



Armed Forces and Police Mutual Benefit Association, Inc.

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ANNUAL CORPORATE GOVERNANCE REPORT OF ARMED FORCES AND POLICE MUTUAL BENEFIT ASSOCIATION, INCORPORATED (AFPMBAI)

1. For the fiscal year ended: 31 December 2021
2. Certificate Authority Number: Mutual Benefit Association's License
No. 2022-02-R issued by the Insurance Commission
3. Province, Country or other jurisdiction of incorporation or organization: Metro Manila, Philippines
4. Address of Principal Office, Postal Code: AFPMBAI Building, Col Bonny Serrano Road cor EDSA,
Quezon City, 1110
5. Company's telephone number, including area code: (+632)8822-6224
6. Company's official website: www.afpmbai.com.ph
7. Former name, former address, and former fiscal year, if changed since last report: N.A.

ANNUAL CORPORATE GOVERNANCE REPORT

	COMPLIANT/ NON-COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
The Board's Governance Responsibilities			
Principle 1: The company should be headed by a competent, working board to foster the long- term success and sustainability of the corporation in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.			
Recommendation 1.1			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	C	2021 ANNUAL REPORT Biographical Details of the Board of Trustees and Executives NOMINATION AND ELECTION POLICY (2022 MCG Annex A) (Nomination and Screening Process, p2) 7. Candidates for the Board seats here enumerated must possess the necessary academic education and experience in business and insurance administration or activities related to the business operations of the Association to qualify as members of the Board. In particular, below are the qualifications and disqualifications of candidates for Board seats: Qualifications a. A regular member of AFPMBAI; b. Possesses qualities of integrity and probity; and c. Possesses necessary skills and experience in terms of management capabilities, and preferably in the field of insurance, legal, finance/investment management, audit/ accounting or related disciplines;	
2. Board has an appropriate mix of competence and expertise	C		
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	C		
Recommendation 1.2			
1. Board is composed of a majority of non-executive directors.	C	2021 ANNUAL REPORT Corporate Governance Report: Membership Participation	

Recommendation 1.3			
1. Company provides in its Board Charter or Manual on Corporate Governance a policy on training of directors.	C	<p>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (IV. Board of Trustees: H. Trustees' Training, p12-13) "When the course is available, the trustee must undergo a seminar on corporate governance principles offered by the Institute of Corporate Directors, or other SEC-accredited training providers..."</p>	
2. Company provides in its Board Charter or Manual on Corporate Governance an orientation program for first time directors.	C	<p>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (IV. Board of Trustees: H. Trustees' Training, p12-13) "Within the month after election, or at the earliest possible time, a first-time trustee must undergo at least an 8-hour orientation program that covers the following topics: xxx...</p>	
3. Company has relevant annual continuing training for all directors.	C	<ul style="list-style-type: none"> • Introduction to AFPMBAI - Articles of Incorporation and By-Laws, Code of Ethics - Roles and Responsibilities of Trustees - Business Model, Operations, Products and Services - Rules on Parliamentary Procedure <ul style="list-style-type: none"> • SEC and IC-mandated topics on corporate governance, such as, but not limited to:..." <p>"To ensure that the members of the Board remain qualified for their positions individually and collectively, and to enable them to fulfill their roles and responsibilities and respond to the needs of the Association in light of the evolving business environment and strategic direction, trustees should have an annual continuing education program (CEP) where they are informed of the developments in the business and regulatory environments, including emerging risks relevant to the Association. The CEP involves courses or dialogues with industry leaders and resource persons on corporate governance matters, including audit, internal controls, risk management, sustainability and corporate strategy."</p> <p>2021 ANNUAL REPORT Corporate Governance Report: Continuing Education Program</p>	

Recommendation 1.4			
1. Board has a policy on board diversity.	C	<p>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (IV. Board of Trustees: E. Composition of the Board of Trustees and Board Diversity Policy, p9)</p> <p>“...AFPMBAL acknowledges that diversity is a significant factor in ensuring that the Board operates with a wide range of perspectives, experience and expertise. The Association also recognizes that diversity in the Board of AFPMBAL is derived from its composition, as provided in the Bylaws, of having a representation from the different branches in the uniformed services: the Philippine Army, Philippine Navy, Philippine Air Force, General Headquarters, Philippine National Police, Philippine Coast Guard, Bureau of Fire Protection, and Bureau of Jail Management and Penology. Further diversity is provided by the presence of a representative from the enlisted personnel, as well as a representative of retired members. All members of the Board are elected based on merit, with qualifications as specified in this Manual.”</p>	
Recommendation 1.5			
1. Board is assisted in its duties by a Corporate Secretary.	C	<p>2021 ANNUAL REPORT Corporate Governance Report: Governance Committee & Audit Committee</p> <p>“... It is also assisted by the Corporate Secretary, Atty Renato A David, as Resource Person in all its meetings.”</p>	
2. Corporate Secretary is a separate individual from the Compliance Officer.	C		
3. Corporate Secretary is not a member of the Board of Directors.	C	<p>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (VI. Corporate Officers: E. Corporate Secretary, p22-23)</p> <p>“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, who shall be a citizen and resident of the Philippines, a member of the Bar, may not be a member of the Board, but shall be a member of the Association. The Corporate Secretary should annually attend a training on corporate governance...”</p>	
4. Corporate Secretary attends training/s on corporate governance.	C	<p>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (VI. Corporate Officers: E. Corporate Secretary, p22-23)</p> <p>“...The Corporate Secretary should annually attend a training on corporate governance...”</p> <p>2021 ANNUAL REPORT Corporate Governance Report: Continuing Education Program</p>	

Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	C	<p><u>2021 ANNUAL REPORT:</u> Corporate Governance Report “...The AFPMBAI Board has designated a Compliance Officer, MGen Nathaniel Y Casem PN(M) (Ret), and Alternate Compliance Officer, Atty Elizabeth A del Fonso-Hidalgo, tasked to monitor and oversee the Association’s compliance activities with government regulators. The latter was also appointed as Data Protection Officer to ensure that the rights of data subjects are protected under the pillars of accountability, compliance, and ethics. Regular reports on external compliance activities are made to the Audit Committee every quarter.”</p> <p><u>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE</u> (VIII. Control Function Heads: B. Compliance Officer, p24-25) “To ensure adherence to corporate principles and best practices, a Compliance Officer, separate from the Corporate Secretary, shall be designated by the Board of Trustees. He should not be a member of the Board, but should have a rank of at least Vice-President, or an equivalent position with adequate stature and authority in the Association. He shall be primarily liable to the Association and its members, and not to the Chairman or President of the Association, and shall perform the following duties, among others...”</p>	
2. Compliance Officer has a rank of Vice President or an equivalent position with adequate stature and authority in the corporation.	C		
3. Compliance Officer is not a member of the Board.	C		
4. Compliance Officer attends training/s on corporate governance annually.	C	<p><u>2021 ANNUAL REPORT</u> Corporate Governance Report: Continuing Education Program “...Beginning 25 June 2021, the CEP for all Trustees, Corporate Officers, and Key Management Officers also commenced, with Mr Emmanuel Labrador, IC Supervising Insurance Specialist of the Statistics and Research Division giving industry updates to the participants...”</p>	
<p>Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.</p>			
Recommendation 2.1			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	C	<p><u>2021 ANNUAL REPORT</u> Corporate Governance Report: Board and Board Committee Meeting Attendance and Accomplishment</p>	

Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	C	2021 ANNUAL REPORT Corporate Governance Report: Board and Board Committee Meeting Attendance and Accomplishment	
2. Board oversees and monitors the implementation of the company's business objectives and strategy in order to sustain the company's long-term viability and strength.	C		
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	C	2021 ANNUAL REPORT The Board of Trustees; Biographical Details of the Board of Trustees and Executives	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	C	2021 ANNUAL REPORT Corporate Governance Report: Nomination and Remuneration Committee; Learning and Development - Succession Planning	
2. Board adopts a policy on the retirement for directors and key officers.	C	REVISED NOMINATION AND REMUNERATION COMMITTEE (NRC) CHARTER (2022 MCG Annex L) NEW BY-LAWS Article VI. Board of Trustees: Section 3: "The Board of Trustees shall consist of fifteen (15) members, all of whom shall be elected during the Annual Membership Meeting from among the regular members of the Association..." Section 4: "The members of the Board shall serve for a term of one (1) year or until their successors are elected and qualified: provided that no trustee shall serve for more than three (3) consecutive terms, provided further that no trustee shall serve for more than five (5) cumulative terms." Section 5: "Any vacancy in the Board of Trustees other than by removal or expiration of term may be filled by the vote of at least a majority of the remaining trustees, if still constituting a quorum, in a regular or special meeting called for the purpose."	

		<p>Section 6: "Within fifteen (15) days after the annual membership meeting and election of the trustees, the Board of Trustees shall elect the officers of the Association and organize such committees as it deems necessary. A majority vote of all the members of the Board is needed in the election of officers of the Association..."</p> <p>AFPMBAI MC NO. 009-2021: SUCCESSION PLANNING POLICY (II. Policy Statement, p4) "It shall be the policy of the Association to ensure Business Continuity and implement a Corporate Governance best practice of readying its high-potential employees through structured developmental interventions like training, coaching, and mentoring to be ready to succeed the key positions in the Association. It shall provide guidelines and step by step procedures – from nomination to development to evaluation and selection of the best candidate for a certain target key position." (VI. General Guidelines, p7-9)</p>	
Recommendation 2.5			
1. Board formulates and adopts a policy specifying the relationship between remuneration and performance of key officers and board members.	C	<p>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (IV. Board of Trustees: L. Trustees' Benefits, p14-15) "The members of the Board of Trustees shall not receive any compensation or remuneration for their services as such, except for reasonable allowance and per diem..."</p> <p>"...No trustee shall participate in discussions or deliberations involving his own remuneration."</p>	
2. Board aligns the remuneration of key officers and board members with long-term interests of the company.	C		
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	C		
Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	C	<p>NOMINATION AND ELECTION POLICY (2022 MCG Annex A) 2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (IV. Board of Trustees: E. Composition of the Board of Trustees and Board Diversity Policy, p9) "...The representatives from the Office of the AFP Chief of Staff, the Joint Staff of the AFP, and the Office of the Sergeant Major AFP shall be nominated by the Chief of Staff of the AFP. The Chief of Staff AFP may also nominate independent trustees and</p>	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	C		
3. Board nomination and election policy includes how the company accepts nominations from minority shareholders.	C		

4. Board nomination and election policy includes how the board reviews nominated candidates.	C	a candidate from the general membership (at large). The representatives from the Major Service Commands, the PNP and other Uniformed Services shall be nominated by their respective Commanding Generals/Chiefs of the PNP, BFP, BJMP and PCG. Per Nomination and Election Policy (Annex A), all nominees shall be screened by the Nomination Committee/Nomination and Remuneration Committee, who will ensure that all fields of expertise are present in the Board, and approved by the Board of Trustees or elected during the Annual General Membership Meeting..."	
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	C		
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	C		
Recommendation 2.7			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	C	REVISED RISK OVERSIGHT AND RELATED PARTY TRANSACTION COMMITTEE (RORPTC) CHARTER (2022 MCG Annex J) (VI. Responsibilities: B. Related Party Transactions, p2-3) "1. Review material RPTs beyond the threshold as may be reported by the Management, for endorsement to the BOT for approval..."	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	C	2021 ANNUAL REPORT Corporate Governance Report: Risk Oversight and Related Party Transaction Committee; Report on Material Related Party Transactions (RPT)	
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	C		
Recommendation 2.8			
1. The Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	C	2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (VII. Corporate Officers, p19) "The corporate officers of the Association shall be a Chairman, a Vice Chairman, a President, a Corporate Secretary, and a Treasurer: Provided, That the majority vote of all the voting members of the Board is required for the election of the officers. The Association may also have, at the discretion of the Board of Trustees, such other officers as it shall deem necessary. Officers, other than the Chairman, the Vice Chairman and the President, need not be Trustees."	

		<p>(VIII. Control Function Heads, p. 24-26)</p> <p>“In order to ensure the sustainability of the Association through a sound internal control system, the Board has designated Control Function Heads following the Three Lines Model. While the frontline and support offices are directly involved in the delivery of products and services to the clients, the control functions of compliance and risk provide the assistance in monitoring and managing risks, and the internal audit renders independent assurance and advice on the adequacy and effectiveness of the Association’s risk management, governance and internal control processes.”</p> <p>“With these roles, “fit and proper standards” are applied on the selection of key personnel observing the highest level of integrity, standards of technical expertise, and vast experience in the institution's business.”</p> <ul style="list-style-type: none"> A. Internal Auditor... B. Compliance Officer... <ul style="list-style-type: none"> a. Alternate Compliance Officer... C. Risk Officer... <p>2021 ANNUAL REPORT Corporate Governance Report: Selection of CEO and Control Function Heads (CO, CRO AND CAE)</p>	
<p>2. The Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>C</p>	<p>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (IV. Board of Trustees: M. Performance Assessment of Trustees, p15-17)</p> <p>“The Board and its Board Committees, as well as all individual trustees, and key corporate officers shall be subject to a Performance Evaluation and Rating System in compliance to the requirements of regulatory agencies and to establish a performance feedback system.”</p> <p>“Performance Assessment shall be conducted at the end of each fiscal year, or by the first quarter of the following year.”</p> <p>REVISED AUDIT COMMITTEE (AUDCOM) CHARTER (2022 MCG Annex I) (7. Internal Audit, p4-5)</p> <p>“d. Provide input to Management related to evaluating the performance of the Head, IAO.”</p>	

		2021 ANNUAL REPORT Corporate Governance Report: Performance Assessment Criteria of Trustees and Corporate Officers; Performance Assessment of The Board of Trustees; Performance Assessment of Management PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEM (PMDS) MANUAL (III. Policy Guidelines, p5)	
Recommendation 2.9			
1. Board establishes an effective performance management framework that ensures that Management, including the Chief Executive Officer performance is at par with the standards set by the Board and Senior Management.	C	2022 AMENDED MANUAL OF CORPORATE GOVERNANCE , (IV. Board of Trustees: M. Performance Assessment of Trustees, p15-17) 2021 ANNUAL REPORT Corporate Governance Report: Performance Assessment Criteria of Trustees and Corporate Officers; Performance Assessment of The Board of Trustees; Rewards Policy; Performance Assessment of Management PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEM (PMDS) MANUAL (III. Policy Guidelines, p5)	
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.	C	2022 AMENDED MANUAL OF CORPORATE GOVERNANCE , (IV. Board of Trustees: M. Performance Assessment of Trustees, p15-17) 2021 ANNUAL REPORT Corporate Governance Report: Performance Assessment Criteria of Trustees and Corporate Officers; Performance Assessment of The Board of Trustees; Rewards Policy; Performance Assessment of Management PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEM (PMDS) MANUAL (III. Policy Guidelines, p5)	
Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	C	REVISED AUDCOM CHARTER (2022 MCG Annex I) 2021 ANNUAL REPORT Audit Committee, p21-22 INTERNAL AUDIT OFFICE CHARTER (2022 MCG Annex N)	
2. The internal control system includes mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	C		
3. Board approves the Internal Audit Charter.	C		

Recommendation 2.11			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	C	2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (VIII. Control Function Heads: C. Risk Officer, p25-26) “The company shall likewise designate a Risk Officer, who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to the company's size, risk profile and complexity of operations...”	
2. The risk management framework guides the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	C	REVISED RORPTC CHARTER (2022 MCG Annex J) 2021 ANNUAL REPORT Corporate Governance Report: Risk Oversight and Related Party Transaction Committee CORPORATE RISK MANAGEMENT PLAN (CRMP) (III. Risk Management Framework, p6-7) “The Board and Management is committed to implement and maintain a formal risk management system with the integration of risk management throughout the organization. This is fundamental to achieving the Association’s strategic and operational objectives...”	
Recommendation 2.12			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties.	C	2022 AMENDED MANUAL OF CORPORATE GOVERNANCE ANNEXES: ANNEX H: REVISED GOVCOM CHARTER ANNEX I: REVISED AUDCOM CHARTER ANNEX J: REVISED RORPTC CHARTER ANNEX K: REVISED INVESTMENT COM CHARTER ANNEX L: REVISED NRC CHARTER ANNEX M: REVISED SSPC CHARTER	
2. Board Charter serves as a guide to the directors in the performance of their functions.	C		
3. Board Charter is publicly available and posted on the company's website.	C		

Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.

Recommendation 3.1

1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	C	2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (VI. Board Committees, p17-19) A. Governance Committee B. Audit Committee C. Risk Oversight and Related Party Transaction Committee D. Investment Committee E. Nomination and Remuneration Committee F. Social Services Program Committee	
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Recommendation 3.2

1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.	C	REVISED AUDCOM CHARTER (2022 MCG Annex I) (V. Responsibilities, p2-7)	
2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman, is independent.	C	REVISED AUDCOM CHARTER (2022 MCG Annex I) (VI. Membership, p7) "The Committee shall consist of five (5) members, majority of whom, including the Chairman, should preferably be independent. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of auditing, accounting, finance, specific industry knowledge, IT, law, governance, risk and control, because the responsibilities of the Audit Committee evolve in response to regulatory, economic, and reporting developments, it is important to periodically re-evaluate members' competencies and the overall balance of skills on the Committee in response to emerging needs."	
3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	C		
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	C	2021 ANNUAL REPORT Corporate Governance Report: Audit Committee Biographical Details of the Board of Trustees and Executives	

Recommendation 3.3			
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	C	REVISED GOVERNANCE COMMITTEE (GOVCOM) CHARTER (2022 MCG Annex H) REVISED NOMINATION AND REMUNERATION COMMITTEE (NRC) CHARTER (2022 MCG Annex L)	The Association has established both committees (Governance Committee and Nomination and Remuneration Committee), separate and distinct with each other, in order to focus on their specialized functions and specific areas of concern.
2. Corporate Governance Committee is composed of at least three members, majority of whom should be independent directors.	NC	2021 ANNUAL REPORT Corporate Governance Report: Governance Committee	The Association is compliant with the 20% requirement on Independent Trustees. However, the three (3) Independent Trustees each chair different Committees. This way, each independent trustee can give its full attention and sufficient time for deliberations in the respective Board Committee that they each handle.
3. Chairman of the Corporate Governance Committee is an independent director.	C	REVISED GOVCOM CHARTER (2022 MCG Annex H) (VII. Membership, p4) “The Committee shall be composed of members duly appointed by the Board of Trustees. The Committee Chairman and Vice Chairman shall be elected by its members and endorsed by the Committee for approval of the Board of Trustees. <u>As far as practicable, the Chairman of the Committee should be an independent trustee.</u> Membership in the Committee shall be co-terminus with membership in the Board. The Corporate Secretary shall be a permanent resource person of the Committee.” 2021 ANNUAL REPORT Corporate Governance Report: Governance Committee	
Recommendation 3.4			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	C	REVISED RORPTC CHARTER (2022 MCG Annex J) (VI. Responsibilities, p2-4)	
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	C	REVISED RORPTC CHARTER (2022 MCG Annex J) (VII. Membership, p4)	

3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	C	"The Committee shall be composed of members duly appointed by the Board of Trustees, <u>majority of whom are independent trustees, with no executive trustees</u> . The Committee Chairman and Vice Chairman shall be elected by its members and endorsed for approval of the Board of Trustees through the Governance Committee. <u>The Chairman of the Committee should be an independent trustee</u> . Membership in the Committee shall be co-terminus with the membership in the Board."	
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	C	<p>"The Committee shall be composed of members duly appointed by the Board of Trustees, <u>majority of whom are independent trustees, with no executive trustees</u>. The Committee Chairman and Vice Chairman shall be elected by its members and endorsed for approval of the Board of Trustees through the Governance Committee. <u>The Chairman of the Committee should be an independent trustee</u>. Membership in the Committee shall be co-terminus with the membership in the Board."</p> <p>2021 ANNUAL REPORT Biographical Details of the Board of Trustees and Executives</p>	
Recommendation 3.5			
1. The Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	C	REVISED RORPTC CHARTER (2022 MCG Annex J) (VI. Responsibilities, p2-4)	
2. RPT Committee is composed of at least three non-executive directors, majority of whom should be independent, including the Chairman.	C	<p>REVISED RORPTC CHARTER (2022 MCG Annex J) (VII. Membership, p4)</p> <p>"The Committee shall be composed of members duly appointed by the Board of Trustees, <u>majority of whom are independent trustees, with no executive trustees</u>. The Committee Chairman and Vice Chairman shall be elected by its members and endorsed for approval of the Board of Trustees through the Governance Committee. <u>The Chairman of the Committee should be an independent trustee</u>. Membership in the Committee shall be co-terminus with the membership in the Board."</p> <p>2021 ANNUAL REPORT Corporate Governance Report: Risk Oversight and Related Party Transaction Committee</p>	
Recommendation 3.6			
1. All established committees have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	C	REVISED GOVCOM CHARTER (2022 MCG Annex H) REVISED AUDCOM CHARTER (2022 MCG Annex I) REVISED RORPTC CHARTER (2022 MCG Annex J) REVISED INVESTMENT COM CHARTER (2022 MCG Annex K) REVISED NRC CHARTER (2022 MCG Annex L) REVISED SSPC CHARTER (2022 MCG Annex M)	
2. Committee Charters provide standards for evaluating the performance of the Committees.	C		

		<p><u>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE,</u> (IV. Board of Trustees: M. Performance Assessment of Trustees, p15-17) “The Board and its Board Committees, as well as all individual trustees and key corporate officers shall be subject to a Performance Evaluation and Rating System in compliance to the requirements of regulatory agencies and to establish a performance feedback system. Below are the criteria for assessment of the Board, the Board Committees, the Trustees, the President and CEO, and the Corporate Secretary.</p> <p>Performance Assessment shall be conducted at the end of each fiscal year, or by the first quarter of the following year. The members of the Association are also given an opportunity to rate the performance of the Board of Trustees during the Annual General Membership Meeting.”</p> <p><u>Board of Trustees and Board Committees</u> Part 1 Assessment of the Board’s accomplishment of its role and responsibilities by the Board Committees (25%) – Assessment Form (Annex B) This is an average of the performance of Board Committees, based on their oversight functions and the action plans they have prioritized for the subject period.</p> <p>Part 2: Assessment of the Board’s accomplishment of its role and responsibilities by the BOT Chairman (25%) – Assessment Form (Annex C) This is an assessment of the Board’s performance by the BOT Chairman, based on the average rating of the performance assessment of the Board Committees, among other factors.</p> <p>Part 3: Assessment of Board dynamics (30%), and of quality and timeliness of information provided to the Board (20%) – Assessment Form (Annex D). This is an anonymous survey to be answered by all Board members.</p>	
3. Committee Charters were fully disclosed on the company's website.	C	Posted on the company website https://afpmbai.com.ph/about/governance/	

Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

Recommendation 4.1			
<p>1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele/video conferencing conducted in accordance with the rules and regulations of the Commission.</p>	C	<p>AMENDED PROTOCOL FOR BOARD MEETINGS (2022 MCG Annex F) (Quorum and Attendance, p1)</p> <p>AMENDED PROTOCOL FOR BOARD COMMITTEE MEETINGS (2022 MCG Annex G) (Quorum and Attendance, p1)</p> <p>2021 ANNUAL REPORT Corporate Governance Report: Board and Board Committee Meeting Attendance and Accomplishment</p>	
<p>2. The directors review meeting materials for all Board and Committee meetings.</p>	C	<p>AMENDED PROTOCOL FOR BOARD MEETINGS (2022 MCG Annex F) (Distribution of Board Meeting Materials, p3) "The Corporate Secretary and Management shall ensure that all information relevant to the Board's understanding of matters to be discussed at an upcoming Board meeting shall be distributed either in writing or electronically, to all members of the Board at least five (5) working days in advance of the meeting. This implies that the Board Committees and/or Management must submit the materials required for the Order of Business to the Board Relations Office at least six (6) working days prior to the meeting. Non-submission of materials within the prescribed period may result in the matter not being taken up during the Board meeting..."</p> <p>AMENDED PROTOCOL FOR BOARD COMMITTEE MEETINGS (2022 MCG Annex G) (Distribution of Committee Meeting Materials, p2) "...As such, the materials pertaining to the order of business of the Committee meeting should be completed by the Technical Working Group of the Committee and distributed, either in writing or electronically, to all members of the Committee at least three (3) working days in advance of the meeting. This implies that Management must submit the materials required for the Order of Business to the Board Committees' TWGs at least four (4) working days prior to the meeting..."</p>	

3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	C	TWO (2) MINUTES OF BOT/BOARD COMMITTEE MEETINGS Organizational Meeting (Dated 15 May 2021) RMRPTC Meeting (Dated 20 May 2021)	
Recommendation 4.2			
1. Non-executive directors concurrently serve as directors to a maximum of five Insurance Commission Regulated Entities (ICREs) and publicly-listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the company.	C	2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (IV. Board of Trustees: N. Multiple Board Seats, p17) "The Trustees shall not hold the position of a trustee, director or officer in not more than four (4) other corporations and/or in any corporation having the same business interests as AFPMBAI." As required by SEC, it is mandatory to disclose directorship in other corporations thru the Beneficial Ownership Transparency Declaration (BOTD) and Consent Agreement Form.	
Recommendation 4.3			
1. The directors notify the company's board where he/she is an incumbent director before accepting a directorship in another company.	C	2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (IV. Board of Trustees: F. Qualifications of a Trustee, p11) 1. Qualifications 2. Disqualifications of a Trustee a. Permanently Disqualified b. Temporarily Disqualified "...A trustee should notify the Chairman of AFPMBAI before accepting a directorship/trusteeship in another company;" ...	
Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs.			
Recommendation 5.1			
1. The Board is composed of at least twenty percent (20%) independent directors.	C	2021 ANNUAL REPORT Corporate Governance Report: Membership Participation	
Recommendation 5.2			
1. The independent directors possess all the necessary qualifications and none of the disqualifications to hold the position.	C	2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (IV. Board of Trustees: G. Independent Trustees, p12)	
Recommendation 5.3			
1. The independent directors serve for a maximum cumulative term of nine years.	C	2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (IV. Board of Trustees: I. Term of Office, p13)	

<p>As far as Insurance Companies are concerned, the foregoing term limit shall be reckoned from 02 January 2015 while the reckoning date for the Pre-Need Companies and Health Maintenance Organizations shall be from 21 September 2016.</p> <p>For other covered entities, all previous terms served by existing Independent Directors prior to the effectivity of this Circular shall not be included in the application of the term limit prescribed in this item.</p>		<p>“The members of the Board shall serve for a term of one (1) year or until their successors are elected and qualified: provided that no trustee shall serve for more than three (3) consecutive terms, provided further that no trustee shall serve for more than five (5) cumulative terms.”</p> <p>2021 ANNUAL REPORT Corporate Governance Report: Board and Board Committee Meeting Attendance and Accomplishment: Board of Trustees</p>	
<p>2. The company bars an independent director from serving in such capacity after the term limit of nine years.</p>	C	<p>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (IV. Board of Trustees: I. Term of Office, p13) “The members of the Board shall serve for a term of one (1) year or until their successors are elected and qualified: provided that no trustee shall serve for more than three (3) consecutive terms, provided further that no trustee shall serve for more than five (5) cumulative terms.”</p>	
<p>3. In the instance that the company retains an independent director in the same capacity after nine years, the board submits to the Insurance Commission a formal written justification and seek shareholders' approval during the annual shareholders' meeting.</p>	C	<p>NEW BY-LAWS</p> <p>There is no instance that we accept an Independent Director serving for nine (9) years or more. Under Section 4 of the 2019 New By-laws, it states that “The members of the Board shall serve for a term of one (1) year or until their successors are elected and qualified: Provided that no trustee shall serve for more than three (3) consecutive terms, provided further that no trustee shall serve for more than five (5) cumulative terms”</p>	
<p>Recommendation 5.4</p>			
<p>1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.</p>	C	<p>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (VII. Corporate Officer: A. Chairman of the Board, p19-20) “The positions of Chairman of the Board and Chief Executive Officer (CEO) shall be held by separate individuals with clearly defined responsibilities...”</p> <p>2021 ANNUAL REPORT The Board of Trustees</p>	

<p>2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.</p>	<p>C</p>	<p>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (VII. Corporate Officer: A. Chairman of the Board, p19-20; B. President and CEO, p20-21)</p> <p>A. Chairman of the Board “The positions of Chairman of the Board and Chief Executive Officer (CEO) shall be held by separate individuals with clearly defined responsibilities. The Chairman shall preside over the meetings of the Association and the Board of Trustees. In his absence, the Vice Chairman shall preside over such meetings. In the absence of both the Chairman and Vice Chairman, the Trustees present shall elect from among themselves an Acting Chairman for that particular meeting...”</p> <p>B. Vice Chairman...</p> <p>C. President and Chief Executive Officer “All Board authority delegated to Management is delegated through the President and CEO, a corporate officer, so that all authority and accountability of Management – as far as the Board is concerned – is considered to be the authority and accountability of the President... ...The President and CEO shall have general supervision, direction and control of the business and affairs of the Association. He shall have the general powers and duties of Management usually vested in the office of the President of the Association...”</p>	
<p>Recommendation 5.5</p>			
<p>1. If the Chairman of the Board is not an independent director or where the roles of Chairman and CEO are being held by one person, the Board should designate a lead director among the independent directors.</p>	<p>C</p>	<p>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (VII. Corporate Officer: A. Chairman of the Board, p19-20) “The positions of Chairman of the Board and Chief Executive Officer (CEO) shall be held by separate individuals with clearly defined responsibilities...”</p> <p>2021 ANNUAL REPORT Corporate Governance Report: Board and Board Committee Meeting Attendance and Accomplishment: Board of Trustees</p>	

Recommendation 5.6			
1. Directors with material interest in a transaction affecting the corporation should abstain from taking part in the deliberations for the same.	C	<p>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (IV. Board of Trustees: D. Responsibilities of the Board, p8) "3. To adopt a system of internal checks and balances and to ensure that its actions comply with all laws, rules and regulations, its Articles of Incorporation and By-Laws, and the business practices."</p> <p>(VI. Board Committees, p17) "...The Board Committees shall pre-screen all matters for approval and information of the Board of Trustees to guarantee an independent and objective compliance with corporate governance policies, except matters requiring immediate attention that needs ratification of the Board..."</p> <p>REVISED RORPTC CHARTER (2022 MCG Annex J) (VI. Responsibilities: B. Related Party Transactions, p3-4)</p>	
Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation.	C	<p>2021 ANNUAL REPORT Corporate Governance Report: Audit Committee</p> <p>AMENDED PROTOCOL FOR BOARD MEETINGS (2022 MCG Annex F) (1. Meetings. p1) "...Annually, and as needed, the non-executive trustees (NETs) shall have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without the executive trustee present."</p>	
2. The meetings are chaired by the lead independent director.	C		
Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.			
Recommendation 6.1			
1. The Board conducts an annual assessment of its performance as a whole.	C	<p>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (IV. Board of Trustees: M. Performance Assessment of Trustees, p15-17)</p> <p>"The Board and its Board Committees, as well as all individual trustees and key corporate officers shall be subject to a Performance Evaluation and Rating System in compliance to the requirements of regulatory agencies and to establish a</p>	
2. The performance of the Chairman is assessed annually by the Board.	C		
3. The performance of the individual member of the Board is assessed annually by the Board.	C		

<p>4. The performance of each committee is assessed annually by the Board.</p>	<p>C</p>	<p>performance feedback system. Below are the criteria for assessment of the Board, the Board Committees, the Trustees, the President and CEO, and the Corporate Secretary.</p> <p>Performance Assessment shall be conducted at the end of each fiscal year, or by the first quarter of the following year. The members of the Association are also given an opportunity to rate the performance of the Board of Trustees during the Annual General Membership Meeting..."</p> <p>The Performance of the Chairman is assessed by the GovCom Chairman.</p> <p>The performance of individual Trustees is assessed by the GovCom Chairman and the Board Chairman</p> <p>2021 ANNUAL REPORT Corporate Governance Report: Performance Assessment Criteria of Trustees and Corporate Officers; Performance Assessment of The Board of Trustees</p>	
<p>5. Every three years, the assessments are supported by an external facilitator.</p>	<p>NC</p>		<p>Since the usual term of office of a trustee is limited to one year or less, there are likely changes every Annual General Meeting (AGM), thus assessment by an external facilitator every three years might not be reasonable and not serve the best interest of the Association and its members. The same trustee will no longer be around for the next external assessment season. Moreover, assessment by an external facilitator will be an additional cost for the company considering that during this pandemic, resources are being utilized to serve the most basic health needs of the members.</p>
<p>Recommendation 6.2</p>			
<p>1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.</p>	<p>C</p>	<p>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (IV. Board of Trustees: M. Performance Assessment of Trustees, p15-17)</p>	

2. The system allows for a feedback mechanism from the shareholders.	C	<p><u>"The Board and its Board Committees, as well as all individual trustees and key corporate officers shall be subject to a Performance Evaluation and Rating System in compliance to the requirements of regulatory agencies and to establish a performance feedback system. Below are the criteria for assessment of the Board, the Board Committees, the Trustees, the President and CEO, and the Corporate Secretary.</u></p> <p>Performance Assessment shall be conducted at the end of each fiscal year, or by the first quarter of the following year. The members of the Association are also given an opportunity to rate the performance of the Board of Trustees during the Annual General Membership Meeting..."</p>	
Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			
Recommendation 7.1			
1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	C	CODE OF CONDUCT AND CODE OF ETHICS	
2. The Code is properly disseminated to the Board, senior management and employees.	C	<p>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (IV. Board of Trustees: H. Trustees' Training, p12) "Within the month after election, or at the earliest possible time, the trustee must undergo an orientation program that covers the following topics: 1. Introduction to AFPMBAI - Articles of Incorporation and By-Laws, Code of Ethics - Roles and Responsibilities of Trustees - Business Model, Operations, Products and Services - Rules on Parliamentary Procedure 2. SEC and IC-mandated topics on corporate governance, such as, but not limited to: ...</p>	
3. The Code is disclosed and made available to the public through the company website.	C	CODE OF CONDUCT AND CODE OF ETHICS	

Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	C	REVISED AUDCOM CHARTER (2022 MCG Annex I) (V. Responsibilities, p2-4) (VIII. Conflict(s) of Interest, p8)	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	C	CODE OF CONDUCT (Basic Principles, 19) xxx... "1. The Head, HRD is mandated to submit a quarterly status report on all administrative cases at hand, including all pending and resolved cases and newly filed complaint, irregularity report, incident report and other analogous document within said period to the President, copy furnished the Head, CSG for appropriate evaluation on the matter." CODE OF ETHICS	
Disclosure and Transparency			
Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
Recommendation 8.1			
1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.	C	2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (IX. Financial Reporting) (X. Cultivating Synergistic Relationship with the Stakeholders: A. Access of Information, p26-27) 2021 ANNUAL REPORT	
Recommendation 8.3			
1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	C	2021 ANNUAL REPORT Biographical Details of the Board of Trustees and Executives	
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	C	2021 ANNUAL REPORT Biographical Details of the Board of Trustees and Executives	

Recommendation 8.4			
<p>1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same in the Annual Corporate Governance Report consistent with ASEAN Corporate Governance Scorecard (ACGS) and the Revised Corporation Code.</p>	C	<p><u>NEW BY-LAWS</u> (Article VI. Board of Trustees, Section 12. Remuneration) “The members of the Board of Trustees shall not receive any compensation or remuneration for their services as such, except for reasonable allowance and per diem.”</p> <p><u>AMENDED ARTICLES OF INCORPORATION</u> “TENTH: That the trustees of AFPMBAI do not receive any compensation or remuneration, except for reasonable allowance and per diems. (As amended on 9 June 2018)”</p>	
<p>2. Company provides a clear disclosure of its policies and procedure for setting Executive remuneration, including the level and mix of the same in the Annual Corporate Governance Report consistent with ASEAN Corporate Governance Scorecard (ACGS) and the Revised Corporation Code.</p>	C	<p><u>AFPMBAI MEMORANDUM CIRCULAR NO. 011-95: WAGE AND SALARY ADMINISTRATION</u> (V. Guidelines) “A. All jobs in the Association have been classified into various pay classes wherein a minimum and maximum salary for each class have been fixed and accordance with the Job Classification.”</p>	<p>Remuneration of employees, including executive remuneration, is based on the Board-approved Salary Structure and Compensation package, duly researched and deliberated upon by the Nomination and Remuneration Committee, approved by the Board, and ultimately ratified by the members during the Annual General Membership (AGM) meeting. Ratification of Management and Board actions during the AGM already answers the disclosure and transparency requirement.</p>
<p>3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.</p>	NC	<p><u>NEW BY-LAWS</u> Article VI. Board of Trustees: Section 3: “The Board of Trustees shall consist of fifteen (15) members, all of whom shall be elected during the Annual Membership Meeting from among the regular members of the Association...”</p> <p>Section 4: “The members of the Board shall serve for a term of one (1) year or until their successors are elected and qualified: provided that no trustee shall serve for more than three (3) consecutive terms, provided further that no trustee shall serve for more than five (5) cumulative terms.</p> <p>Section 5: “Any vacancy in the Board of Trustees other than by removal or expiration of term may be filled by the vote of at least a majority of the remaining trustees, if still constituting a quorum, in a regular or special meeting called for the purpose.”</p> <p>Section 6: “Within fifteen (15) days after the annual membership meeting and election of the trustees, the Board of</p>	<p>Although remuneration of an executive trustee is not disclosed due to data privacy considerations, his termination/retirement is always aligned and consistent with the provisions of the New By-Laws and the Manual of Corporate Governance on Term of Office, being an elected officer of the Association.</p>

		Trustees shall elect the officers of the Association and organize such committees as it deems necessary. A majority vote of all the members of the Board is needed in the election of officers of the Association..."	
Recommendation 8.5			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions.	C	2021 ANNUAL REPORT Corporate Governance Report: Risk Oversight and Related Party Transaction Committee; Report on Material Related Party Transactions (RPT), p32-33 REVISED RORPTC CHARTER (2022 MCG Annex J)	
2. Company discloses material or significant RPTs in its Annual Company Report or Annual Corporate Governance Report, reviewed and approved by the Board, and submitted for confirmation by majority vote of the stockholders in the annual stockholders' meeting during the year.	C	2021 ANNUAL REPORT Corporate Governance Report: Report on Material Related Party Transactions (RPT)	
Recommendation 8.7			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	C	2022 AMENDED MANUAL OF CORPORATE GOVERNANCE MCG is one of the references uploaded on the website	
2. Company's MCG is posted on its company website.	C		
Principle 9: The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.			
Recommendation 9.1			
1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	C	REVISED AUDIT COMMITTEE CHARTER (2022 MCG Annex I) (V. Responsibilities: 8. External Auditors, p5-6) AFPMBAI MEMORANDUM CIRCULAR NO. 003-2022 (7.0 Procedure, p7-10) 2021 ANNUAL REPORT Corporate Governance Report: Membership Participation	

<p>2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.</p>	<p>C</p>	<p>REVISED AUDIT COMMITTEE CHARTER (2022 MCG Annex I) (V. Responsibilities: 8. External Auditors, p5-6) “c. Recommend to the Board of Trustees the appointment, reappointment, removal in case of breach of any of the provisions in the engagement contract, and fees of the External Auditor, duly accredited by the Insurance Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the members. This is for endorsement and approval by the General Membership during the Annual General Membership Meeting.”</p> <p>2021 ANNUAL REPORT Corporate Governance Report: Membership Participation</p>	
<p>3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.</p>	<p>C</p>	<p>REVISED AUDIT COMMITTEE CHARTER (2022 MCG Annex I) (V. Responsibilities: 8. External Auditors, p5-6) “c. Recommend to the Board of Trustees the appointment, reappointment, removal in case of breach of any of the provisions in the engagement contract, and fees of the External Auditor, duly accredited by the Insurance Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the members. This is for endorsement and approval by the General Membership during the Annual General Membership Meeting.”</p> <p>AFPMBAI MEMORANDUM CIRCULAR NO. 003-2022 (7.0 Procedure, p7-10)</p>	
<p>Recommendation 9.2</p>			
<p>1. Audit Committee Charter includes the Audit Committee's responsibility on:</p> <ul style="list-style-type: none"> i. Assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. Exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. 	<p>C</p>	<p>REVISED AUDIT COMMITTEE CHARTER (2022 MCG Annex I)</p>	

2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	C	REVISED AUDIT COMMITTEE CHARTER (2022 MCG Annex I)	
Recommendation 9.3			
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	C	REVISED AUDCOM CHARTER (2022 MCG Annex I) (V. Responsibilities: 8. External Auditors, p5-6) The Audit Committee will: “f. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees in relation to the total fees paid to him and to the corporation’s overall consultancy expenses. The Committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation’s Annual Report and Annual Corporate Governance Report.” There was no non-audit service performed by the same external auditor handling the statutory audit in CY2021.	
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	C	REVISED AUDIT COMMITTEE CHARTER (2022 MCG Annex I) There was no non-audit service performed by the same external auditor handling the statutory audit in CY2021.	
Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.			
Recommendation 10.1			
1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	C	2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (III. Commitment to Good Governance and Sustainability, p6) “The AFPMBAI, through the Board of Trustees, Management, and employees recognizes the value of sustainability and responsible business practices as a standing commitment for the benefit of its stakeholders. To this end, the Association follows the established globally recognized standards of reporting under the principles of economic, environmental, social and governance sustainability. This is also regularly reported to the stakeholders through its governance and sustainability reports as published in the AFPMBAI Website.”	

2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	C	<p>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (III. Commitment to Good Governance and Sustainability, p.6) “The AFPMBAI, through the Board of Trustees, Management, and employees recognizes the value of sustainability and responsible business practices as a standing commitment for the benefit of its stakeholders. To this end, the Association follows the established globally recognized standards of reporting under the principles of economic, environmental, social and governance sustainability. This is also regularly reported to the stakeholders through its governance and sustainability reports as published in the AFPMBAI Website.”</p>	
Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.			
Recommendation 11.1			
1. The company should have a website to ensure a comprehensive, cost efficient, transparent, and timely manner of disseminating relevant information to the public.	C	<p>Communication channels used by the company: Company website: https://www.afpmbai.com.ph/ Facebook page: https://www.facebook.com/AFPMBAIOfficial/ Youtube: https://www.youtube.com/c/AFPMBAIOfficial Instagram: https://www.instagram.com/afpmbai Twitter: https://twitter.com/afpmbaiofficial Linkedin: https://www.linkedin.com/company/afpmbai/ Official Email: mail@afpmbai.ph Phone: +632 8822-MBAI (6224)</p>	
Internal Control System and Risk Management Framework			
Principle 12: To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.			
Recommendation 12.1			
1. Company has an adequate and effective internal control system in the conduct of its business.	C	<p>REVISED AUDCOM CHARTER (2022 MCG Annex I) 2021 ANNUAL REPORT Corporate Governance Report: Audit Committee</p>	
2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	C	<p>REVISED RORPTC CHARTER (2022 MCG Annex J) 2021 ANNUAL REPORT Corporate Governance Report: Risk Management (Risk Management Culture and Risk Appetite, Risk Management Structure, Key Risks)</p>	

		CORPORATE RISK MANAGEMENT PLAN (CRMP) (III. Risk Management Framework, p6-7) “The Board and Management is committed to implement and maintain a formal risk management system with the integration of risk management throughout the organization. This is fundamental to achieving the Association’s strategic and operational objectives...”	
Recommendation 12.2			
1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	C	INTERNAL AUDIT OFFICE CHARTER (2022 MCG Annex N) (VI. Scope of Internal Audit Activities, p3-4)	
Recommendation 12.3			
1. The company has a qualified Chief Audit Executive (CAE) appointed by the Board.	C	REVISED AUDCOM CHARTER (2022 MCG Annex I) INTERNAL AUDIT OFFICE CHARTER (2022 MCG Annex N) The Audit Committee, as the arm of the Board, advises the Board of Trustees on the qualifications, recruitment, appointment and removal, as well as evaluations and performance of the Head, Internal Audit Office (IAO). The Board, thru Resolution No. 32 Series of 2014, has devolved to the President and CEO the power to approve the functions corresponding to the corporate ranks of Vice-President and below.	
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	C		
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	C	ORGANIZATIONAL STRUCTURE SHOWING IAO INTERNAL AUDIT OFFICE CHARTER (2022 MCG Annex N) The internal audit activity is performed fully within the Association. It is not being outsourced.	
Recommendation 12.4			
1. The company has a separate risk management function to identify, assess and monitor key risk exposures.	C	REVISED RORPTC CHARTER (2022 MCG Annex J) CORPORATE RISK MANAGEMENT PLAN (CRMP) (III. Risk Management Framework: B. Roles and Responsibilities, p7-8) The Risk Management Committee The Risk Management Committee (RMC) shall ensure that the Risk Management Plan is properly executed consistent with the corporate risk management. It is in-charge of supervising the	

		<p>day-to-day risk management of the Association. It is responsible for the direction, coordination, and application of risk management and internal control down the line to the Risk Management Teams. It shall provide consultative support to the RMRPTC in matters involving risk management.</p> <p>Risk Management Team The Risk Management Team participates in the risk management process by providing candidate risk input and supporting risk mitigation planning and execution activities.</p>	
Recommendation 12.5			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	C	<p>2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (VIII. Control Function Heads: c. Risk Officer, p25-26)</p> <p>2021 ANNUAL REPORT Biographical Details of the Board of Trustees and Executives; AFPMBAI Management</p>	
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities	C		
Cultivating a Synergic Relationship with Shareholders			
Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
Recommendation 13.1			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	C	NOMINATION AND ELECTION POLICY (2022 MCG Annex)	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	C	Since members/shareholders are also insurance policyholders, the Bill of Rights of Policyholders are disclosed in the company website.	
Recommendation 13.2			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 21 days before the meeting.	C	<p>2021 ANNUAL REPORT Corporate Governance Report: 2021 Annual General Membership Meeting (Widest Dissemination)</p> <p>NOTICE OF THE 2021 ANNUAL MEETING (posted last 15 April 2021)</p> <p>NOTICE OF THE 2022 ANNUAL MEETING</p>	

Recommendation 13.3			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	C	2021 ANNUAL REPORT Corporate Governance Report: 2021 Annual General Membership Meeting (Widest Dissemination) SUMMARY OF MINUTES OF 2021 AGM (posted last 17 May 2021; includes the Voting Result)	
2. Minutes of the Annual and Special Shareholders' Meetings are available on the company website within five business days from the end of the meeting.	C	2021 ANNUAL REPORT Corporate Governance Report: 2021 Annual General Membership Meeting (Widest Dissemination) SUMMARY OF MINUTES OF 2021 AGM (posted last 17 May 2021)	
Recommendation 13.4			
1. Board has an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner	C	2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (X. Cultivating Synergistic Relationship with the Stakeholders; B. Alternative Dispute Policy, p27) "The AFPMBAI, in its efforts to uphold the rights of its stakeholders and members, adopts the rules and procedures set forth under Republic Act No. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004 or other applicable laws, to settle disputes in an amicable and effective manner to prevent excessive litigation."	
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	C	2022 AMENDED MANUAL OF CORPORATE GOVERNANCE (X. Cultivating Synergistic Relationship with the Stakeholders; B. Alternative Dispute Policy, p27) "The AFPMBAI, in its efforts to uphold the rights of its stakeholders and members, adopts the rules and procedures set forth under Republic Act No. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004 or other applicable laws, to settle disputes in an amicable and effective manner to prevent excessive litigation."	

Duties to Stakeholders

Principle 14: The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

Recommendation 14.1

1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	C	2021 ANNUAL REPORT Corporate Social Responsibility Report	
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Recommendation 14.2

1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	C	CODE OF ETHICS	
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Recommendation 14.3

1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	C	2021 ANNUAL REPORT Corporate Governance Report: Whistle-blowing Policy CODE OF ETHICS, p7 Whistleblower Policy Employees, stakeholders and members are encouraged to report in writing unethical practices to the concerned immediate superior or Head, HRD or AFPMBAI's Chief Corporate Services Officer, respectively, as most problems in this area can be resolved swiftly. The said offices, through an open-door policy, will accommodate problems on ethics. All of us are responsible for preventing violations of law and for acting as whistleblowers if we see possible breaches of internal policies, rules and regulations. The Association has a website, and various social media accounts (Facebook, Instagram, Twitter, Youtube, LinkedIn) where members can reach/contact in case of concerns/queries/complaints.	
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Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.			
Recommendation 15.1			
1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	C	2021 ANNUAL REPORT Corporate Governance Report: Health, Safety and Welfare; Learning and Development	
Recommendation 15.2			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	C	2021 ANNUAL REPORT Corporate Governance Report: Anti-Corruption Program CODE OF CONDUCT (Anti-Corruption Program & Procedures, p7-17) CODE OF ETHICS, p7 Anti-Bribery & Anti-Corruption Policy "We are committed to maintaining the highest ethical standards and vigorously enforcing the integrity of our business practices nationwide. AFPMBAI will not engage in bribery or corruption."	
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	C	2021 ANNUAL REPORT Corporate Governance Report: Learning and Development	
Recommendation 15.3			
1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation.	C	CODE OF ETHICS, p7 Whistleblower Policy Employees, stakeholders and members are encouraged to report in writing unethical practices to the concerned immediate superior or Head, HRD or AFPMBAI's Chief Corporate Services Officer, respectively, as most problems in this area can be resolved swiftly. The said offices, through an open-door policy, will accommodate problems on ethics. All of us are responsible for preventing violations of law and for acting as whistleblowers if we see possible breaches of internal policies, rules and regulations. CODE OF CONDUCT (Investigation Rules and Procedure, p22-27)	

<p>2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.</p>	<p>C</p>	<p>CODE OF ETHICS, p7 Whistleblower Policy Employees, stakeholders and members are encouraged to report in writing unethical practices to the concerned immediate superior or Head, HRD or AFPMBAL's Chief Corporate Services Officer, respectively, as most problems in this area can be resolved swiftly. The said offices, through an open-door policy, will accommodate problems on ethics. All of us are responsible for preventing violations of law and for acting as whistleblowers if we see possible breaches of internal policies, rules and regulations.</p>	
<p>3. Board supervises and ensures the enforcement of the whistleblowing framework.</p>	<p>C</p>	<p>CODE OF CONDUCT The Association follows the provisions of the Code of Conduct in handling reports on any infractions on internal policies. Depending on the nature of the allegation, the Association may need to create an Investigation Board to be appointed by the President. In the absence of an actual implementing guidelines on whistleblowing, our Management will handle such, as any report of possible violations in the Code of Conduct. If the need arises, elevating the matter to Board thru concerned Committees shall be observed.</p> <ul style="list-style-type: none"> - AudCom - matters involving results of Audits - GovCom - matters involving governance, organization and policy implementation - NRC - matters involving appointments, people management, remuneration 	
<p>Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.</p>			
<p>Recommendation 16.1</p>			
<p>1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.</p>	<p>C</p>	<p>2021 ANNUAL REPORT Corporate Social Responsibility Report</p>	



Armed Forces and Police Mutual Benefit Association, Inc.

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Republic of the Philippines)
Quezon City, M.M.) S.S.

CERTIFICATION

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

Signed in the City of Quezon this MAY 23 2022 2022.


GEN ANDRES C CENTINO PA
CHAIRMAN OF THE BOARD
TIN 143-279-178
Issued at BIR


MGEN RIZALDO B LIMOSO PA (RET)
PRESIDENT/CEO
TIN 142-764-806
Issued at BIR


ATTY RENATO A DAVID
CORPORATE SECRETARY
TIN 140-476-748
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MGEN NATHANIEL Y CASEM PN (M) (RET)
CORPORATE GOVERNANCE
COMPLIANCE OFFICER
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TIN 144-310-147
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MGEN ROLANDO B TENEFRENCIA PA (RET)
INDEPENDENT TRUSTEE
TIN 124-222-542
Issued at BIR

SUBSCRIBED AND SWORN to before me this MAY 23 2022 2022, by the following who are all personally known to me (or whom I have identified through competent evidence of identity) and who exhibited to me their respective identification document as written below their names.

Witness my hand and seal.

Doc. No. 19
Page No. 5
Book No. V
Series of 2022.


Atty ELIZABETH A DEL FONSO HIDALGO
Notary Public - Quezon City
Commission No. NP- 061 (2020-2021)
Commission Extended until 06/30/2022
per SC En banc Reso B.M. No. 6795 09/28/2021
Roll No. 50704 IBP Lifetime #07596 QC
PTR No. 2296853 Issued at QC on 01/08/2022
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