



August 19, 2000

The Securities and Exchange Commission
SEC Building, EDSA, Mandaluyong City

Re: Manual on Corporate Governance

Gentlemen:

We are pleased to submit UCPB GEN's Manual on Corporate Governance in compliance with SEC Memorandum Circular No. 2 dated April 5, 2002. The Manual was approved by our Board of Directors on July 31, 2002 and will be implemented on January 1, 2003.

Following are the details relative to our company:

<i>Registration No.</i>	22325
<i>Company Name</i>	UCPB General Insurance Co., Inc.
<i>Address</i>	25/F LKG Tower, 6801 Ayala Avenue, Makati City
<i>Contact Person</i>	Atty. Jose A. Barcelon, Corporate Secretary
<i>Telephone No.</i>	884-1234
<i>Fiscal Year</i>	December 31
<i>Form Type</i>	Manual on Corporate Governance
<i>Date of Stockholders Meeting</i>	Every third week of the month
<i>Total number of stockholders</i>	Twelve (12)
<i>Department Requiring the Document</i>	Corporation Finance Department
<i>Domestic/Foreign</i>	Domestic company

Thank you.

Very truly yours,


ISABELO P. AFRICA
Vice President

**UCPB GENERAL INSURANCE CO., INC.**
(Also known as UCPB GEN)**TABLE OF CONTENTS**

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1. COMMITMENT TO CORPORATE GOVERNANCE

The Board of Directors (Board) and Management of UCPB GEN believe that a sound corporate governance system provides effective protection for shareholders and creditors and helps create an environment conducive to the achievement of satisfactory financial results and sustainable growth. Accordingly, we hereby commit ourselves to the principles contained in this Manual, and shall uphold the highest standards of responsibility, accountability and transparency in our pursuit of our corporate goals

1. Objectives

This Manual lays down the principles of good corporate governance in order to ensure the essential level of transparency. It seeks to strengthen corporate working and internal controls without in any way stifling entrepreneurship and business judgment. It aims to safeguard, by various measures and practices, the interests of diversified stakeholders by ensuring that the duties and responsibilities of those having significant say in the affairs of the Company are discharged with propriety and the desired degree of accountability.

2. Compliance Officer

- a. To insure adherence to the principles of good corporate governance, Atty. Jose A. Barcelon, Corporate Secretary, is hereby designated as Compliance Officer for UCPB GEN. He shall have direct reporting responsibilities to the Chairman of the Board.
- b. As Compliance Officer, he shall perform the following duties:
 - Monitor compliance with the provisions and requirements of this Manual;
 - Prepare and submit to the Securities and Exchange Commission (SEC) all reports or disclosures required under this Manual;
 - Appear before the SEC upon summon on similar matters that need to be clarified by the same;
 - Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
 - Issue a certification every January 30th of the year on the extent of the Company's compliance with this Manual for the completed year, explaining the reason/s of any deviation from the same; and
 - Identify, monitor and control compliance risks.



II. BOARD OF DIRECTORS

The Board is accountable to the Company and the shareholders. As such, it shall be the Board's responsibility to ensure strategic guidance of the Company, foster its long-term success and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility. The Board shall conduct itself with utmost honesty, prudence and integrity in the discharge of its duties, functions and responsibilities.

1. General Responsibility

To insure a high standard of best practice for the Corporation and its stakeholders:

- a. Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and the shareholders.
- b. Where Board decisions may affect different shareholder groups differently, the Board should treat all shareholders fairly.
- c. The Board should ensure compliance with applicable laws and take into account the interests of stakeholders.
- d. The Board should fulfill certain key functions, including:
 - Determining the Corporation's purpose, its vision and mission; reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures.
 - Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.
 - Reviewing key executive and Board remuneration, and ensuring a formal and transparent Board nomination process.
 - Monitoring and managing potential conflicts of interest of management, Board members and shareholders, including misuse of corporate assets and abuse in related party transactions.
 - Ensuring the integrity of the Corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of internal control are in place, in particular, systems for monitoring risk, financial control, and compliance with all relevant laws, regulations and codes of best business practices.



- Constituting an Audit and Compliance Committee and monitoring the effectiveness of the governance practices under which it operates and making changes as needed.
- Overseeing the process of disclosure and communications.
- Properly discharging Board functions by meeting regularly. Independent views during Board meetings should be given due consideration and all such meetings should be duly minuted.

2. Specific Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- a. To conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions;
- b. To devote time and attention necessary to properly discharge his duties and responsibilities;
- c. To act judiciously;
- d. To exercise independent judgment;
- e. To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Insurance Commission (IC), the SEC, and where applicable, the requirements of other regulatory agencies;
- f. To observe confidentiality;
- g. To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

3. Qualification and Eligibility to Act as Director

- a. A UCPB GEN director shall be a holder of at least one (1) share of stock of UCPB GEN.
- b. He should be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education.
- c. He should be at least 21 years old and not more than 75 years old.
- d. He shall have proven to possess integrity and probity.



- e. He should be an income taxpayer in the five years immediately preceding his nomination to the Board.
- f. He should not be a director of more than five Corporations.

4. Disqualification of a Director

The following shall be grounds for the disqualification of a director:

- a. Any person who has been finally convicted by a competent judicial or administrative body of the following:
 - Any crime involving the purchase or sale of securities, e.g., proprietary or non-proprietary membership certificate, commodity futures contract, or interest in a common trust fund, pre-need plan, pension plan or life plan;
 - Any crime arising out of the person's conduct as an underwriter, broker, agent, dealer, investment company, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, floor broker; and
 - Any crime arising out of his relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them.
- b. Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the Commission or any court or other administrative body of competent jurisdiction from:
 - Acting as an underwriter, broker, agent, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker.
 - Acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company or an affiliated person of any of them.
 - Engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities, and banking activities. Such disqualification shall also apply when such person is currently subject to an effective order of the SEC or any court or other administrative body refusing, revoking or suspending any registration, license or permit issued under the Corporation Code, Securities Regulation Code, or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation promulgated by the SEC or BSP, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from associating with a member or participant of the organization.



- c. Any person finally convicted judicially or administratively of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false oath, perjury or other fraudulent act or transgressions.
- d. Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP, or who has filed a materially false or misleading application, report or registration statement required by the SEC, or any rule, regulation or order of the SEC.
- e. Any person judicially declared to be insolvent.
- f. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in paragraphs (a) to (e) hereof.
- g. Any affiliated person who is ineligible, by reason of paragraphs (a) to (e) hereof to serve or act in the capacities listed in those paragraphs.
- h. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

5. Temporary Disqualification of a Director

Any of the following shall be a ground for the temporary disqualification of a director:

- a. Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.
- b. Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election.
- c. Dismissal/termination from directorship in another listed Corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity.
- d. Being under preventive suspension by the Corporation.
- e. If the independent director becomes an officer or employee of the same Corporation he shall be automatically disqualified from being an independent director.



- f. Conviction that has not yet become final referred to in the grounds for the disqualification of directors.
- g. If the beneficial security ownership of an independent director in the Company or in its related companies shall exceed the 10% limit.

6. The Corporate Secretary

The Corporate Secretary is an officer of the Company and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties.

a. Qualifications

- The Corporate Secretary shall be a Filipino citizen.
- Considering his varied functions and duties, he must possess administrative and interpersonal skills.
- If he is not the general counsel, then he must at least be a lawyer.
- He must also have at least five years' experience of handling corporate affairs of a public company or corporation.

b. Duties and Responsibilities

- To gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation.
- As to agenda, to get a complete schedule thereof at least for the current year and put the Board on notice before every meeting.
- To assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- To attend all Board meetings and maintain record of the same.
- To submit to the SEC, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

7. Key Information for Decision of the Board

In order to strengthen the working of the Board and formalize the decision making process on key and significant issues, the following information and matters shall be placed for consideration and decision of the Board:



- a. Annual business plans, cash flow projections and budgets, together with updated long-term plans.
- b. Capital budgets, manpower and overhead budgets, and variances thereof with reasons.
- c. At least the quarterly operating results of the Company as a whole and its operating divisions or business segments.
- d. Internal audit reports, including cases of fraud and irregularities, if any, of a material nature.
- e. Show cause, demand and prosecution notices, if any, received from revenue and regulatory authorities, which may be considered to be materially important.
- f. Fatal or serious accidents, dangerous occurrences, and any effluent or pollution or environmental problems, if any.
- g. Default, if any, in payment of principal and/or interest, dues, penalties on any indebtedness or non-payment of the principal or any public deposit, and/or to any creditor, bank or financial institution, non-banking financial institutions etc.
- h. Defaults in meeting any obligation such as, non-payment of inter-corporate loans, advances, borrowings and deposits by or to the Company, or materially substantial non-payment of receivables for services sold by the Company.
- i. Any issue which involves possible public or product liability claims of a substantial nature, including any judgment or order which may have either passed stricture on the conduct of the Company, or taken an adverse view regarding another enterprise that can have negative implications for the Company.
- j. Details of any joint venture or collaboration agreement or regarding appointment of distributors, agents etc.
- k. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- l. Policy on employee compensation and benefits.
- m. Recruitment and remuneration of senior executives with the rank of vice president and higher, including appointment or removal of the Treasurer or Chief Financial Officer, the Corporate Secretary and the head of Internal Audit.
- n. Major labor problems and their proposed solutions.
- o. Details of major foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement, if any and if material.



- p. Status and implications of any lawsuit or proceedings of material nature, filed by or against the Company.
- q. Management Letter issued by the external auditors.
- r. Information relating to any new enactment, regulation, accounting standard and such other matters as may have relevance to, in, and/or could affect the Company.
- s. Any other matter or information deemed material or significant.

In addition, the Board shall exercise the following further powers on behalf of the Company and their decisions to that effect shall be documented by a resolution passed at a meeting of the Board:

- a. Approval of loans or advances and short-term placements in commercial papers, enrollment in ECM, accreditation of securities dealers and other banks for premium and loan collection. The limits are set forth in UCPB GEN's Schedule of Approving Authorities.
- b. Debts, advances and receivables over P10.0 million to be written-off.
- c. Purchase of computer hardware and software beyond the limits set forth in UCPB GEN's Schedule of Approving Authorities.
- d. Declaration of dividends.
- e. Determination of a need and timing for revaluation of fixed assets of the Company.
- f. Determination of the terms of, and the circumstances in which, a lawsuit may be compromised and a claim/right in favor of a company may be waived, released, extinguished or relinquished.

8. Orientation Courses for Directors

To implement this Manual, appropriate arrangements shall be made to carry out orientation courses for directors so that they are reasonably well versed in the affairs of the Company, duties and responsibilities of directors and the obligations they carry on behalf of the Company and the shareholders. In addition, a director shall, before assuming as such, be required to attend a seminar on corporate governance, which shall be conducted, by a duly recognized private or government institute.

III. CORPORATE FINANCIAL REPORTS

The President and the Treasurer / Chief Financial Officer of the Company shall present to the Board, for consideration and approval, annual audited financial statements duly endorsed under their respective signatures. The financial statements shall comprise the following:



- Balance Sheet
- Profit and Loss / Income Statement
- Statement of Changes in Equity
- Cash Flow Statement

The financial statements shall be approved by the Board and circulated to the stakeholders along with the external auditor's report thereon.

IV. INTERNAL CONTROL AND AUDIT

1. Internal Control Mechanism

- a. The Board shall ensure that a framework of internal control is instituted for the Company and a process is in place for its effective implementation.
- b. An Internal Auditor or a group of Internal Auditors, through which the Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with, shall perform the Internal Audit function.
- c. The head of Internal Audit shall report to the Audit Committee.
- d. Internal audit reports shall be available for review by the external auditors who may discuss their findings with the Audit Committee, and the latter should report to the Board any matter of importance having regard to all the circumstances.

2. The Audit Committee

- a. The Board shall constitute an Audit Committee composed of at least three (3) members of the Board, one (1) of whom shall be an independent director. Each member shall have adequate understanding at least or competence at most of the Company's financial management systems and environment.
- b. The Committee shall be responsible for developing a transparent financial management system that will ensure the integrity of internal control activities throughout the Company in order to safeguard stakeholders' investment and the Company's assets.
- c. The Committee shall also consider the recommendation for appointment of the external auditor, the audit fee, and any questions of resignation or removal.
- d. The Assistant Corporate Secretary shall be the Secretary of the Audit Committee. The Secretary shall circulate the minutes of meetings of the Chairman, all members of the Committee, and to the Treasurer / Chief Financial Officer within a fortnight of the meeting.



3. External Auditor

An independent auditor should conduct an annual audit in order to provide an external and objective assurance on the way in which financial statements have been prepared and presented.

- a. An external auditor shall be selected and appointed by the Board upon recommendation of the Audit Committee.
- b. The Company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.
- c. If an external auditor believes that the statements made in the Company's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

V. STOCKHOLDERS' RIGHTS

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

- a. Basic shareholder rights include the right to:
 - Secure methods of ownership registration;
 - Convey or transfer shares;
 - Obtain relevant information on the Corporation on a timely and regular basis;
 - Participate and vote in general shareholder meetings;
 - Elect members of the Board; and
 - Share in the profits of the Corporation.
- b. Shareholders have the right to participate in, and to be sufficiently informed on, decisions concerning fundamental corporate changes such as:
 - Amendments to the statutes, or Articles of Incorporation or similar governing documents of the Company;
 - The authorization of additional shares; and
 - Extraordinary transactions that in effect result in the sale of the Company.



- c. Shareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures that govern general shareholder meetings.
 - Shareholders should be furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting.
 - Opportunity should be provided for shareholders to ask questions of the Board and to place items on the agenda at general meetings, subject to reasonable limitations.
 - Shareholders should be able to vote in person or in absentia, and equal effect should be given to votes whether cast in person or in absentia.
 - d. Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.
 - e. Markets for corporate control should be allowed to function in an efficient and transparent manner.
 - The rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets, should be clearly articulated and disclosed so that investors understand their rights and recourse. Transactions should occur at transparent prices and under fair conditions that protect the rights of all shareholders according to their class.
 - Anti-take-over devices should not be used to shield management from accountability.
 - f. All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.
2. The Board shall likewise ensure the equitable treatment of all shareholders, including the minority. All shareholders should have the opportunity to obtain effective redress for violation of their rights.
 - a. All shareholders of the same class should be treated equally.
 - Within any class, all shareholders should have the same voting rights. All investors should be able to obtain information about the voting rights attached to all classes of shares before they purchase. Any changes in voting rights should be subject to shareholder vote.



- Votes should be cast by custodians or nominees in a manner agreed upon with the beneficial owner of the shares.
 - Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes.
- b. Insider trading and abusive self-dealing should be prohibited.
 - c. Members of the Board and managers should be required to disclose any material interests in transactions or matters affecting the Corporation.

VI. DISCLOSURE AND REPORTORIAL REQUIREMENTS

Timely and accurate disclosure shall be made of all material matters regarding the Corporation, including the financial situation, performance, ownership and governance of the Company.

1. Disclosure should include, but not be limited to, material information on:
 - a. The financial and operating results of the Company
 - b. Company objectives
 - c. Major share ownership and voting rights
 - d. All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, Board changes, related party transactions, shareholdings of directors and changes to ownership
 - e. Members of the Board and key executives, and their remuneration (including stock options) and off balance sheet transactions
 - f. Material foreseeable risk factors
 - g. Material issues regarding employees and other stakeholders.
 - h. Governance structures and policies
2. Information should be prepared, audited, and disclosed in accordance with high quality standards of accounting, financial and non-financial disclosure, and audit.
3. The reports or disclosures required under this Manual shall be prepared and submitted to the SEC through the Corporation's Compliance Officer.



4. An independent auditor should conduct an annual audit in order to provide an external and objective assurance on the way in which financial statements have been prepared and presented.
5. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users.

VII. COMMUNICATION AND DISSEMINATION

1. This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.
2. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
3. An adequate number of printed copies of this Manual must be reproduced under the supervision of the Compliance Officer, with a minimum of at least one (1) hard copy of the Manual per department.

VIII. MONITORING AND ASSESSMENT

1. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to penalty provided under Section 11 of this Manual.
2. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Company's annual report or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.
3. This Manual shall be subject to annual review unless the same frequency is amended by the Board.
4. All business processes and practices being performed within any department or business unit of UCPB GEN that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

IX. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

1. 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:



- a. In case of first violation, the subject person shall be reprimanded.
 - b. Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
 - c. For third violation, the maximum penalty of removal from office shall be imposed.
2. The commission of a third violation of this Manual by any member of the Board of the Company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.
 3. The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

Approved by the Board of Directors this 31st day of July 2002 for implementation effective January 1, 2003.

Signed:

FRANCISCO F. DEL ROSARIO JR.
Chairman