

**VALUE CARE HEALTH SYSTEMS, INC.  
CORPORATE GOVERNANCE MANUAL  
AUGUST 2020**

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## I. Policy Statement

Value Care as regulated entity under Insurance Commission believed that corporate good governance was established in order to maintain the quality of management, afford better protection to their customers and public in general.

The Board of Directors, Management and Staff commits themselves to adhere to all policies set in Corporate Good Governance through transparency in the manner of doing business. All are expected to perform their function with integrity, fairness and professionalism.

The company operations are guided by organizational structure and policies and procedures which is periodically review and approved by the management committees.

The Board has established different committees to further strengthen implementation of the corporate good governance. These committees - Audit and Compliance Committee, Risk Oversight Committee, Related Party Transaction Committee and Executive Committee.

## II. Objective

This written manual shall be made known to all stakeholders, management and employee of Value Care to enhance corporate accountability to better protect the interests the stakeholders specifically the members or cardholders, claimants and creditors.

## III. Definition of Terms

1. Corporate Governance – the system by which the companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed and the performance is optimized.
2. Board of Directors - these are governing body elected by shareholders that exercises their authority to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enable risks to be assessed and managed.
3. Directors shall include shall include those listed in the Articles of Incorporation, duly elected during the stockholders meeting and those elected to fill in vacancies in the Board of Directors.
4. Independent Director- is person who is not a shareholder and independent of management.
5. Internal control - a process designed to provide a reasonable achievement of the objective through efficient and effective operations. Internal control should also provide reliable, timely generation of financial report and other management information and compliance with different governing bodies.
6. Management – refer to an executive given an authority to establish, implement policies and procedure in the conduct of business operation.



7. Non- Executive Director refers a director of the company without executive responsibility and not part of day to day work related to operations.
8. Officers under the Corporate By-Laws and our General Information Sheet shall include the following:
  - a. President and CEO
  - b. Executive Vice-President
  - c. Treasurer
  - d. Assistant Treasurer
  - e. Compliance Officer
  - f. AML Officer
  - g. Corporate Secretary
  - h. Assistant Corporate Secretary
  - i. Directors with management function that are ordinarily performed in a regular office
  - j. Members of group or committee whose duties includes ordinarily performed in regular office but not on advisory or recommendatory function only
9. Stockholders – refers to stockholders of record in the book of Value Care
10. Stakeholders – refers an individual, organization or group with Value Care transaction and being affected by Value Care's strategies, policies, and business operation. The following are considered as stakeholders:
  - a. Investors
  - b. Creditors
  - c. Employee
  - d. Suppliers
  - e. Members or card holders
  - f. Locality where it operates

#### IV. Corporate Governance Structure

##### 1. Board of Directors

The Board of Directors primarily responsible for the implementation of company's strategic objectives, risks management, corporate governance and corporate values and culture. From the top management down to the employee of the company same is expected to embrace same commitment.

##### 1.1 Composition of the Board and Independent Directors

Value Care board consist of non-executive directors with qualification and knowledge and experience relative to Health Maintenance Organization business to attain its objective and decide on corporate affairs objectively.

The Board of Directors shall composed of at least five (5), and maximum of nine(9) members who are elected by stockholders and hold office for one (1) year until their successors are elected.

The Board should also appoint an independent director of at least 20% of the total shareholders or a minimum of two (2).

The current board of directors does not only consider the age, gender, cultural and educational background, skills and competence but there is also certain representation of women in the board.

## 1.2 Power, Duties and Responsibilities of the Board of Directors

### 1.2.1 Corporate Powers of the Board

The Board of Directors exercise all powers defined under the Corporation Code and Corporate Governance and other governing entities.

### 1.2.2 Specific duties and responsibilities of the Board of Directors

The company believes that compliance with the principles of good corporate governance starts with the Board of Directors. The Board of Directors perform the crucial role and therefore they shall:

- a. Determine and review Company's purpose, vision and mission, and strategies to carry out its objectives. They ensure that the strategic business directions are soundly established and are in line with the overall goals and strategy. Mindful of their responsibility to foster long-term success and secure Company's sustained growth and competitiveness across the industry.
- b. Oversee the conduct of the company's business to ensure that the business is being properly managed and dealings with policy holders, claimants, and creditors fair and equitable. That the implementation of appropriate risk management systems to specifically manage the member's data, reinsurance, investment, financial and operational risks of the company.
- c. Approves policies in the core areas of operations specifically in investments, reinsurance and claims management
- d. Plan succession, including appointing, training, fixing the compensation of, and where appropriate, replacing senior management
- e. Develop and implement an investor relations program or adopt shareholder communications policy for the company.
- f. Review the adequacy and integrity of the company's internal control systems and information communication technology including systems for compliance with the Insurance Code and other applicable laws, regulations, rules, directives and guidelines
- g. Establish an appropriate compensation package for all personnel that are consistent with the interest of all stakeholders
- h. Review and approve material transactions not in the company's ordinary course of business.



- i. Establish a system of check and balance which should applies to the Board and its members
- j. Have an appropriate reporting system so that the Board cab monitor, assess and control the performance of the Management
- k. Present to all its members and shareholders a balanced and understandable assessment of the company's performance and financial condition
- l. Appoint Compliance Officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations
- m. 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.
- n. Ensure that employee retirement trust fund is fully funded or the corresponding liability appropriately recognized in the books of Value Care at all times.

#### 1.3 Nationality of the members of the Board Directors

All members of the board are all Filipino.

#### 1.4 Board Meeting and Quorum Requirement

Board meetings are held every 3<sup>rd</sup> Friday of May. The annual schedule of the Board and Committee meetings and the annual board calendar shall be issued by the Corporate Secretary every December for the coming year.

The Corporate Secretary shall inform members of the Board of the agenda of their meetings and issue all the materials before the scheduled meeting and ensure that members have the accurate information to enable them to come up with decision on matters that require approval.

Board Committees shall meet as prescribed in their respective charters. The meeting can be conducted face to face or via zoom or teleconferencing or video conferencing.

In the company's By-Laws, majority of the number of the directors shall constitute a quorum for the transaction of the corporate business and every decision of at least a majority of the directors are present in the meeting at which there is a quorum shall be valid a corporate act except for the election of officer which shall require the vote of the majority of all members of the Board.

#### 1.5 Nomination and Election of Directors

The nomination of the members of the Board should be submitted to Nomination Committee prior to Annual Stockholders' Meeting. The Nomination Committee shall be responsible for the review and evaluation of the qualification of the submitted candidate. The candidate should:

- a. Have skills, experience, and knowledge on health maintenance organization operation
- b. Possess good reputation and integrity
- c. Have the ability to promote interaction between members of the Board

Stockholder who recommend a person for nomination must be provide a written notice to the office of Corporate Secretary together with attached biographical data of the nominee.

The final list of candidates shall be provided and no other nominations shall be entertained after the final list have been issued and the stockholders who are entitled to vote may elect during the Annual Shareholders' Meeting.

#### 1.6 Retirement and Succession Planning for Directors

The Board shall ensure effective succession planning program for the directors for growth and increase in shareholders' value.

### 2. Directors

#### 2.1 Qualifications of Directors

The minimum qualification for a director of Value Care

- a) The director must have at least one (1) share of stock
- b) Should possess integrity, physical and mental fitness
- c) Should have relevant education/financial literacy or training
- d) Should have the skill, knowledge and experience in healthcare industry
- e) Should be able to provide time to carry out responsibility as director

The members of the Board are required to attend a seminar on corporate governance and submit the certification to Corporate Governance Compliance Officer as a proof of compliance for submission to Insurance Commission.

As part of Board's governance responsibility a Corporate Secretary and Compliance Officer are separate individual and not a member of the Board of Directors.

#### 2.2 Disqualification of Directors

A director can be permanently disqualified under the following grounds:



- a. Involved in fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, and other fraudulent act
- b. Committed an offense punishable by imprisonment

As part of corporate governance a director may temporarily disqualified if:

- a. More than 50% of the total attendance was not met during regular or special meeting of the Board except his absence was due to prolong illness, death of immediate family or serious accident.
- b. If any of permanent disqualification ground has not yet become final

### 2.3 Qualification of Independent Directors

The Independent Director should possess all the necessary qualification and none of the disqualification to the position.

- a. the person is not a director, officer or employee of Value Care
- b. Is independent of management
- c. the person is not appointed as Chairman "Emeritus", Director, and Officer of Value Care for the past three (3) years from the date of appointment

### 2.4 Term Limits for Independent Director

The independent director shall serve for a maximum of nine (9) years. In case of Health Maintenance Organization the reckoning date will start from 21 September 2016. In case the company extends the term of the independent director beyond the maximum years defined, the Board shall submit to the Insurance Commission a formal written justification and approval of the shareholders during the Annual Stockholders' Meeting.

### 2.5 Chairperson of the Board of Directors

The Chairperson of the Board of Directors shall be responsible in carrying out the function of the Board and ensure:

- a. meeting agenda that is focus on company strategic, governance and risk management
- b. To encourage and promote sound decision making
- c. Conduct orientation and training whenever a new director was on board for the first time
- d. All directors receive accurate and timely information

Value Care follows IC recommendation that Chairman of the Board and CEO are held by separate individuals.

### 2.6 Specific Duties and Responsibilities of a Director

The Director should be responsible to the company's stakeholders and they are expected to execute their duties with care and sound manner.

- a. Should keep their status fit for the position and promote continuing education and training
- b. Should deal business transaction with fairness
- c. Should be able to devote time to be able to manage duties and responsibilities as director
- d. Should contribute in decision making process
- e. Maintain independence
- f. Should observe confidentiality of sensitive information discloses during the meeting or acquired as a Director of Value Care

## 2.7 Remuneration of Directors and Officers

The existing remuneration based on By-Laws of the company provides that:

- a. Each director shall receive a reasonable per diem allowance for every meeting attended and
- b. As compensation the Board shall receive and allocate an amount of not more than ten (10%) of net income before income tax of the corporation during the year. The compensation shall be determined and apportioned among the directors in such manner as Board may deemed proper, subject to approval of at least majority of the stockholders during the regular and special meeting.
- c. A director is not allowed to participate in discussion or deliberation involving his/her own remuneration.

## 3. Board-Level Committees

Some of the function of the Board of Directors may be delegated to the Board- Level Committee with respect to the following:

- a. The charter of each committee requires approval, review and update whenever there are changes as to mandate, scope and working procedure.
- b. The Board shall appoint members of the committee and consider skill, knowledge and experience to objectively evaluate issues presented
- c. The Board ensures that each board-level committees should maintain records such as minutes of the meeting or decision taken. This allows to document the fulfillment of responsibilities given and evaluate performance of functions given.

Value Care establish board level committees - Corporate Governance and Sustainability Committee, Board Audit and Compliance Committee, Board Risk Oversight, Related Party Transaction Committee and Executive Committee. The details of authority, functions, duties and responsibilities of the board level committees are discussed in its Charter referred in Annexes.



- Annex 1 - Corporate Governance and Sustainability Committee
- Annex 2 - Board of Audit and Compliance Committee (BACC)
- Annex 3 - Risk Oversight Committee (ROC)
- Annex 4 - Board Oversight RPT Committee
- Annex 5 - Executive Committee

#### 4. Officers

##### 4.1 Qualification of Officer

Value Care Officers must be fit for the position by considering his/her integrity, education and training. The Officer should possess competencies set to the function. et of skills, experience and diligence.

##### 4.2 Duties and Responsibilities of Officer

- a. Ensure that the governance policies are approved by the Board and implemented
- b. Ensure that strategic objective was met and implement performance measure
- c. Delegate work properly and promote accountability and transparency
- d. Promote internal control to strengthen check and balance system in Value Care

#### 5. The President

The President shall be the Chief Executive Officer of the corporation and shall also have administration and direction on day-to-day business affairs of the company.

The following function shall be exercised by the President:

- a. To preside the meeting of the Board of Directors and of stockholders in the absence of the Chairman of the Board of Directors.
- b. To initiate and develop corporate objectives and policies and formulate long range projects, plans, and programs for the approval of the Board of Directors, including those for executive training, development and compensation.
- c. To have general supervision and management of business affairs and property of corporation.
- d. To ensure the administrative and operational policies of the company ae carried out under his supervision and control.
- e. Subject to guidelines prescribed by law, to appoint, remove, suspend or discipline employee of the corporation, prescribe their duties, and determine their salaries.
- f. To oversee the preparation of the budget and the statements of accounts of corporation.
- g. To prepare such statements and reports of the corporation as maybe required of him by law.

- h. To represent the corporation at all functions and proceedings.
- i. To execute on behalf of the corporation all contracts, agreements and other instruments affecting the interest of the corporation which require the approval of Board of Directors except otherwise directed by the Board of Directors.
- j. To make reports to the Board of Directors and stockholders.
- k. To sign certificate of stock.
- l. To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.

The President may assign the exercise or performance of any of foregoing powers, duties and functions to any other offices subject to his supervision and control.

## 6. The Corporate Secretary

The Corporate Secretary is separate individual from Compliance Officer and must not be a member of the Board of Directors. It is a requirement for the Corporate Secretary to attend Corporate Good Governance training.

### 6.1 Duties and Responsibilities

- a. Assist the board and its committee in the conduct of meetings and setting agendas
- b. Forward and inform the Board of Directors of the agenda and other meeting materials for proper understanding to be able to arrive at sound decisions on items for approval.
- c. Ensure the availability of adequate facilities for the conduct of the meeting by remote communication.
- d. Ensure that there is clear communication among participants
- e. Secure visual and audio recording and ensure that there is no stoppage or interruption
- f. Attends all Board meetings except there is justifiable reason such as illness
- g. Oversees the changes in shareholdings and by-laws. He/She ensures that the changes conform with the regulatory requirement.
- h. Updates relevant laws, regulations, governance issuances, HMO developments and operations of Value Care and advise the Chairman of the Board and other board members.
- i. The office of the Corporate Secretary keeps the integrity of the Minutes of the Meeting of the Board and its Committee and other official record.
- j. Ensure efficient voting system during the Annual Shareholders' Meeting or any special meeting.
- k. The appointment of the Compliance Officer is being disclose to Securities and Exchange Commission on SEC Form 17-C
- l. Keep the list of shareholders, maintain stock transfer book and keep track of all outstanding certificates in the manner requires by the law.
- m. Require those who attended via remote communication to sign the minutes of the meeting when practicable.



## 7. The Compliance Officer

Value Care Compliance Officer is not a member of the Board of Directors.

### 7.1 Duties and Responsibilities

- a. Ensure that all submissions to the governing body (i.e Insurance Commission, Security and Exchange Commission and others) are monitored, reviewed, and evaluated in accordance to the requirement set;
- b. Coordinate with other departments to address any compliance issues which may subject to audit or investigation by the governing body;
- c. Ensure that trainings required are attended by members of the board and other officers;
- d. Check the integrity and accuracy of the compliance data;
- e. Provide updates on new circular, regulations or executive orders for compliance;

## 8. The External Auditor

The Board of Audit and Compliance Committee shall recommend to the Stockholders an External Auditor duly accredited by Securities and Exchange Commission and Insurance Commission.

The appointed External Auditor should provide an independent audit.

8.1 The External Auditor shall not at the same time provide an internal audit service. Any other non-audit service provider must be disclosed and it should not affect the independence of the audit work.

8.2 If the External Auditor had terminated its engagement, the effective date of resignation or termination of engagement shall be disclosed or reported including any disagreement on practice or accounting principles.

8.3 The External Auditor shall describe the basis of opinion or accounting. financial framework;

8.4 The External Auditor should identify any risks that have material effect in the financial statements and communicate assessment to strengthen internal controls to the Audit and Compliance Committee;

8.5 The External Auditor had the sole responsibility in the audit report and assess the following:

- a. Extent of audit procedure and timing of audit
- b. Internal Audit function that would made relevant in external audit process

- c. Adequacy or if the audit had sufficient information of disclosure in related party transactions

8.6 The External Auditor performs audit based on auditing standard and ethics.

8.7 The External Auditor should charge Value Care a reasonable audit fees without affecting audit quality service, hours needed to complete the audit based on audit plan and complexity of activities of the company;

8.8 The external auditor shall be replaced after every five (5) years of engagement with Value Care.

9. The Internal Auditor

Value Care Internal Audit must be supervised by a person with integrity, right education, experience, training and understanding of the risk exposures of the company, as well as competence to audit all areas of finance and operations.

9.1 The company must have an independent Internal Audit Department in place where organizational and procedural controls are effective.

9.2 The Internal Audit shall provide an annual report to the Board and Board Level Audit and Compliance Committee internal audit activities, purpose, authority and performance of approved audit plans and strategy approved by the Board Audit and Compliance Committee.

9.3 The Head of Internal Audit must be a Certified Public Accountant (CPA) or Certified Internal Auditor (CIA) with at least five (5) years of experience as audit manager.

9.4 Duties and Responsibilities

- a. Must have necessary skill, independence and leadership to fulfill his responsibilities;
- b. Accountable to the President and Board Level Audit and Compliance Committee as provided in internal audit charter;
- c. Ensure that the internal audit team are working within the internal audit standards framework;
- d. Provide an audit plan based on risk assessment and approved by Board and Board Audit and Compliance Committee;
- e. Ensure that the established internal audit team have sufficient qualifications and skills;
- f. Communicate the status and implementation of audit plans and programs;

V. Dealings with Related Party Transaction



Overlapping interest in the entity shall be disclosed to Board and any material transaction involving such interest must be disclosed fully prior to their approval.

The Board Oversight RPT Committee shall ensure that related party transactions are monitored and implemented according to applicable laws and regulation.

Related-party transactions must be conducted in terms that is at least comparable to normal commercial practices to safeguard the best interest of the company, members or cardholders, creditors and claimants.

Related –party transaction shall include:

- a. Claims and write-offs
- b. Investments and equity issuances
- c. Contracts, service arrangements, consulting, agency
- d. Borrowings, commitments, and fund transfers
- e. Sale, purchase or supply of any goods
- f. Construction arrangement/contracts
- g. Lease arrangements/contracts
  
- h. Joint ventures

All transaction entered into by Director or employee with probable conflict of interest arising from related-party transaction should immediately reported to the Board of Oversight RPT Committee and Corporate Good Governance to evaluate and address course of action.

Monitoring and assessment shall be provided by an independent group who directly report to Board of Audit and Compliance Committee.

#### VI. Confirmation of election/ appointment of Directors/Officers

The company follows what is provided in the Corporate By-Laws where immediately after the election, the Board of Directors shall formally organize to elect the Chairman, the President, one or more Vice-President, the Treasurer and the Corporate Secretary. The Board may appoint such other officers as it may deem necessary.

#### VII. Bio-data of Directors and Officers

Pursuant to Insurance Commission Circular Letter 2016-51 Value Care submitted list of members of the Board of Directors, Independent Directors and list of officers indicating their respective position accompanied by their respective Bio-Data and Affidavit under Oath that the independent director has no business dealings with Value Care.

#### VIII. Code of Conduct and Business Ethics

The Code of Conduct must be applied to all employees regardless of employment status including those in satellite office or branches.

The Corporate Good Governance Manual serves as the code of conduct to Board of Directors that defines integrity, accountability and transparency in doing business and treating fairly its clients, stakeholders, other related parties and communities.

#### IX. Shareholders' Rights and Protection

The rights of shareholders are of paramount importance in the Company's By-laws, Code of Ethics, and Corporate Manuals. The goal is to ensure the protection of shareholder interests and concerns through the free exercise of shareholder rights. Value Care shareholders have the responsibility and power as stated in Corporation Code and Company by-laws, regardless of the number of shares they own, have the rights to:

##### a. Call a Meeting

a.1 Special Meeting of shareholders shall be made at least fifteen (15) days in advance and the following information shall be noted –time, place and agenda;

a.2 Annual Shareholders Meeting shall be held every third (3<sup>rd</sup>) Friday of May at Value Care office located at 33 Meralco Avenue, Brgy. San Antonio, Pasig City

a.3 The shareholders may submit proposed agenda at special meeting or Annual Shareholders' Meeting

##### b. Vote on matters that requires approval

b.1 Value Care Shareholders including those having minority shares have the right to nominate, elect, remove or replace a Director under the Revised Corporation Code.

b.2 The nomination must be submitted in writing duly signed by nominating stockholder and the chosen nominee.

b.3 participate in the election of individual Board of Directors

##### c. Shareholders are given right to inspect book and records in accordance with Revised Corporation Code including all Minutes of the Meeting.

##### d. Shareholder has the right to appraisal or the right to dissent and demand payment of the fair value of their shares as provided in Revised Corporation Code under the following circumstances:

d.1 In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;



d.2 In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all of the corporate property and assets as provided in the Revised Code;

d.3 In case of merger or consolidation;

d.4 In case where the company decides to invest its funds in another corporation or business or other than the primary purpose of the business.

e. Rights to Dividend

Shareholders has the right to dividend declared and paid based on the surplus profits determine by the Board of Directors in accordance to the provision of laws and regulations of SEC and Insurance Commission.

f. The Board had encouraged active participation by providing Notice of Annual and Special Shareholders' Meeting with the following information – date, location, and meeting agenda at least 15 days before the meeting including the recent Minutes of the Meeting.

g. The Board shall promote integrity in the voting and election process.

X. Corporate Governance Assessment and Monitoring

Corporate Governance Manual shall serve as foundation of Value Care efficient operation. It will reflect the over-all values and competence of the Board of Directors, Officers and Management Team.

The provided Assessment and Monitoring shall measure its compliance to governance standard and principles. It has a rating scale described as follows:

Rating	Description
5 - Superior	<b>Exceed</b> what is necessary given the risk and complexity of the operations of the company. The weakness are considered insignificant.
4 – Satisfactory	<b>Meet</b> what is necessary given risk and complexity of the operations of the company. There may be weaknesses reported but do not affect the overall quality of governance in Value Care
3 - Less than Satisfactory	<b>Do not meet</b> what is necessary given the risk and complexity of the operations of the company. The Board and the Management of the company express their commitment to address or correct the situation in a timely manner.
2 - Needs Improvement	<b>Deficient</b> to meet what is necessary given the risk and complexity of the operations of the company. The Board and Management to address the situation in a timely manner is doubtful.
1 - Poor	<b>Critically Deficient</b> to meet what is necessary given the risk and complexity of the operations of the company. The deficiency is considered material that would pose threat to the efficiency or business soundness of the company.

The Board and the Management Team should be able to come up with specific recommendation to correct the situation in a timely manner as a result of evaluation on quality governance.

#### XI. Communication Process

1. The Corporate Governance Manual should be made available for inspection by any stockholder of the company during business hour and days;
2. All Directors, executives, division and department heads are enjoined to comply and disseminate the Good Governance Manual to employees and related third party and
3. The Corporate Good Governance Manual can be accessed through Value Care Website.

#### XII. Training Process

All Value Care officers and members of Board are required to attend once a year the Corporate Good Governance training conducted by accredited providers of Insurance Commission. As mentioned the new director shall be required to undergo corporate governance training and continuing education program.

#### XIII. Sustainability

The company's sustainability is a commitment shared by the Directors, Officers and employee. The capacity to sustain its business is related to quality of human resources, physical resources, viability of healthcare maintenance organization business and it relationship with the communities. As part of Insurance Commission requirement to all Health Maintenance Organization we are subject to a minimum capital requirement and financial capacity where we maintain our key performance indicators specifically on company's liquidity.

In line with the compliance on sustainability, a quarterly report shall be submitted to the Corporate Governance and Sustainability Committee including on progress activities of the company's sustainability programs, donations and projects undertaken initiated by employees.

#### XIV. Reference

1. Amended Articles of Incorporation and By-Laws;
2. Revised Corporation Code of the Philippines
3. Insurance Commission Circulars

Reference	Subject
CL 2016-41	Minimum Capitalization Requirement and Financial Capacity Requirement for HMO and Pre-Need
CL 2016-46	Engagement of External Auditors
CL 2016-51	Corporate Governance



CL 2017-29	Guidelines on Related Party Transactions for Insurance Commission's (IC) Covered Institutions (Cis)
CL 2017-50	Amendment to Minimum Capitalization and Financial Capacity Requirements for HMO
CL 2020 -72	Submission of Annual Corporate Governance Report
CL 2021-20	Adoption of Annual Corporate Governance Report

#### 4. Securities and Exchange Commission

Reference	Subject
MC No.6 Series 2020	Guidelines on the attendance and participation of directors, trustees, stockholders, members, and other persons of corporations in regular and special meetings through teleconferencing, video conferencing and other remote or electronic means of communication

#### 5. Practice-Oriented Handbook on Corporate Governance, Celso P. Vivas, Philippines

### XV. Approvals and Reviews

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.

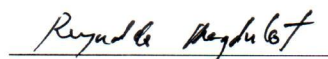
Signed:



Dr. Samuel D. Ang  
Chairman of the Board



Dr. Patricia L. Tan  
President / CEO



Reynaldo M. Magdulot, MBA  
Compliance Officer

## **Annex 1**

### **CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE CHARTER**

#### **I. Corporate Governance**

Corporate Governance is 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 the performance is optimized.

#### **II. The Corporate Governance and Sustainability Committee**

The objective of this committee is to assist the Board of Directors in fulfilling its corporate governance responsibilities and effectiveness of corporate governance principles and guidelines.

#### **III. Composition of the Committee**

The committee shall include the Chairman and composed of Board of Directors who are at least three (3) Independent directors. The members are entitled to payment equivalent to per diem given to members of the Committees created by the Board.

The committee may invite a resource person in their meetings to guide the members on relevant issues.

There should be a quorum to approve any act in all meetings of the Committee.

#### **IV. Duties and Functions**

The Corporate Governance and Sustainability Committee shall assist the Board in the performance of their responsibilities and ensuring compliance on the principles and practices stated in Corporate of Good Governance.

- a. reviews regularly the implementation of corporate governance framework and policies and consistently implemented;
- b. oversee the evaluation of the performance of the Board, its committees, and senior management;
- c. recommends on the following:
  - c.1 training for directors or senior management as a continuing education program
  - c.2 assignment of tasks or projects to board committees
  - c.3 succession plan for board members and senior officers



- d. formulates policies to strengthen provision on promotion, salaries and benefits, conflict of interest issue in relation to continuing education programs and succession plan;
- e. establish policies and procedure to encourage Value Care employee participate in attaining company goals and governance;
- f. responsible for overseeing the nomination and election process of the members of the board of directors and ensuring appropriate knowledge, competencies and expertise.
- g. ensure that the number of independent directors required are followed where 20% of the total shareholders but not less than two (2) members of the board are independent directors;
- h. review and evaluate the qualification of all nominated to the Board as well as those position that require Board approval;
- i. prepare short listing of directors nominated in accordance to qualification and disqualifications;
- j. oversee the design and implementation of remuneration and other incentive of the board and officers;
- k. establish a formal and transparent policy and procedure on remuneration of corporate officers, directors, and key personnel to ensure that the remuneration are consistent with financial capacity, business strategy and environment;
- l. Disallow any director to determine his/her own remuneration;
- m. Provides annual report and disclosure of the total compensation of its executive officers for previous year and current year;
- n. ensure that the company has a policy on disclosure of non-financial information emphasizing on management economic, environment, social and governance issue relative to company sustainability;
- o. responsible for operation or active role in the implementation of Corporate Social Responsibility (CSR);
- p. assess the company's sustainability performance including economic, social and environmental performance; and

- q. The Chairman of the committee shall preside over the meetings, maintain efficient communication between the Board and management

V. Frequency Meeting

The meeting shall be held at least every month or as it considers appropriate.

VI. Review of the Charter

The committee shall review and assess the adequacy of this Charter annually and recommend any changes for approval of the Board of Directors.

**Annex 2**

**BOARD AUDIT AND COMPLIANCE COMMITTEE  
CHARTER**

I. Purpose

The Board Audit and Compliance Committee is created to ensure that Value Care complies with relevant laws, regulations, codes of best business practices and existence of significant controls –organizational and procedural controls and risk exposure.

II. Composition of the Committee

The Board Audit and Compliance Committee shall compose of three (3) Board Members who are non-executive directors and an independent director. The Chair of this committee must be an Independent Director appointed by the Board and the chair should not be the Chairman of the Board. The members of the committee must have accounting, auditing or related financial management expertise.

There must be a quorum to approve any act in all meetings of the Committee. The presence of the majority of the members of the committee less 1 member shall constitute a quorum.

III. Meetings

The BACC shall at least hold a meeting 4 times a year and special meeting may be called as necessary.

A resource person may be invited in any of its meeting to do a report, provide clarification and guidance to the committee for the relevant issues currently encountered.

IV. Authority



The committee has full authority to investigate any issues brought to the attention and has full access to and requires the cooperation of the Management to effectively discharge its functions.

BACC has the sole authority on External Audit selection, evaluation, dismissal or replacement and re-appointment based fair and transparent criteria:

- a. Core values
- b. Integrity
- c. Culture
- d. High regard for excellence in audit quality
- e. Expertise of auditing staff
- f. Independence and objectivity
- g. Reliability and relevance of audit report and
- h. Quality of control procedures

It is also the committee has the authority to define the compensation of the External Auditor in accordance to the scope of audit engagement. It may recommend to the Board to delegate to the President or CEO to negotiate audit fees, signed and execute the contract for audit engagement and no-audit engagement with External Auditor subject to approval of BACC.

The Board Audit and Compliance Committee shall ensure the effectiveness of internal controls, financial, operational and compliance controls and risk management conducted on annual basis.

#### V. Duties and Responsibilities

The Board Audit and Compliance Committee (BACC) shall:

- a. Provide oversight on senior management's activities in managing activities in managing credit, market, liquidity, operational, legal and other risks of the corporation;
- b. Provide oversight on the works of the corporations internal and external auditors;
- c. Review and approve audit scope and frequency, and the annual internal audit plan;
- d. Discuss with external auditor before the audit commences the nature and scope of the audit;
- e. Responsible for the setting-up of an internal audit department and consider the appointment of the internal audit head as well as an independent external auditor, the audit fee and any question of resignation or dismissal;
- f. Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system;
- g. Receive and review reports of internal and external auditors and regulatory agencies, where applicable and ensure that management is taking appropriate corrective actions in a timely manner in addressing control and compliance function with the regulatory agencies;
- h. Review the quarterly, mid-year and annual financial statement before submission to the Board and various regulatory agencies focusing on:
  - ✓ Changes in accounting policies and procedure
  - ✓ Significant adjustments
  - ✓ Going-concern assumptions

- ✓ Compliance with accounting standards
  - ✓ Compliance with tax, legal, and securities and exchange requirement
- i. Establish effective audit program that cover IT risk exposures throughout Value Care, risk focused, promote sound Information Technology (IT) control, timely resolution of audit deficiencies and period reporting to the Board;
  - j. Responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. It may also constitute a Compliance Unit for this purpose.

The BACC is not responsible for completeness of financial statements and preparation in accordance with generally accepted accounting principles. The Management and the External Auditor shall have these responsibilities.

### **Annex 3**

#### **BOARD RISK OVERSIGHT COMMITTEE CHARTER**

##### **I. Purpose**

Value Care Board Risk Oversight Committee (BROC) is created to assist the board in overseeing the risk profile and risk management framework. BROC shall involve continuous identification and evaluation of company's exposure to events that are likely to have detrimental effects on the company. Failure to manage risk can result to substantial loss to an organization.

##### **II. Composition of the Committee**

The Board Risk Oversight Committee shall compose of three (3) Board Members who are non-executive directors and an independent director. The Chair of this committee should not be the Chairman of the Board.

The members of the committee shall possess experience and knowledge on enterprise risk.

The resource person must have a first-hand knowledge or expertise in the scheduled agenda of Risk Oversight Committee. It may compose of the President, Head of Operations, Compliance Officer, Chief Audit and Compliance Officer, Risk Officer and Legal Counsel (where legal risk are concerned)

There must be a quorum to approve any act in all meetings of the Committee. The presence of the majority of the members of the committee less 1 member shall constitute a quorum.

The Board of Directors shall have the power at any time to change, increase or decrease the membership of BROC (refer to Section 35 of the Corporation Code).



### III. Authority

Value Care ROC has the authority to direct management to submit regular reports on current risks exposures on liquidity, market, credit, operational, legal, compliance, strategic, reputation, and technology.

The committee has the authority to approve or endorse risk policies and procedures, frameworks, plan and programs and access company records deems necessary.

### IV. Duties and Responsibilities

The duties and responsibilities will be based on risk categories.

Risk Category	Duties and Responsibilities	Support Group
Operational risk	<ol style="list-style-type: none"> <li>1. Approve basic structure of the framework for managing operational risk related to: <ul style="list-style-type: none"> <li>• Systems (information processing &amp; technology)</li> <li>• Customer satisfaction</li> <li>• Human resources</li> <li>• Fraud and illegal acts</li> <li>• Bankruptcy</li> </ul> </li> <li>2. Oversight role in maintaining and implementing effective procedure for managing operational risk on business products, activities, processes and systems</li> </ol>	Operations Risk Management
Legal Risk	<p>Must be aware of Value Care operational and legal risk by:</p> <ol style="list-style-type: none"> <li>a. review on operational and legal risk exposure or loss of major business transaction or product line or client</li> <li>b. oversee the effective management and control of the company's</li> </ol>	Operations Risk Management

	resolution to operational and legal risk	
Strategic and Financial Risk	1. Assume an oversight role thru the role of Chief Operating Officer in monitoring the strategic goals, business strategies developed, resources	Office of the COO, Risk Oversight Committee, Corporate Governance Committee and Executive Committee
Risk Category	Duties and Responsibilities	Support Group
	deployed and quality implementation 2. Review and discuss with Management Team the performance against target of major revenue and require explanation on variances derived to	
	address certain business strategies and policies 3. Assess how the Value Care generates revenue and analyze sensitivity to business condition 4. Assume oversight role in monitoring on Key performance indicators set by the regulating bodies – liquidity and risk based capital	
Regulatory Risk	Assume an oversight role if all regulatory requirement were complied <ul style="list-style-type: none"> <li>• Capital adequacy</li> <li>• Compliance</li> <li>• Taxation</li> <li>• Changing laws or regulation</li> </ul>	Office of the COO, Risk Oversight Committee, Corporate Governance Committee and Executive Committee
Leadership Risk – turnover and succession	1. Assume an oversight role if the company have policy on succession planning	Office of the COO, Risk Oversight Committee, Corporate Governance Committee and Executive Committee



	2. Ensure that human capital policy and procedure are implemented in accordance to law and fair treatment of employees	
Category Risk	Duties & Responsibilities	Support Group
Integrity Risk	Assume an oversight role thru the Office of COO and Marketing Department in ensuring caution in dealing with client or members as well as responsiveness in addressing negative public opinion and public perception	Office of the COO, Risk Oversight Committee, Corporate Governance Committee and Executive Committee and Marketing Department
Technology Risk	1. Ensure that there is an effective technology planning and implementation of controls 2. Review and recommend technology projects that may have an impact in operations and income generation of the Value Care	
Risk Category	Duties and Responsibilities	Support Group
	3. Oversee the development, implementation and maintenance of Information Security Program and emphasis on accountability of Management involve in the supervision of ICT	Risk Management Committee, Information Security Project Head, Corporate Governance and Sustainability Committee
Compliance Risk	Oversee compliance thru the Compliance Officer with respect to compliance to laws, regulations, internal policies and	Risk Management Committee, Board Audit and Compliance Committee and Compliance Office

	procedure and circulars mandated by governing bodies	
Credit Risk	Ensure that there is an existing credit risk management in place and review to manage credit problem	Risk Management Committee, Board Audit and Compliance Committee and Billing and Collection Department

#### V. Meeting

There should be a regular meeting or the committee shall meet as deemed necessary and provide regular report to the Board Risk Oversight Committee to lessen the risk and recommend plan of action. Risk Oversight Committee should ensure that all meetings are recorded and effectively meet its purpose.

### Annex 4

#### BOARD RPT OVERSIGHT COMMITTEE CHARTER

##### I. Purpose

The main purpose of this committee is to assist the Board in monitoring and managing possible conflict of interest of shareholders, board members, management, and stakeholders.

##### II. Composition of the Committee

The committee should compose of at least three (3) members. All members must be non-executive and consider two (2) of whom are independent directors. The number of members of the committee may be increase or decrease and fill in vacancies from time to time to maintain a quorum.

To ensure fairness in dealing with related party transaction, the committee may invite a resource person or seek a professional advice.

There must be a quorum to approve any act in all meetings of the Committee. The presence of the majority of the members of the committee less 1 member shall constitute a quorum.

##### III. Authority

The Board RPT Oversight Committee has the authority:



- to evaluate related party transaction to control abuse and ensure implementation of RPT policies
- to exercise objectivity in dealing with related party transactions for the best interest of the company
- to endorse related party transaction that have material impact to the Board for approval

#### IV. Duties and Responsibilities

- a. Approves implementing policies and procedure in managing related party transactions in accordance to regulations requirement;
- b. Reports to Board the exposure to related party transaction on regular basis including the estimated amount
- c. Ensure that there is disclosure on related party transaction exposure
- d. It is the duty of the Chairman of the committee to call and preside over the meeting and ensure sound decision in dealing with related party transactions

#### V. Meeting

The Board RPT Oversight committee should meet every month or may call a meeting when there is urgency to properly discharge their function.

### Annex 5

#### **EXECUTIVE COMMITTEE (EXCOM) CHARTER**

##### I. Purpose

The Executive Committee (Excom) purpose is to review, discuss and endorse transactions that requires Board approval on both operational and financial transactions.

##### II. Composition of the Committee

Value Care Executive Committee composed of at least four (4) non-executive directors and one (1) independent director. The composition includes the President and CEO. The committee may invite a resource person to provide report, clarify and guide the members of the committee on related issues to come up with objective decision.

The approval of the majority of the members shall be required or there must be a quorum to approve any proposal.

##### III. Function of the Committee

The committee shall perform a function that the Board may delegate such as:

- a. Approval of credit transaction. The approval of the committee shall be forwarded to Board for notation.

- b. Evaluate and endorse approval to Board all investment portfolio – bonds, shares of stock or financial instruments
- c. To approve payment plan, compromise settlement or write-off of past due and problematic account
- d. Establishment, renovation, relocation and closure of satellite office or branch
- e. To act on proposal related to lease, acquisition and disposal of real properties
- f. Approval of fines and penalties and other expenses within the authorized limit

#### IV. Meeting

The Execom Committee may regularly meet at a time set by the members. The Chairman may call for a special meeting if deemed necessary.

All acts and approval shall be recorded by providing Minutes of the Meeting and shall be submitted and route to the members for notation.

#### Annex 6

#### PERFORMANCE EVALUATION FOR YEAR 2020

The Board skills matrix below represents the Directors' key skills, which are particularly valuable to effectively oversee the company and the execution of our strategy:

Experiences and skills that a director possesses	Samuel D. Ang	Patricia L. Tan	Josefina C. Chua	Lawrence O. Gotamco	Jose Y. Garcia	Cesar S. Co	Johnlu Koa	Robertson K. Laurel	Owen Y. Lu
Accounting							✓		✓
Corporate Development	✓	✓	✓	✓	✓	✓	✓	✓	✓
Corporate Governance	✓	✓	✓	✓	✓	✓	✓	✓	
Executive Leadership	✓	✓	✓	✓	✓	✓	✓	✓	✓
Financial Services							✓		✓
Risk Management									✓
Sales and Distribution							✓		

#### Annex 7

#### BOARD LEVEL COMMITTEE MATRICES



CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE (CGSC)			
Name	Board of Directors	Independent Director	Total
	3	1	4
Patricia L. Tan, MD	√		
Samuel D. Ang	√		
Joey Y. Garcia	√		
Owen Y. Lee		√	

BOARD AUDIT AND COMPLIANCE COMMITTEE (BACC)			
Name	Board of Directors	Independent Director	Total
	3	1	4
Patricia L. Tan, MD	√		
Josefina C. Chua	√		
Joey Y. Garcia	√		
Owen Lee		√	

BOARD RISK OVERSIGHT COMMITTEE (BROC)			
Name	Board of Directors	Independent Director	Total
	3	2	5
Samuel D. Ang, MD	√		
Patricia L. Tan, MD	√		
Josefina C. Chua	√		
Owen Lee		√	
Robertson K. Laurel		√	

BOARD RPT COMMITTEE			
Name	Board of Directors	Independent Director	Total
	3	2	5
Patricia L. Tan, MD	√		
Josefina C. Chua	√		
Lawrence O. Gotamco, MD	√		
Robertson K. Laurel		√	
Owen Lee		√	

**Annex 8**
**SUB-COMMITTEE MATRICES**

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE				
Name		EXCOM/MANCOM	OPCOM	Total
Sub-Committee		6	0	6
1	Armando S. Macalino	√		
2	Shirley M. Catibog	√		
3	Christian G. Cristobal	√		
4	Reynaldo M. Magdulot	√		
5	Elmer Palomata	√		
6	Rommel Adarna	√		

BOARD AUDIT AND COMPLIANCE COMMITTEE (BACC)				
Name		EXCOM/MANCOM	OPCOM	Total
Sub-Committee		5	0	5
1	Armando S. Macalino	√		
2	Christian Cristobal	√		
3	Rommel Adarna	√		
4	Reynaldo M. Magdulot	√		
5	Liza Marie E. Perez	√		

BOARD RISK OVERSIGHT COMMITTEE (BROC)				
	Name	EXCOM/MANCOM	OPCOM	Total
	Sub-Committee	6	0	6
1	Armando S. Macalino	√		
2	Shirley M. Catibog	√		
3	Rommel Adarna	√		
4	Reynaldo Magdulot	√		
5	Ramon Laiz	√		
6	Elmer Palomata	√		



BOARD RPT COMMITTEE				
	Name	EXCOM/MANCOM	OPCOM	Total
	Sub-Committee	6		6
1	Armando S. Macalino	√		
2	Liza Marie E. Perez	√		
3	Rommel Adarna	√		
4	Reynaldo Magdulot	√		
5	Ramon Laiz	√		
6	Elmer Palomata	√		