance by the Corporation, its officers and directors with the relevant laws, this Manual, rules and regulations, and all governance issuances of regulatory agencies;
- iii. Reports the matter to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
- iv. Ensures the integrity and accuracy of all documentary submissions to regulators;
- v. Appears before the Insurance Commission when summoned concerning compliance with this Code;
- vi. Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- vii. Identifies possible areas of compliance issues and works towards the resolution of the same;
- viii. Ensures the attendance of board members and key officers to relevant trainings; and
- ix. Performs such other duties and responsibilities as may be provided by the IC.<sup>8</sup>

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<sup>7</sup> IC Circular Letter No. 2020-71.

<sup>8</sup> IC Circular Letter No. 2020-71.

## VI. Board Committees

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To aid in complying with the principle of good governance, the Board shall establish the necessary specialized Committees with specific responsibilities to assist in the development and implementation of systems and practices that would promote good corporate governance. The Board should ensure a continuous mix of competencies, skills, and experiences of its members.

The Board shall establish the following committees:<sup>9</sup>

- A. Executive Committee
- B. Management Committee
- C. Nomination, Remuneration, and Corporate Governance Committee
- D. Related Party Transaction Committee
- E. Audit Committee
- F. Risk and Compliance Committee

Please refer to the Board Committee Charter for the objectives, composition, and functions of each committee. Other details are likewise discussed in the Charter.

## VII. Board Composition

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### A. Qualifications of Directors

A highly effective Board requires Directors to have the integrity, competencies, and capabilities to carry out their fiduciary duties in the best interests of the Company and its shareholders. For the Directors to effectively execute their duties, they should have the requisite experience, skill, time, and commitment as befits the Director of a very complex business. The following characteristics and qualifications are necessary for new candidates being considered for nomination as well as existing Directors:

- i. Directors shall be holders of at least one (1) share of the Corporation.
- ii. Director shall be at least twenty-five (25) years of age at the time of his appointment.
- iii. Directors shall possess the necessary skills, competence, and experience, in terms of management capabilities.
- iv. Directors shall be a person with professional ethics, integrity, and credibility.
- v. Directors shall not hold any incompatible position in another company, entity, or business.
- vi. No disqualification as provided for in the Code of Conduct and IC Circulars. See Annex A for the details.
- vii. Director must not have been convicted by final judgment of an offense punishable by imprisonment for a period exceeding six years, or a violation of the Corporation Code committed within five years before the date of his election.

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<sup>9</sup> Board Committee Charter.

Certain qualifications may apply to Independent Directors only. Please see Section VI.D. for the other requirements.

## **B. Election and Term**

Directors of the Company are elected by a simple majority of Shareholders at the Annual or Special Stockholders' Meeting. Directors may serve for several terms so long as they continue to contribute to the Board's effectiveness and they remain free of real or perceived conflict of interest. The Board's Independent Directors should serve for a maximum cumulative term of nine (9) years. Please refer to Section VI.D for other details on Independent Directors.

## **C. Succession Planning**

The Corporation acknowledges that a succession plan for its Board of Directors is in the best interest of the Company, its stakeholders, and employees and will foster continuity of leadership for the Board. The succession plan is intended to give assurance and confidence to all stakeholders of the Company, demonstrating that leadership changes would be carefully planned, communicated, and implemented by the Board of Directors.

Succession planning is an ongoing process of identifying, assessing, and developing people to ensure the organization's continued effective performance through leadership continuity. The plan includes succession for the Board as a whole and the Board's leadership positions.

The purpose of the plan is to ensure the Board's continuity is composed of directors with collective working knowledge, experience, or expertise that is relevant to the Corporation's industry/sector to meet its short-term and long-term goals.

The succession plan shall comply with the qualifications and disqualifications standards set in the Corporation's Manual of Corporate Governance for the identification of potential candidates for membership to the Board. The succession plan may consider and provide for rotation of directors through Committee Chairperson positions and memberships to provide for a balance of continuity and rotation in the leadership role.

Procedures:

- i. The Nomination, Remuneration, and Corporate Governance Committee should actively seek and vet appropriate candidates for board directorship continually.
- ii. The Nomination, Remuneration, and Corporate Governance Committee should collect resumes for consideration continually.
- iii. The Nomination, Remuneration, and Corporate Governance Committee shall not seek the assistance of a third-party consultant for recruiting board members without the approval of the board.
- iv. The Nomination, Remuneration, and Corporate Governance Committee shall refer to Sections V.A. and V.B., and other pertinent sections of this Manual, the By-Laws and Board Committee Charter in seeking qualified candidates for board directorships.



#### **D. Board Independence**

The Board should be composed of at least twenty percent (20%) independent directors but not less than two (2) members of the Board of Directors shall be Independent Directors, provided that any fractional result from applying the required minimum proportion, i.e., 20%, shall be rounded up to the nearest whole number.<sup>10</sup>

The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

An Independent Director refers to a person who:

- i. is not or was not a regular director, officer, or employee of the Corporation, its subsidiaries, affiliates, or related companies during the past three (3) years counted from the date of his election/appointment;
- ii. is not or was not a regular director, officer, or employee of the Corporation's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;
- iii. is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the Board of Directors of the Corporation, or in any of its related companies or of its majority corporate shareholders;
- iv. is not a relative by affinity or consanguinity within the fourth (4th) degree of a director, officer, or stockholder holding shares of stock sufficient to elect one (1) seat in the board of the Corporation or any of its related companies or any of its Stockholders;
- v. is not acting as a nominee or representative of any director or substantial shareholder of the Corporation, any of its related companies, or any of its substantial shareholders;
- vi. is not or was not retained as a professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or any of its substantial shareholders, either in his capacity or through his firm during the past three (3) years counted from the date of his election/appointment;
- vii. is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the Corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company

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<sup>10</sup> IC Circular Letter No. 2016-51.



of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;

- viii. was not appointed in the Corporation, its subsidiaries, affiliates or related companies as Chairman "Emeritus", "Ex-Officio", Regular Directors, Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board of Directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his election/appointment;
- ix. is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial shareholders; and,
- x. is not employed as an executive officer of another company where any of the Corporation's executives serve as regular directors.

A "related company" refers to (a) the Corporation's holding/parent company; (b) its subsidiary or affiliate; (c) subsidiaries of its holding/parent company; or (d) a corporation where a covered entity or its majority stockholder own such number of shares that will allow/enable such person or group to elect at least one (1) member of the Board of Directors or a partnership where such majority stockholder is a partner.

The Board's Independent Directors should serve for a maximum cumulative term of nine years. After which, the Independent Director should be perpetually barred from re-election as such in the Corporation but may continue to qualify for nomination and election as a Non-Independent Director. In the instance that the Corporation wants to retain an Independent Director who has served for nine (9) years, the Board should provide meritorious justification/s and seek Shareholders' approval during the annual shareholders' meeting.<sup>11</sup>

## **E. Board Diversity Policy**

This Policy aims to set out the approach to achieve diversity in the Company's Board of Directors. The Company recognizes the need for and embraces the benefits of, having a diverse Board to enhance its performance and decision making.

Elections or appointments to the Board shall be primarily based on merit and qualification, which shall at all times be aligned with the Company's mission, vision, and strategic objectives. Moreover, to achieve sustainable and balanced development, the Company encourages diversity in the Company's Board membership. In all Board elections and appointments, no competent and qualified nominee shall be discriminated against because of gender, age, educational background, and length of service.

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<sup>11</sup> IC Circular Letter No. 2020-71.

The Nomination, Remuneration, and Corporate Governance Committee will disclose annually the Board's composition giving due regard to its diversified perspectives and will monitor the implementation of this Policy. Such disclosure shall be made annually in the Company's Corporate Governance Report.

The Nomination, Remuneration, and Corporate Governance Committee will review this Policy, as appropriate, to ensure its effectiveness. The Committee will discuss any revisions that may be required and recommend any such revisions for the consideration and approval of the Board.

## VIII. Board Performance

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### A. Performance Evaluation

The Board shall conduct an annual self-assessment to:

- Determine whether the Principles of Corporate Governance are being observed.
- Compare the performance of the Board, the Board Committees, and the individual directors with the requirements of this Manual
- Set forth the goals and objectives of the Board for the upcoming year
- Effect any improvements to this Manual as deemed necessary<sup>12</sup>

The annual self-assessment may, as practicable, be supported by an external facilitator every three years and allow for a feedback mechanism as the Board deems appropriate.

### B. Training and Development of Board Members

There will be an orientation program for first-time directors and relevant annual continuing training for all directors.

The orientation program for first-time directors and relevant annual continuing training for all directors aim to promote effective board performance and the continuing qualification of the directors in carrying out their duties and responsibilities. It is suggested that the orientation program for first-time directors, be for at least eight hours, while the annual continuing training is for at least four hours.

All directors should be properly oriented upon joining the Board. This ensures that new members are appropriately apprised of their duties and responsibilities, before beginning their directorships. The orientation program covers IC-mandated topics on corporate governance and an introduction to the Company's business, Articles of Incorporation, and Code of Conduct. It should be able to meet the specific needs of the Company and the individual directors and aid any new director in effectively performing his or her functions.

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<sup>12</sup> Board Performance Assessment.

The annual continuing training program, on the other hand, makes certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Company. It involves courses on corporate governance matters relevant to our company, including audit, internal controls, risk management, sustainability, and strategy. The Company shall assess its training and development needs in determining the coverage of its continuing training program.

All Directors, as well as Officers with a rank of Vice-President and up, are enjoined to attend at least a one-day training and orientation course on Corporate Governance conducted by duly accredited training providers of the Insurance Commission. Topics to be covered shall include Code of Corporate Governance, Annual Corporate Governance Report, Board

Responsibilities, Illegal activities of corporations/ directors/officers, Protection of minority shareholders, Related Party Transactions, Liabilities of directors, Confidentialities, Conflict of interest, Enterprise Risk management, and case studies on Financial Reporting and Audit.

Subsequently, all new Directors and Officers elected/appointed shall complete this requirement within the first three (3) months of their assumption to office and with the corresponding proof of compliance furnished to the Insurance Commission.<sup>13</sup>

## **IX. Collective Liability of Directors**

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Board members are generally not personally liable when they act in good faith on behalf of the Corporation. However, there are cases where the directors or other corporate officers may be held liable jointly with the Corporation. There are cases where corporate directors may be held personally liable for damages especially when a director exceeds the scope of his functions or duties. A director may be held personally liable in the following cases:

### **A. Unlawful Act, Gross Negligence or Bad Faith and Conflict of Interest**

Directors who “willfully and knowingly vote for or assent to patently unlawful acts of the corporation” may be held liable for damages suffered by the Corporation, Stockholders, and other persons.

Directors who are guilty of gross negligence or bad faith in directing the affairs of the Corporation may also be held liable for damages suffered by the Corporation or by third persons.

Finally, directors are prohibited from acquiring any pecuniary interest in conflict with their duties. Whenever such conflicting interests are acquired by them, they are “liable as trustees

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<sup>13</sup> IC Circular Letter No. 2020-71; IC Circular Letter No. 2016-51

for the corporation and must account for the profits which otherwise would have accrued to the corporation.”<sup>14</sup>

## **B. Contractual Stipulation**

Directors may be held liable when the director, trustee, or officer has contractually agreed or stipulated to hold himself personally and solidarily liable with the Corporation.

## **C. Disloyalty**

A director may be held liable for “disloyalty”. There is disloyalty “where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the corporation, thereby obtaining profits to the prejudice of such corporation.” Such director must account by refunding the corporation with the profits he obtained unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of

the outstanding capital stock. The director must account for profits even if he risked his funds.<sup>15</sup>

## **D. Filing False Statement**

Furthermore, the Securities Regulation Code also provides for the possible civil liability of a director for filing false registration statements with the SEC. This rule specifically outlines that a director is liable for damages incurred by investors who incurred damages due to the untruthful statements or omission in registration statements filed with the SEC.

## **X. Conflict of Interest**

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Directors are required to disclose any conflicts of interest and to abstain from participating in any discussion or voting on any matter in which they have a material personal interest except with the prior approval of the Board.

Conflicts of interest exist in the following situations, among others:

- Self-dealing, in which a Director causes the Company to enter into a transaction with another organization that benefits such Director.
- Outside employment in other HMO companies or insurance companies that are viewed as competitors by the Company.
- Family interests, in which a relative up to the third degree of affinity or consanguinity is employed (or applies for employment) or where goods or services are purchased from such a relative or a firm controlled by a relative.

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<sup>14</sup> Corporation Code of the Philippines.

<sup>15</sup> Ibid.

- Receiving high-value gifts from entities that do business with the Company. In this regard, high value is defined as worth more than Php5,000.
- Interest in stocks or other investments, in which the Company is invested in or is contemplating investing in.

Directors are required to disclose any notifiable interests to the President and/or Chief Executive Officer, Compliance Officer, and Corporate Secretary:

- on the date that the director is appointed;
- upon a change to a notifiable interest of a director.

## **XI. Confidentiality and Information Management**

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Directors must avoid even a perception that they have appropriated an opportunity that belonged to the Company. If Directors take advantage of an opportunity of which they become aware by their position as Directors, and that opportunity is one in which the Company might conceivably have had an interest, the Directors have acted counter to their fiduciary duty to the Company.

Directors also have a duty of confidence towards the Company. They must not misuse information obtained from the Company by their position on the Board. A duty to keep such information confidential arises where the information is confidential by nature and/or was communicated in confidence.

Ultimately, the best interests of the Company will dictate how Directors can use the information received in their capacity as Directors.

Since Directors are responsible for managing or supervising the management of the business affairs of the Company, they are entitled to have access to any information belonging to the Company. The flow of information to Directors is critical to the discharge of their responsibilities.

A balance must be struck such that Directors are informed of significant issues facing the Company and provided with the information needed to come to informed views. It is critical that the Directors receive the information in sufficient time to allow them to read and digest it. The amount of time needed will vary depending on the volume and complexity of the information.

## **XII. Internal Control System and Transparency**

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### **A. Enterprise Risk Management**

The Company shall have a separate risk management function with the responsibility to identify, assess, and monitor key risk exposures. Its enterprise risk management activities shall include the following:

- i. define a risk management strategy;
- ii. identify and analyze key risks exposure relating to economic, environmental, social, and governance (EESG) factors and the achievement of the organization's strategic objectives;
- iii. evaluate and categorize each identified risk using the company's predefined risk categories and parameters;
- iv. establish a risk register with clearly defined, prioritized, and residual risks;
- v. develop a risk mitigation plan for the most important risks of the company, as defined by the risk management strategy;
- vi. communicate and report significant risk exposures including business risks (i.e., strategic, compliance, operational, financial, and reputational risks), control issues, and risk mitigation plan to the Risk Committee;
- vii. monitor and evaluate the effectiveness of the organization's risk management processes.

## **B. Audit**

### **1. Internal Audit Function**

The Company should have in place an independent internal audit function that provides independent and objective assurance, and consulting services designed to add value and improve the Company's operations and help it accomplish its objectives. It must provide a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control, and governance processes through which the Board, Management, and stockholders of the Company could obtain reasonable assurance that the Company's key organizational and procedural controls are appropriate, adequate, effective, and complied with.

Internal audits shall cover, at the minimum, the evaluation of the adequacy and effectiveness of controls covering the Company's financial reporting, governance, operations, and information systems, including the reliability and integrity of financial and operational information, effectiveness, and efficiency of operations, protection of assets, and compliance with laws, rules, regulations, and contracts.

### **2. External Audit Function**

The external auditor, duly accredited by the relevant regulatory agencies, shall be appointed by the Board upon recommendation of the Audit Committee. The external auditor shall undertake an independent audit of the Corporation and provide an objective assurance on how financial statements are prepared and presented to the Board and the stockholders. 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 the Corporation should be changed with the same frequency.

### **C. Related Party Transactions**

The Company shall adopt, implement, and monitor compliance with a policy governing related party transactions (RPTs). The policy shall include the definition of related parties, covered transactions, materiality thresholds, and the process of review, approval, and disclosure of RPTs, as follows:

- i. Following International Accounting Standard 24 on Related Party Transactions (“IAS 24”) and other laws and regulations, as may be applicable, RPTs shall be reviewed and approved by appropriate authorities designated by the Company. The review shall determine whether an RPT meets the following standards: (1) the RPT is on arm’s length terms; and (2) the RPT is in the best interest of the Company and its stakeholders, as a whole, considering the relevant circumstances;
- ii. Material RPTs shall be subject to the approval by the Board; and
- iii. RPTs shall be disclosed per the applicable disclosure requirements.<sup>16</sup>

### **D. Financial Reporting**

Management is primarily responsible to the Board for financial reporting relating to the Company’s position and prospects and adequate flow of information. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts, and monthly/quarterly/annual internal financial statements. Any variance between projections and actual results should also be disclosed and explained by management to the Board. Timely and accurate information would enable the Board to properly fulfill their duties and responsibilities.

### **E. Disclosures of Non-Financial Information**

The Company shall recognize and place importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Company to grow its business while contributing to the advancement of the society where it operates.

The Company shall adopt a policy for the disclosure of material and reportable information regarding non-financial and sustainability issues, with a focus on the management of economic, environmental, social, and governance (EESG) issues of the business, following a globally recognized standard in reporting sustainability and non-financial information.

The Company shall disclose its Annual Corporate Governance Report as well which will be posted on the website.<sup>17</sup>

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<sup>16</sup> Related Party Transactions Policy.

<sup>17</sup> IC Circular Letter No. 2020-71

### **XIII. Relationship with Shareholders**

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#### **A. Promoting Shareholder Rights**

The Board shall respect the following rights of the Stockholders following the By-Laws:

- Right to vote on all matters that require their consent and approval
- Right to inspect corporate books and records
- Right to information
- Right to dividends
- Appraisal right

#### **B. Protection of Minority Shareholders**

The Board shall respect the rights of the minority Stockholders to nominate candidates for seats in the Board of Directors who possess all the qualifications and none of the disqualifications of Directors as prescribed in the Company's By-Laws.

The Board shall 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 requirement of the By-Laws.

The Board shall promote the rights of the stockholders, remove impediments to the exercise of those rights, and provide an adequate avenue for them to seek timely redress for violation of their rights.

The Board should ensure that accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

In case of a disposition of all or substantially all of the Company property and assets, or other merger or consolidation, the Board should respect the appraisal right of the shareholders through the appointment of an independent party to evaluate the fairness of the transaction price.



#### XIV. Approvals and Reviews

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This manual shall be reviewed as needed taking into consideration the Company's changing business needs and regulatory requirements. Any recommended revisions to the Manual are subject to approval by the Board.

This Corporate Governance Manual shall be effective upon its approval by the Board of Directors.

Signed:

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MARIO M. SILOS  
Chairman of the Board

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WENEFRIDO M. FERNANDO  
Compliance Officer

## XV. Annexes

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### A. List of disqualification of directors

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

1. **Permanently Disqualified**
  - Persons who have been convicted by final judgment of the court for offenses involving dishonesty or breach of trusts such as estafa, embezzlement, extortion, forgery, malversation, swindling, and theft;
  - Persons who have been convicted by final judgment of the court for violation of insurance laws;
  - Persons who have been judicially declared insolvent, spendthrift or unable to enter into a contract; or
  - Directors, officers, or employees of closed insurance companies or any insurance intermediaries who were responsible for such institution's closure as determined by the Insurance Commission.
  
2. **Temporarily Disqualified**
  - Persons who refuse to fully disclose the extent of their business interests when required under a provision of law or a circular, memorandum, or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as the refusal persists;
  - Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special of the Board of Directors during their incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding elections;
  - Persons convicted for offenses involving dishonesty, breach of contract, or violation of insurance laws but whose conviction has not yet become final and executory;
  - Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
  - Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification of the Insurance Commission;
  - Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such a seminar;
  - Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
  - Those under preventive suspension;

- Persons with derogatory records with the NBI, court, police, Interpol and insurance authorities of other countries (for foreign directors) involving a 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;
- Persons who are delinquent in the payment of their obligations as defined hereunder:
  - a. Delinquency in the payment of obligations means that obligations of a person with the insurance company or its related companies where he/she is a director or officer; or at least two obligations with other insurance companies, under different credit lines or loan contracts;
  - b. Obligations shall include all borrowings from an insurance company or its related companies obtained by:
    - i. A director or officer for his 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;
    - ii. The spouse or child under the parental authority of the director or officer;
    - iii. Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
    - iv. A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
    - v. A corporation, association, or firm wholly-owned or the 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.<sup>18</sup>

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<sup>18</sup> IC Circular Letter No. 2020-71

**B. Insurance Commission Reportorial Requirements**

<b>Insurance Commission Circular Letter</b>	<b>Requirement</b>	<b>Date of Submission</b>
CL No. 2016-51	Minutes of Stockholders Meeting	Within 30 days after each regular or special meeting
	List of Members of Board of Directors Identifying the Independent Director and List of Company Officers with their respective positions	30 days after election or appointment
	Independent Director (with Affidavit under Oath) Police Clearance Biodata of Directors	
	Course on Corporate Governance	within the first 3 months of their assumption of office
CL No. 2020-71	Annual Corporate Governance Report	On/or before May 30 of the following year
CL No. 2017-29	Related Party Transaction Report	For annual RPT Report – within 30 days after the end of the calendar year
		For quarterly RPT Report – 20 days after the end of every quarter

**C. Board Self-Assessment Form**



**BOARD SELF-ASSESSMENT FORM**

Name: \_\_\_\_\_ Signature: \_\_\_\_\_

Date Completed: \_\_\_\_\_

Dear Board Member:

Enclosed is the self-assessment questionnaire for the performance of the Board of Directors for the calendar year.

Please read each statement and rank your response based on a 5-point scale. A rating of "5" indicates that you strongly agree with the statement and "1" indicates that you strongly disagree with the statement, thus:

Rating	Remarks
5	Strongly Agree
4	Agree
3	Somewhat Agree
2	Disagree
1	Strongly Disagree

A REMARKS column is also provided for further comments on each statement, if applicable.

Rest assured that the accomplished self-assessment questionnaire will be treated with the utmost confidentiality. A summary report will be distributed to the members of the Board of Directors, through the Corporate Governance Committee after the tabulation and evaluation of the results, along with recommendations for possible consideration and action, if necessary.

Thank you.

Compliance Officer



10. The Board evaluates the proposed plan/strategy including key assumptions, major risks, and required resources, and addresses critical issues.		
11. The Board constructively debates the proposed plan/strategy before approving.		
12. The Board monitors the continued viability of the plan/strategy ensuring that it is adjusted as needed to respond to the evolving environment.		
13. The Board thoroughly reviews major capital expenditures before approval and evaluates ultimate outcomes.		
14. Directors strengthen the tone at the top by clearly demonstrating the required ethical values.		
15. The Board regularly reviews the Company's By-laws and Manual on Corporate Governance.		
16. The Board regularly reviews and approves the Company's vision, mission, and value statements to ensure continued relevance and applicability thereof.		
17. The Board demonstrates a commitment to good corporate governance practices and provides oversight to ensure that the Company is operated in a moral, legal, and ethical manner.		
18. The Board regularly and consistently considers the interest of minority shareholders to ensure their equitable treatment in the decision-making process.		
19. The Board ensures that the Company has a sound and effective internal control system in place and understands Management's role in implementing such a system.		



STATEMENTS/AREAS	ASSESSMENT	
	RATING (1 - Strongly Disagree; 5 - Strongly Agree)	REMARKS (Comments/Inputs)
<b>I. BOARD APPRAISAL</b>		
1. The Board has the right size and composition to bring the requisite knowledge, abilities, diversity, and skills to the table.		
2. The Board, as a whole, possessed the right skills and background for the current issues facing the company.		
3. The Board has sufficient diversity and independence among its directors, allowing it to constructively challenge one another and Management in carrying out respective functions and duties aligned with the Company's strategic directions.		
4. The Board receives ongoing education, allowing directors to stay up to date with developments and to understand their impact.		
5. The frequency, duration, and scheduling of Board meetings per year were adequate to ensure proper coverage of the Board's responsibilities.		
6. Directors receive adequate materials before the Board meeting.		
7. Meetings are effective with sufficient materials, limited presentation, and an atmosphere that encourages open dialogue.		
8. The Board has regular executive or private sessions to allow directors to discuss sensitive topics.		
9. The Board receives appropriate information on industry trends and business environment to enable it to have sufficient insight when considering Management's proposed plan/strategy.		



20. There are sound policies, procedures, and a system in place for related party transactions, which a dedicated Committee effectively implements.		
21. There is a clear distinction in the roles and responsibilities between the Chairman and the President/CEO.		
<b>II. (A) INDIVIDUAL DIRECTOR APPRAISAL</b>		
1. I understand and faithfully uphold the vision, mission, values, and strategies of the Company.		
2. I keep myself updated on the latest best practices in corporate governance and ensure I abide by them.		
3. I avoid entering into situations where I may be placed in a conflict of interest with that of the Company and I promptly disclose any conflict, which may occur.		
4. I have a good record of Board and Committee meeting attendance.		
1. I come to Board/Committee meetings on time, prepared, and knowledgeable about the topics to be discussed.		
2. I actively participate in Board/Committee discussions with a sense of independence and objectivity.		
3. I am aware of all policies and procedures the Board is subjected to and actively adopt these in my function as a member of the Board.		
4. I am committed to accomplish all duties and responsibilities of a director and member of my Committee/s and will perform in the best interest of the Company.		
<b>(B) CHAIRMAN'S SELF APPRAISAL (For the Chairman ONLY)</b>		



5. I faithfully perform my roles and responsibilities as the Chairman of the Board as provided for in the Company's Manual of Corporate Governance and such other responsibilities as the Board may require, to fulfill my role in the best interest of the Company.		
<b>III. BOARD AND MANAGEMENT APPRAISAL</b>		
1. The Board is comfortable with Management's (i.e., including President and CEO) plans to implement the approved strategy, goals, and targets and is confident and satisfied in Management's ability to carry out its responsibilities in the interest of the Company.		
2. Management has in place an effective process to identify risks and assess their potential impact.		
3. Management informs the Board of all key risks and the Board is confident Management addresses them appropriately.		
4. The Board sufficiently challenges and supports Management.		
5. The Board is effective in monitoring Management's implementation of the Company's strategy.		
6. The Board devotes sufficient time and effort to meeting key company executives.		
7. There is an open line of communication and constructive interaction between Directors and Management.		
8. The Board continually monitors Management's performance against clear and measurable objectives, providing constructive feedback and reinforces Management's role in setting the tone at the top.		
<b>IV. SUGGESTIONS AND RECOMMENDATIONS</b>		



<p>1. I believe the Board should focus on the following priorities for the upcoming year:</p>          
<p>2. Are there changes that would improve the Board's effectiveness that you would suggest?</p>          