COOPERATIVE GOVERNANCE MANUAL
CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE

POLICY STATEMENT

This Manual on Cooperative Governance is created pursuant to Insurance Commission ("IC") amended IC Circular Letter No. 31-2005, the Cooperative Code RA 9520, and other relevant IC and CDA issuances and regulations.

This Manual aims at defining the responsibilities and accountabilities of the Board of Directors and Officers of CLIMBS. It is the primary source of guidance on all aspects of governance including statutory guidance under which CLIMBS operates.

This Manual is designed to be an active, flexible and practical document and may be modified, amended, revised or updated as the need arises.

COMMITMENT TO GOOD COOPERATIVE GOVERNANCE

CLIMBS believe that sound and effective cooperative governance is integral to the mandate of fiduciary duties, accountabilities and responsibilities given by CLIMBS members and subscribes to the belief that the pursuit of cooperative goals must be bound by high ethical standards.

"Cooperative governance" refers to the oversight mechanisms that CLIMB and its subsidiaries are governed, encompassing processes and policies, how decisions are made and how CLIMBS deals with various interests of, and relationships with, its many stakeholders, including shareholders, customers, regulators, employees and the broader community.

This Manual of Cooperative Governance supplements and compliments CLIMBS Articles of Incorporation and Amended By-Laws by setting forth principles of good and transparent governance.

GOVERNANCE STRUCTURE

Board of Directors

The Board of Directors primary responsibility is setting the strategic plan, direction and formulates policy making activity. It is also responsible in appointing the President and CEO, confirming organization structure, overseeing all major risk taking activities, monitoring the financial results, measuring and rewarding the performance of management. It shall also provide an independent check on management.

The Board also formulate the vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

As provided in CLIMBS Amended Articles of Incorporation, the Board of Directors shall consist of eleven (11) members, at least two of whom must be independent directors. Immediately after their election, they shall meet and shall elect a Chairman and a Vice Chairman of the Board of Directors by secret ballot. However, if no candidate obtains a majority vote, a run-off election shall be held until a majority vote shall be garnered by a candidate.

Qualifications of a Regular Director (RD) and an Independent Director (ID)

Regular Director (RD)

1. He/she must be at least thirty years old on the date of election.
2. He/she must be a graduate of any four year college degree course.
3. He/she must have served in his/her primary/secondary cooperative for at least three years as director and duly authorized by his/her member cooperative by means of board resolution.
4. His/her primary/secondary cooperative must be a member of CLIMBS for at least least three years.
5. He/she must not have been convicted of crimes involving moral turpitude.
6. He/she must have no conflict of interest with CLIMBS such as acting as agent, broker or analogous status of any insurance company, government or private
7. His/her cooperative must have patronized and enrolled in at least three major products of CLIMBS such as:
    a. Life CLPP/CLSP
    b. Non-life, Fire, vehicles
    c. Health, calamity insurance
8. His/her cooperative must have paid at least one million (Php 1,000,000) pesos common shares.
9. He/She must be a MIGS in his primary or secondary cooperative.

Independent Director (ID):

1. He/she must have no conflict of interest and/or has no interest at all with CLIMBS.
2. He/she must be an Expert and/or Engaged and/or Exposed and comes from reputable financial sector and/or insurance Industry.
3. He/she must act as adviser of CLIMBS.
4. He/she must have No personal or financial ties with CLIMBS so that he/she shall be objective in the performance of his/her functions:
    a. Competencies in his/her respective fields;
    b. Reminds the Regular Directors/Board of Directors of ultra vires dispositions;
5. He/She must be a member of a primary or secondary cooperative duly registered with CDA, which is likewise a member of CLIMBS.
6. He/She at any given time, must only own a one-unit minimum common share capital or equivalent in his/her primary or secondary cooperative, which is likewise a member of CLIMBS.

Disqualifications of a Director

1. Any person holding any elective position in the government, except that of a party list representative being an officer of a cooperative he or she represents.
2. Any person having served as Director of the Cooperative for three (3) consecutive terms.
3. Any person who holds any other position directly involved in the day-to-day operation and management of the cooperative.
4. Any person having direct or indirect personal interest with the business of the Cooperative.
5. Any person being an official or employee of the Cooperative Development Authority.
6. Any person having been convicted in administrative proceedings or civil/criminal suits involving financial and/or property accountability and having been disqualified by law.
7. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime.
8. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of any court or administrative body of competent jurisdiction.
9. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts.
10. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;
11. Any person judicially declared as insolvent;
12. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;
13. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

Any of the following shall be a ground for the <u>temporary disqualification</u> of a director:

1. Refusal to comply with the disclosure requirements. The disqualification shall be in effect as long as the refusal persists.
2. Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.
3. Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself

from any involvement in the cause that gave rise to his dismissal or termination.
4. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

   A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

Election of Officer

The Board of Directors shall convene within ten (10) days after the regular general assembly meeting to elect by secret ballot from among themselves the Chairman and the Vice Chairman and to appoint or elect the Secretary and Treasurer from outside of the Board. The appointed officers shall hold office for a term of two (2) years or until their successors shall have been elected / appointed and actually assumed the functions of their positions. No two or more persons with relationship up to the third civil degree of consanguinity or affinity shall hold any elective or appointive position in the same Board or Committee.

Powers and Duties of the Board of Directors

1. Determine the period, manner, and conditions under which CLIMBS shall engage in any kinds of business stated in Articles II of the Articles of Cooperation.
2. Determine the manner in which the funds should be invested, subject to the provision of existing laws and these by-laws, a resolution being required for each investment or loan, except insurance policy loan in accordance with policy provisions;
3. Issue under such terms and conditions as it may prescribe mortgage insurance on the lives of the mortgagors and/or co-mortgagors whose properties are mortgaged with CLIMBS.
4. Create such committee in the Board as it may deem necessary and appoint a president, actuary, general secretary, treasurer, medical director, consultants, operation manager, department manager, attorneys-in-fact and such other officers of CLIMBS and fix their duties, powers, compensation and other terms and conditions of the service of employment;
5. Decide as to the safe keeping of the funds, share capital and savings accounts with any cooperative authorized to operate in the Philippines and/or abroad;
6. Prepare and approve the budget to be submitted to the General Assembly for their information / concurrence.
7. Fix annually the percentage to be written-off on all capital expenditures of CLIMBS such as building, furniture and fixtures, and determine the distribution of savings, dividends and patronage refund;
8. Submit annually to the regular meeting of the members of CLIMBS the balance sheet, profit and loss statement and annual report on the conditions of CLIMBS and the Annual Budget
9. Call a special meeting of the Board;
10. Determine the time and manner of issuance of un-issued shares of stocks;

11. Install an accounting system which must be adequate for the requirements of the business and to require from the same the proper keeping of records of all business transactions of CLIMBS.
12. Determine the manner and conditions under which employees shall be granted pensions, retirement gratuity or life insurance protection and other employment benefits;
13. Make rules and regulations for the internal affairs and transactions of its business including the safe custody and proper maintenance of its assets, funds and properties;
14. Institute, maintain, defend, compromise or drop any litigation on which CLIMBS or its officers maybe interested as plaintiff or defendant in connection with the business of CLIMBS, and grant extension of time for the payment or settlement of any indebtedness in favor of CLIMBS.
15. Settle any doubt / doubts that may arise relative to the interpretation of these by-laws and supply any omissions , reporting thereon to the members' general meeting on such matters taken.

The enumeration of the above powers and duties does not limit and restrict the powers of the Board of Directors to act on policy matters not specifically provided for.

Highlights of Mission and General Responsibility of the Board

This section highlights and sets the parameters in respect of some of the Board's duties, as contained in CLIMBS By-Laws, and in conformity with IC Circular Letter Nos. 13-2002 and 31-2005.

1. Formulate CLIMBS vision and mission;
2. Approve and confirm management's cooperative strategies, major plan of actions, risk policy, annual budget and business plan, as recommended by Management;
3. Monitor the implementation of approved strategies and CLIMBS performance vis-à-vis targets and goals;
4. Adopt a succession plan, including the compensation, appointment and training of senior officers;
5. Review annually CLIMBS compliance with its Code of Cooperative Governance;
6. Approve policies on major areas of operations, including underwriting, investments, reinsurance claims management and risk management;
7. Ensure the adequacy and effectiveness of CLIMBS internal control and management information systems;
8. Review and report to the member cooperatives its own effectiveness in fulfilling its responsibilities;
9. Ensure CLIMBS faithful compliance with all applicable laws, regulations and best business practices.
10. Identify key risk areas and performance indicators and monitor these factors with due diligence to anticipate and prepare for possible threats to its operational and financial viability.
12. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among CLIMBS and its subsidiaries, joint ventures, associates, affiliates, officers

and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
13. Establish and maintain an alternative dispute resolution system that can amicably settle conflicts or differences between CLIMBS and its stockholders, and CLIMBS and third parties, including the regulatory authorities.
15. Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration.
16. Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.
17. Appoint a Compliance Officer who shall have the rank of at least vice president.

Specific Duties and Responsibilities of a Director

A director's office is one of trust and confidence. A director should act in the best interest of the corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the corporation towards sustained progress.

A Director of the Company shall observe the following norms of conduct;

1. To conduct fair business transactions with the corporation and to ensure that personal interest does not prejudice Board decisions;
2. To devote time and attention necessary to properly discharge his duties and responsibilities;
3. To act judiciously;
4. To exercise independent judgment;
5. To have working knowledge of the statutory and regulatory requirements affecting CLIMBS, including the contents of its Articles of Incorporation and By-Laws, the requirements of IC and other regulatory agencies;
6. To observe confidentiality;
7. To ensure the continuing soundness, effectiveness and adequacy of CLIMBS internal control system.

Officers and Their Duties

CLIMBS shall have a Chairperson, Vice – Chairperson, Treasurer and a Secretary who shall serve according to the functions of their respective offices as follows:

Chairperson. The Chairperson of the Board shall have the following powers and duties;

1. To preside over all of the members assemblies and meetings of the Board of Directors;
2. To cast the deciding vote in case of tie in the members assemblies or in the Board of Directors meetings;
3. Sign all Certificates of Stocks.

4. To exercise such powers and duties as may be granted by the Board of Directors and by the general assembly.
5. To exercise such powers which are vested in him by other provisions of these by-laws.

Vice – Chairperson. The Vice-Chairperson of the Board shall exercise the powers and duties of the chairman in his absence. However, in the event of death, resignation, removal or permanent incapacity or disqualification of the Chairperson, the Board shall elect a new Chairperson.

Secretary. The Cooperative Secretary shall have the following powers and duties;

1. Give notice of all meetings called;
2. He shall keep minutes of the meetings of the stockholders, of the Board of Directors, and the Executive Committee and shall attend to the giving of all notices required by these By-Laws;
3. He shall be the custodian of CLIMBS seal, stock certificate books, stock and transfer books, records, documents, and papers of CLIMBS.
4. To keep a complete and up to date list of the stockholders and their addresses and the shares owned by each. Perform such other duties as may be assigned to him from time to time by the Board of Directors, and such other tasks incidental to his duties.

During the absence of the secretary, or his/her inability to act, his/her duties shall be performed by such person as may be designated by the Board of Directors.

Treasurer. The Treasurer shall have the custody of the funds, credit instruments securities, documents and papers and properties of CLIMBS. He shall have the following powers and duties;

1. He/she shall deposit all moneys and other valuable effects in the name and to the credit of CLIMBS in such banking or trust companies, or with such bankers or other depositories as the Board of Directors may from time to time designate, and any funds so deposited shall be withdraw able only by checks of other instruments signed by duly authorized officers of CLIMBS as hereafter provided;
2. Be responsible for the collection of all accounts owing to CLIMBS.
3. Receive all sums of money of property as may be due or owing to the cooperative.
4. Pay all accounts chargeable to CLIMBS upon proper vouchers and subject to the requirement and restrictions as the Board may provide
5. Render to the Chairman, to the President, or to the Board of Directors, whenever required, an account of the financial condition of CLIMBS and of all his transactions as treasurer.
6. Perform such other duties as the Board of Directors may be assigned to him.

In the absence of the Treasurer or his in ability to act, his duties shall be performed by the assistant treasurer or such person as may be designated by the Board of Directors.

President. The President shall be the Chief Executive Officer of CLIMBS and shall have the powers and perform such duties as may from time to time, be prescribed or delegated by the Board. He shall have the following functions unless otherwise determine by the Board of Directors, to wit;

1. Direct implementations of the policies established by the Board, and accordingly supervise the management of all the operations of the Cooperative, and give such orders and instructions to all the personnel and employees thereof from time to time as he shall deem proper
2. Supervise the direction and conduct of the personnel of CLIMBS in the performance of the duties;
3. Carry out all lawful orders and directions of the Board of Directors;
4. Execute and sign all contracts entered into on behalf of CLIMBS, the execution of which may have approved or delegated by the Board;
5. Authenticated by his signature all administrative acts and obligations and documents issued by CLIMBS;
6. Represent CLIMBS and vote at Stockholders' meetings for all stocks owned by CLIMBS in other corporations or companies; Submit to the Annual General Assembly Meeting, the Balance Sheet, the Profit and Loss and the Annual Report of the condition of CLIMBS.

MEETING OF DIRECTORS

The regular meeting of the Board of Directors shall be held quarterly. However, the Chairman or in his absence, the Vice – Chairman or majority of the Directors may at any time call a special board meeting to consider urgent matters. The call shall be addressed and delivered to the Secretary stating the date, time, and place of such meeting and the matters to be considered. The Secretary or his authorized representative, by means of email, fax, text messages and voice call, shall serve notice of regular or special meeting of the Board of Directors, to each director at least five (5) days before such meeting.

Majority of the total number of directors constitutes a quorum to transact business. Any decisions or actions taken by the majority members of the Board of Directors in a meeting duly assembled shall be a valid act.

RENUMERATIONS

The members of the Board of Directors, Committees and officers shall receive such remuneration as may be approved by the general assembly each year. Directors Committees and officers attending any meeting of the Executive Committee shall also receive such remuneration, which shall also be approved by the General Assembly.

COMMITTEES

Election Committee

The Election Committee (ELECOM) shall be composed of three (3) members preferably with legal backgrounds to be elected at large by all the voting delegates during the Annual General Assembly and shall hold office for a term of three (3) years or until their successors shall have been elected and qualified. The candidate who garners the highest number of votes shall serve for three (3) years, the second highest for two (2) years and the third highest shall serve for one (1) year. Thereafter, all shall be elected for a term of three years. Within 10 days after their election, they shall elect from among themselves a Chairman, Vice Chairman and a Secretary.

1. The Election Committee shall have the sole authority to conduct, supervise and manage any and all elections of CLIMBS;
2. In the conduct, supervision and management of the elections, the Election Committee shall exercise, but not limited to the following powers:
   a. To deputize any qualified representative of any member or any employee of CLIMBS;
   b. To promulgate CLIMBS Election Code, rules and regulations for the conduct of a clean, orderly, honest and inexpensive election as approved by the General Assembly;
   c. To recommend necessary amendments to the election rules and guidelines, in consultation with the Board of Directors, for approval of the General Assembly;
   d. To pass upon the qualifications of all candidates in accordance with the By-laws, the CLIMBS Election Code, rules and regulations and policies approved by the Board of Directors and General Assembly;
   e. Canvass and certify the results of the election;
   f. Proclaim the winning candidates;
   g. Perform such other functions as prescribed in these By-Laws or authorized by the GA;
   h. The members of the Election Committee are prohibited to run for other elective office when their term of office has not yet expired. This provision shall likewise apply to the Board of Directors, the Audit Committee.

Education and Training Committee

The chairman of the Education and Training Committee shall be the vice-chairman of Climbs and the members thereof shall be appointed by the Board of Directors for a term of two (2) years without prejudice to their reappointment.

The Chairperson of the Committee shall assist the CLIMBS management in its planning and implementation of promotional and educational activities of CLIMBS.

No member of the Committee shall hold any other position within CLIMBS during his term of office. This provision shall also apply to all elective and appointive committees.

Audit Committee

The Audit Committee shall be composed of three (3) members preferably with Accounting and finance experience, to be elected at large by all the voting delegates during the Annual General Assembly and shall hold office for a term of two (2) years or until their successors shall have been elected and qualified. Within ten (10) days after their election, they shall elect from among themselves a Chairman, Vice – Chairman and a Secretary.

1. It shall provide oversight of the institution's internal & external auditors.
2. It shall be responsible for the setting-up of internal audit department, and the appointment of the internal auditors as well as of independent external auditors.
3. It shall monitor and evaluate the adequacy and effectiveness of the internal Control system of the Cooperative.
4. The Audit Committee shall provide internal audit services, maintain a complete record of its examination and inventory, and submit an audited financial report quarterly or as maybe required by the Board and the General Assembly.

Internal Audit

1. Approve and periodically review the Internal Audit Charter.
2. Oversee the appointment and formally evaluate the performance of the Chief Internal Auditor, who shall report directly to the Audit Committee, including his/her replacement, reassignment, or dismissal.
3. It shall also maintain internal auditors with sufficient knowledge, skills experience and professional certifications to effectively discharge its functions.
4. Review the internal audit function of CLIMBS including its independence and the authority of its reporting relationships.
5. Review and approve the annual internal audit risk assessment and plan including the audit scope and frequency, and any significant changes to the internal audit plan.
6. Review at the end of calendar year the implementation of the approved internal audit plan.
7. Review the final audit reports prepared by the Internal Audit for matters deemed significant and management's response to such reports and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors.
8. Ensure that internal auditors have free and full access to all the records, properties and personnel relevant to and required by its function and that the Internal Audit shall be free from interference in determining its scope, performing its work and communicating its results.
9. Ensure that Internal Audit complies with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

External Audit

1. Appoint a CDA-accredited external auditor for the purpose of preparing or issuing an audit report or related work.
2. Assess the external auditor's effectiveness, independence and objectivity, ensuring that key partners are rotated at appropriate intervals; and remove the external auditors if circumstances warrant. The Committee shall oversee the resolution of disagreements between management and the external auditors in the event that they arise.
3. Review with the internal auditor the scope of the proposed external audit for the current calendar year, considering the coordination of internal and

external audit procedures to promote an effective use of resources and ensure a complete but non-redundant audit.

4. Approve all audit and non-audit services, including its fees, to be provided by the external auditor to CLIMBS and its subsidiaries. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to its independence. The non-audit work, if allowed, shall be disclosed in CLIMBS annual report and/or in the Annual Cooperative Governance Report.
5. Review the external audit fees and recommend it for approval by the Board.
6. Ensure external auditors have free and full access to all records, properties and personnel to enable performance of audit functions.
7. Review with the external auditor any problems or difficulties encountered and management's response; review the external auditor's attestation and report on management's internal control report, and hold timely discussions with the external auditors.

Internal Controls

1. Ensure that a review of the internal auditors' evaluation of the effectiveness of CLIMBS internal controls, including financial, operational, information technology, and compliance controls, and risk management, is conducted at least annually.
2. Discuss with management the major risk exposures and the steps management has taken to monitor and control such exposures, including the risk assessment and risk management processes, policies, controls and governance processes.
3. Review with management the effect of regulatory and accounting initiatives, as well as off- balance sheet structures, on the financial statements of CLIMBS.
4. Oversee the quality of compliance by operating management in their performance of the following tasks;
    a. Employing the proper documentation to ensure enforceability of rights and contracts;
    b. Employing appropriate technology and operating hardware and software systems to ensure the proper recording, storage, retrieval and analysis of transaction data;
    c. Installing the appropriate control mechanisms, systems and processes (e.g., policy manuals, risk measurement and control systems, performance reports, internal audit programs, reviews, and reports, external audit program and reports, etc.) to ensure the identity and authority of counterparties, the validity and integrity of transactions and data, and the competent management of risks;
    d. Ensuring preparation and implementation of contingency plans to ensure business continuity in the event of any major crisis;
    e. Ensuring the alignment of financial accounting, measurement, reporting and auditing methodologies and practices with international standards and best practices;
    f. Ensuring full compliance with the law and regulations and the specific requirements of the IC, CDA, AMLC and other regulatory bodies, where applicable.

g. Elevate to international standards the accounting processes, practices and methodologies;
h. Ensure sound operation of a transparent financial management system that will ensure the integrity of internal control activities through procedures and policies and handbook that will be used by the entire organization;
i. Ensure that CLIMBS has a framework for fraud prevention and detection including whistle-blower policy/program by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action.

The Internal Audit shall support the Audit Committee in the rendition of its function.

Executive Committee.

The Executive Committee which shall be composed of the Chairperson, Vice Chairperson, the President/CEO and two (2) other members of the Board of Directors.

Remuneration and Personnel Committee

The Remuneration and Personnel committee shall be composed of three (3) members one of whom is an independent director to be appointed by the BOD. They shall elect from among themselves, the Chairman, Vice – Chairman and Secretary who shall serve for two (2) years or until their successor shall have been elected and qualified. No member of the committee shall hold any other position in the Cooperative during his term of office.

Mediation and Conciliation Committee

The Mediation and Conciliation committee is composed of three (3) members to be appointed by the Board of Directors. The said members shall serve for a term of two (2) years from the date of appointment and the other shall serve for a term of one (1) year. Thereafter, all shall serve for a term of two (2) years. Within ten (10) days after their appointment, they shall elect from among themselves the Chairman, Vice – Chairman and Secretary. No member of the committee shall hold any other position in the Cooperative during his term of office.

Ethics Committee

Ethics Committee is hereby created and shall be composed of three (3) members to be appointed by the Board of Directors. Within ten (10) days after their appointment, they shall elect from among themselves a Chairperson Vice Chairperson and a Secretary who shall serve for a term of two (2) years. No member of the Committee shall hold any other position of CLIMBS during his term of office.

The Board of Directors may create other committees as the need arises and provide the necessary expenses to cover their operations.

CODE OF BUSINESS CONDUCT & ETHICS

CLIMBS has a Conduct and Code of Ethical Standards, a separate policy document which stands as the exceptional standard that guides what they say and do, in order that the right decisions are taken in performing their respective roles and responsibilities across various functions in handling relationships with all stakeholders.

The Code is applicable to and mandatory for all CLIMBS professionals at all levels, regardless of their individual role, position or practice, including officers and staff in order to maintain professionalism, integrity, mutual respect and fairness in the daily course of business and interactions with co-employees or any other points of contact (internal or external).

The administration and implementation of the Code shall be the primary responsibility of the Human Resources or in its oversight the respective Unit or Department Heads.

Related Policies under the Code of Business Conduct and Ethics

Major internal policies are also in place to lend guidance, provide support and lay the proper context for employees' adherence to the Code of Business Conduct and Ethics, such as: Conflict of Interest Standards, Gift Giving Policy, Whistleblower Policy and Related Party Transactions Policy.

These policies are comprehensively detailed in separate policy documents approved by a Committee of the Board or by the Board of Directors and provide focused guidance about the relevant subject as well as include additional requirements with which employees must comply.

Conflict of Interest Standards

The personal interest of directors and officers should never prevail over the interest of CLIMBS. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in CLIMBS. They must promote the common interest of all shareholders and CLIMBS without regard to their own personal and selfish interest.

A conflict of interest exists when a director or an officer of CLIMBS:

- Supplies or is attempting to supply goods or services to CLIMBS.
- Supplies or is attempting to supply goods, services or information to an entity in competition with CLIMBS.
- By virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to CLIMBS.
- Is offered or receives consideration for delivering CLIMBS business to a third party.
- Is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interest of CLIMBS.

If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision-making. A director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.

Where a director or officer, by virtue of his office, acquires for himself a business opportunity which should belong to CLIMBS, thereby obtaining profits to the prejudice of CLIMBS, the director or officer must account to the latter for all such profits by refunding the same.

A Director or Officer shall not disclose, reveal, or share, by whatever means or method, to any person or entity, any information especially all vital and/or confidential information it has learned, obtained, or acquired in any manner by reason of, and in the course of performing the whole or any portion of his obligation and duties as Director or Officer of CLIMBS without the prior written consent of the cooperative.

Related Party Transactions Policy

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may also be individuals or cooperative entities.

Because transactions with related parties can be abused, the terms of such transactions are of vital interest to majority and minority shareholders alike, i.e., the interests of shareholders, as a whole, and of all stakeholders must be fully protected.

The Related Party Transactions Policy guards against internal conflicts of interest between CLIMBS and/or its group and their directors, officers and significant shareholders and ensures that transactions such as loans and advances, deposit arrangements, trading of government securities and commercial papers, sale of assets, lease of premises, investment advisory/management, service arrangements and advances for operating expenses are made in the normal course of CLIMBS activities with terms and conditions that are generally comparable to those offered to non-related parties or to similar transactions in the market.

This is done through the Related Party Transactions Committee which assists the Board in assessing material agreements of any kind with a related party in determining whether to approve, ratify, disapprove or reject a Related Party Transaction. The committee takes into account whether or not the RPT is entered into on terms no less favorable to CLIMBS than terms generally available to an unaffiliated third-party under the same or similar circumstances.

For transaction involving a sale of CLIMBS assets, it reviews results of the appraisal, valuation methodology used as well as alternative approaches to valuation. The Committee then assesses the extent of the Related Party's interest in the transaction.

Basis for evaluation of a Related Party Transaction:

- Terms of the transaction

- The Related party's Interest in the transaction
- The purpose and timing of the transaction
- Whether or not CLIMBS is a party to the transaction and, if not, the nature of CLIMBS participation in the transaction.
- If the transaction involves the sale of an asset, a description of the asset including date acquired and costs basis.
- Information concerning potential counterparties in the transactions, approximated value of the transaction and approximated value of the Related Party's interest in the transaction.
- Description of any provisions or limitations imposed as a result of entering into the proposed transactions.
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction; and,
- Purpose of the transaction and potential benefits to the CLIMBS.

The Committee may also call on independent experts to help with valuation issues, if needed, to also ensure that the interests of CLIMBS and stakeholders are protected.

The Committee shall meet to vet on related party transactions of significant amounts above the material threshold as stated in the Related Party Transaction Policy.

RPTs are properly disclosed in CLIMBS audited financial statements, and other applicable fillings in accordance with the relevant rules and issuances of the Insurance Commission and other regulatory bodies.

Whistleblower Policy

The Whistleblower Program is CLIMBS mechanism for preventing and detecting fraud or misconduct, and enabling fast and coordinated incident responses and avenues for establishing cause, remedial actions, and damage control procedures.

Under the Policy, it is the responsibility of all personnel, including the Board, Officers and employees, to comply with the rules and regulations of CLIMBS and to report violations or suspected violations in accordance with the Whistleblower Policy.

Any person who knowingly aids, abets, or conceals or otherwise deliberately permits the commission of any irregular or fraudulent act directed against CLIMBS shall be considered as guilty as the principal perpetrators of the fraud or irregularity.

Hence, all personnel, including the Board, Officers and employees, have a duty to cooperate with investigations initiated under the policy. The policy also presumes that the employees act in good faith and will not make any false accusations when reporting the wrongdoing done by another employee. An employee who knowingly or recklessly makes statements or disclosures that are not in good faith shall be subject to disciplinary action/s, which may include termination.

Procedure for Reporting:

1. All personnel, including the Board, Officers and employees, as well as customers, suppliers, and all stakeholders, can report any violation of policies, procedures and applicable laws and regulations which include, but are not limited to, the following: Fraud, Sexual Harassment, Theft, Stealing, Conflict of Interest Information Security Violation, Violation of CLIMBS Policies, Rules and Regulations and any other acts which are inimical to the interests of CLIMBS.
2. The whistleblower may approach any of the following Officers who shall be the designated contacts for CLIMBS and the primary reporting line:
    - Compliance Officer
    - Internal Audit
    - Human Resources
    - Legal Officer

3. Under extraordinary circumstances, the whistleblower can also course the complaint through other reporting lines (President or Chairman of the Audit Committee). The whistleblower may send or communicate a report, formally or anonymously, through a face-to-face meeting with the aforementioned primary contacts or communicate in writing, by telephone, in person, or through email.
4. Upon receipt of the whistleblowing report, the Personnel to whom the report was disclosed shall then immediately initiate the investigation upon receipt of the report by turning over the details, documents, if any, of the reported case to the Investigating Unit of CLIMBS.
5. The investigation of the whistleblowing report shall follow the due process as stipulated in CLIMBS manual of operations on standards in handling fraud and irregularities.

Non-Retaliation:

1. An individual who makes a "protected disclosure" shall not suffer harassment, retaliation, or adverse employment consequences. Any person who retaliates against any individual who makes a protected disclosure shall be subject to discipline up to an including termination.
2. The right of a whistleblower for protection against retaliation does not include immunity for his/her wrongdoing or participation in the reported irregularity and such participation was eventually verified and proven during the course of the investigation.
3. In case the whistleblower believes he has been retaliated against for whistleblowing, he may seek redress or file a formal complaint to the Compliance Officer, Internal Audit, Human Resources or Legal Officer.

Anti-Bribery and Anti-Corruption Policy

CLIMBS puts the highest premium on sound, responsible and effective cooperative governance and does not tolerate bribery, corruption or improper acts of any kind in all business dealings. Bribery or corruption does not only involve monetary consideration. Bribery or corruption may also involve favors or other material gain such as employment, etc.

As such, it has enabled and equipped CLIMBS officers and employees, with the requisite policies, programs and guidance through its Code of Business Conduct and Ethics and Standards on Conflict of Interest to combat risks in corruption and bribery.

Dissemination of the Code

The Code of Business Conduct and Ethics together with related policies on conflict-of-interest, whistleblowers and other guidelines are embodied in this Cooperative Governance Manual and included as well in CLIMBS Management and Operating Manual and Personnel Policy Manual, each of which is published and available for viewing on CLIMBS intranet electronic databases, readily accessible for guidance and consultation of employees.
Aside from availability in these databases, policies are regularly announced via internal email-facility to ensure constant top-of-mind awareness of the need to comply with these policies. The Code is also posted on the company website of CLIMBS at www.climbs.coop.

Compliance with the Code

In order to ensure compliance, all employees, including the senior officers and directors, will acknowledge on an annual basis, through the Statement of Affirmation, that they have read and understood the Code of Business Conduct and Ethics as well as CLIMBS Manual of Cooperative Governance, and will fully comply and adhere to the principles, standards and policies therein.

COMPLIANCE SYSTEM AND INTERNAL CONTROL

The Compliance System of CLIMBS is basically a two-tiered system. The primary level is achieved through self-regulation within each work unit, department, division, group by consciously abiding by provisions of this Manual, adhering to stated company policies, and to CLIMBS code of conduct.

The secondary level is conducted through the audit function which is performed by both the Internal Audit and the Compliance Office as well as the external auditors appointed by the Board. The compliance review by internal auditors and external auditors, in turn, are reviewed and evaluated by the Audit Committee of the Board of Directors.

Compliance Office

CLIMBS Compliance Office is charged with nurturing the culture for integrity, ethical business practice, and fair dealing. It is directly accountable to CLIMBS Board of Directors. Beyond the regulations that immediately impact operations, in particular, those of the Insurance Commission, the Compliance Office also places great emphasis on valuing the CLIMBS reputation and strengthening the trust given by the CLIMBS shareholders, clients, employees, partners, and members of the financial and local communities.

The Compliance Office oversees the implementation of CLIMBS enterprise-wide compliance programs. The programs take into account the size and complexity of CLIMBS, the relevant rules and regulations that affect its operations, and the business risks that may arise due to non-compliance. By using regulatory and self-assessment compliance matrices, compliance measures are formulated to mitigate identified business risks and tested to ensure effectiveness.

Internal Audit

The Board of Directors is responsible for fostering CLIMBS internal control culture that promotes integrity, morality and competence throughout the organization. The Board has the primary responsibility to review and approve systems and processes proposed by Management to identify, monitor, and control major operating risks impacting the business.

Management is responsible for implementing strategies and policies approved by the Board and establishing an effective system of internal control.

Internal Audit is an integral part of CLIMBS internal control system which assists the Audit Committee in the discharge of its oversight responsibilities by providing an independent reasonable assurance that CLIMBS system of risk management, internal controls, and cooperative governance processes are adequate and effective, as well as ensuring that operating and business units adhere to internal processes and procedures and to regulatory and legal requirements.

The role/responsibility and scope of internal audit work are defined in the Internal Audit Charter, which is reviewed annually and approved by the Audit Committee. Internal Audit conducts an annual planning, review of risk universe, and risk assessment to come up with the annual work plan to be presented to the Audit Committee for its approval. Status/Progress of this work plan is also regularly presented to the Audit Committee for monitoring.

At the end of the year, an annual Internal Audit report, which contains the overall assessment on the internal control system of the cooperative, is also being prepared and submitted to the Audit Committee.

External Audit

The Audit Committee, shall recommend, for approval of the Board of Directors and which shall be ratified by the stockholders, a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements shall have been prepared and presented.[165]

1. The External Auditor shall:

   a. Perform fair audits independently from CLIMBS, its management and controlling shareholders, so that shareholders and other users may maintain confidence in CLIMBS' accounting information;

   b. Check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;

   c. Attend the annual stockholders meeting and answer any questions on audit reports and on themselves, their work and their remuneration;

   d. Perform such other functions as may be approved by the Board in its engagement of the auditor, provided, however, that non-audit work shall not be in conflict with the functions of the auditor as external auditor.

2. The External Auditor shall be rotated every five (5) years or earlier, or the handling partner shall be changed.

3. The reasons for resignation, dismissal or cessation from service and date thereof of an external auditor shall be reported in CLIMBS' annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of the former auditor, would have caused making reference to the subject matter of disagreement in connection with its reports.

4. If an external auditor believes that the statements made in an annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall also present his views in said reports.

COMMUNICATION AND INFORMATION

Management's Responsibilities for Information

1. Management is primarily responsible to the Board for financial reporting and control, and to the extent, shall:

    a. Present a balanced and understandable assessment of the CLIMBS' position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.

    b. Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities.

    c. Report that the business is a going concern, with supporting assumptions or qualifications, if necessary.

    d. Maintain a sound system of internal control to ensure integrity of financial reports and to safeguard the interest of stockholders and other stakeholders.

    e. Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts.

    f. Require the Chief Audit Executive to render to the Audit committee an annual report on the internal audit division's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the audit Committee of the Board.

    g. Such annual report should include significant risk exposures and control issues, cooperative governance issues, and other matters needed or requested by the Board and senior management.

    h. Management shall be primarily responsible for the adequate flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts and monthly internal financial statements. Any variance between projections and actual results should also be disclosed and explained by Management to the Board.

Reports and Disclosures

The Board shall commit at all times to fully disclose all material information about the company for the benefit of the stockholder and other stakeholders.

All material information that could potentially affect share price shall be publicly disclosed. Such information shall include but not be limited to: earnings results, materially significant acquisition or disposal of assets, board changes, related party transactions which are not in the ordinary course of business, shareholding of directors and major changes to ownership. This may also include material and reportable non-financial and sustainability information. All such disclosures shall be submitted to Philippine Stock Exchange and Securities and Exchange Commission following their respective guidelines or properly disclosed in such report(s) as may be required by regulators, for the interest of all stockholders and other stakeholders.

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders. The cooperative also maintains a company website in accordance with the CDA-prescribed template to ensure a comprehensive, cost-efficient, transparent and timely manner of disseminating relevant information to the public.

Data Privacy and Protection

Republic Act No. 10173, known as the Data Privacy Act of 2012, requires government and private sector entities to apply the principles of Transparency, Legitimate Purpose and Proportionality in their processing of personal data so that the data is only used in relevant and specifically stated ways, is not stored for longer than necessary, is kept safe and secure, is used only within the confines of the law and is stored following people's data protection rights. Cybersecurity and data privacy and protection have, today, become cooperative governance and risk management concerns.

The cooperative and is committed to protecting and respecting individuals' privacy and rights to control information about themselves and to decide how and to what extent such information is shared with others.

1. **Data Privacy Policy**

   CLIMBS has a strong Data Privacy Policy in place, which describes to whom the policy applies to, what personal data the cooperative collects and how such data is collected, how the cooperative may use personal data for core business and marketing purposes, how the cooperative may disclose and share such personal data, how such personal data is stored and retained, and how such data can be accessed or corrected. The Data Privacy Policy is posted on the company website and complies with the requirements of the Data Privacy Act and the National Privacy Commission.

2. **Governance for Privacy, Confidentiality, Security and Compliance**

CLIMBS' Data Privacy Policy is supported by a comprehensive Data Privacy Program utilizing a combination of policies, organizational structure, access controls and technologies designed for risk reduction.

The cooperative has a Data Privacy Office, headed by a Board-appointed Data Privacy Officer (DPO), a lead senior management officer. The key focus of the DPO is to oversee data privacy compliance and manage data protection risks for the organization consistent with the Data Privacy Act rules and regulations, issuances by the National Privacy Commission and other applicable laws. Management has also appointed Compliance Officers for Privacy (COP) for major business units of the cooperative.

Security of personal data is critical to the Data Privacy Program. The cooperative has in place safeguards that help ensure that personal data stored with CLIMBS is secure and protected in accordance with its Data Privacy Policy. The cooperative maintains strict security standards and procedures with a view to preventing unauthorized access to personal data by anyone, including its staff. CLIMBS uses leading technologies such as (but not limited to) data encryption, firewalls and server authentication to protect the security of personal data. All CLIMBS employees are required to observe our privacy standards and are audited for compliance.

Ultimately, the Board of Directors is responsible for ensuring that data privacy is a fundamental element in the over-all cooperative governance, responsible for overseeing implementation of the cooperative's strategic objectives and risk strategies for data privacy. At the Board level, apart from oversight through its Risk Management and Audit Committees, directors focus on key issues of cyber security and data privacy at board meetings in order to execute the Board's compliance and managerial oversight as well as to mitigate risk.

STOCKHOLDER'S RIGHT AND PROTECTION OF MINORITY STOCKHOLDERS INTERESTS

Shareholders' Rights

The Board shall be committed to respect the following rights of stockholders:

1. Voting Rights

Shareholders shall have the right to elect, remove and replace directors and vote on certain cooperative acts in accordance with the Cooperative Code.

Cumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of two-thirds (2/3) of the outstanding capital of the CLIMBS.

2. Pre-emptive Rights

All stockholders shall have pre-emptive rights, unless there is a specific denial of this right in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the CLIMBS. The Articles of

Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

3. **Right of Inspection**

Shareholders shall be allowed to inspect cooperative books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be provided with an annual report, including financial statements.

4. **Right to Information**

Upon request and for a legitimate purpose a shareholder shall be provided with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the CLIMBS' shares, dealings with the CLIMBS, relationships among directors and key officers, and the aggregate compensation of directors and officers. The Notice of Annual or Special Stockholders Meeting/Information Statement/Proxy Statements where these are stated must be distributed promptly and in a timely manner to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registrations of share for public offering with the Commission. The Notice of Annual or Special Stockholders Meeting/Information Statement/Proxy Statements shall also be posted on the company website as part of the cooperative's regulatory disclosures.
The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting provided always that this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.

5. **Right to Dividends**

Stockholders have the right to receive dividends subject to the discretion of the Board. However, the Commission may direct CLIMBS to declare dividends when its retained earnings is in excess of 100% of its paid-in capital stock, except: a) when justified by definite cooperative expansion projects or programs approved by the Board or b) when the CLIMBS is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the CLIMBS, such as when there is a need for a special reserve for probable contingencies.

6. **Appraisal Right**

In accordance with the Corporation Code, stockholders may exercise appraisal rights under the following circumstances:

a. 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 of outstanding shares of any class, or of extending or shortening the term of cooperative existence;

b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the cooperative property and assets as provided in the Revised IRR of RA 9520; and,

c. In case of merger or consolidation.

Duty of Directors to Promote Stockholders Rights

It shall be the duty of the directors to promote stockholder rights, remove impediments to the exercise of stockholders' rights and provide effective redress for violation of their rights. They shall encourage the exercise of stockholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of stockholder information necessary to make informed decisions subject to legal constraints.

Alternative Dispute Mechanism

It is the policy of the cooperative to resolve disputes or differences with stockholders, regulatory authorities and other third parties, if and when such disputes or differences arise, through mutual consultation or negotiation, mediation or arbitration. If the agreement between the cooperative and third parties has an arbitration clause, arbitration is the ADR system being adopted. If none, the cooperative initiates conciliation- earnest effort to arrive at amicable settlement. If everything fails, and the dispute progresses into court litigation, the cooperative strictly adheres to and complies with Supreme Court A.M. No. 11-1-6-SC-PHILJA dated January 11, 2011 [Consolidated and Revised Guidelines to Implement the Expanded Coverage of Court-Annexed Mediation (CAM) and Judicial Dispute Resolution (JDR)]. Relative to regulatory authorities, the cooperative adopts and complies with the alternative modes of dispute resolution they are using or promoting such as, but not limited to, mediation, conciliation and arbitration, in compliance with Republic Act No. 9285 (Alternative Dispute Resolution Act of 2004).

IMPLEMENTATION OF COOPERATIVE GOVERNANCE MANUAL

Adoption and Effectivity

This Manual was originally adopted by the Executive Committee of CLIMBS on August 28, 2018 upon authority granted by the Board of Directors and took effect on January 01, 2019.

Communication of this Manual

This Manual shall be submitted to and made available at the Insurance Commission. It shall also be available for inspection by any stockholder of CLIMBS at its principal office during reasonable hours on a business day. The Manual shall, likewise, be posted on the company website.

Penalties for Non-Compliance with this Manual

The Cooperative shall establish an evaluation system to determine and measure compliance with this Manual. Violation thereof or non-compliance shall be subject to penalty as maybe determined by the Board of Directors ranging from reprimand to removal from office.

Penalties for Non-Compliance

To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on the company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:

- In case of **first violation**, the subject person shall be reprimanded.
- Suspension from office shall be imposed in case of **second violation**. The duration of the suspension shall depend on the gravity of the violation.
- **For third violation**, the maximum penalty of removal from office shall be imposed.

Prepared and revised by: Nina Flor Barro-Batara Legal Officer	Reviewed by: Bernadeth N. Bernadas Compliance Officer
Attested by: Noel D. Raboy President and CEO	Approved by: Board Resolution No. _____, series of _______ Date:
Date Revised: ____________________________	Supersedes: ____________________________