



Vacation Leave and Sick Leave

I. a Policy Statement

In line with the company's continuing efforts to further improve and address the general welfare of its employees, the Vacation Leave and Sick Leave will be provided to employees to give them time to recuperate in times of illness, allow time for rest or to attend to personal matters.

I. b Purpose

This company Policy on Vacation Leave and Sick Leave aims to maintain high standard mental, emotional and physical conditioning of the employees to ensure optimum performance of their functions.

I.c Definition

Employees	refers to regular employees of AFPGen
Vacation leave (VL)	paid time off of work for personal activities.
Sick Leave (SL)	paid time off of work during periods of temporary illness and period to recuperate.
Emergency Leave (EL)	any leave other than Vacation Leave, Sick Leave, Maternity/Paternity Leave, Bereavement Leave and Birthday Leave which requires the immediate attention and indispensable presence of the employee and for which advance application for leave cannot be done.
AFPGen Forms System	is an in-house program that centralizes all AFPGen Forms.
Unauthorized Absences	are absences not covered with approved leave applications or not notifying the immediate superior of his sick leave or emergency leave within the first two (2) hours of work in the morning
Terminal Leave	final leave granted to employees of AFPGen just before their separation to the company, equal to or less than the total unused vacation leave accumulated during his/her employment with AFPGen.



I.d Responsibility

For the purpose of implementing this policy, it shall be the duty of Human Resources Department and all Department Heads to enforce and monitor implementation of this policy.

I.e Coverage

This policy covers all regular employees.

I.f Implementing Guidelines

I.f.1 Entitlement

All regular employees are entitled to 15 days paid sick leave and 15 days paid vacation leave every year. Newly regularized employees are entitled to the monthly earned leaves after regularization.

I.f.2 Accruals

Employees accrue sick leave at the rate of 1.25 days per month equivalent to 15 days for 1 calendar year. In the same manner, employees accrue vacation leave at the rate of 1.25 days per month equivalent to 15 days for 1 calendar year.

I.f.3 Availment

Vacation and Sick leave credits will be available for a period of one year from January 1 to December 31 of the same year. Probationary employees can file their absence as VL or SL without pay. Newly regularized employees can avail of their VL and SL as earned otherwise leaves availed will be subject to salary deduction.

Vacation Leaves

1. Vacation leaves of 3 days or less should be filed and approved by the immediate superior of the employee 3 days before the actual availment of the leaves.
2. Vacation Leaves of more than 3 days shall be filed and approved by the immediate superior of the employee and the next higher superior 7 days before the actual availment of leaves.



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3. Vacation Leaves without notice could be declined at the discretion of the immediate superior of the employee and will be charged to the salary of the employee.
4. In the exigency of the service, vacation leave applications may be disapproved.
5. In extreme cases, the company has the right to recall an employee who is on vacation leave; VL that was not used will be returned to the credit of the employee.
6. Disapproved VL if pursued by the employee will be considered AWOL and will be dealt with accordingly.
7. Every employee shall be scheduled for 5-day mandatory within the year to ensure that each employee is given opportunity to take respite from work and to give time to management to conduct audit or study on the efficiency or effectiveness of the department where the employee belongs.
8. Department Heads must submit their department's schedule of Vacation Leaves to the Human Resources Department on the third week of January of every year.
9. Scheduled mandatory leaves must be filed prior to availment for proper documentation and payment.
10. Employees on mandatory leaves should not be recalled to report for work.
11. No VL shall be credited to an employee who is serving suspension, or on leave without pay because of study, review for licensure exam, vacation, personal travel abroad, or other personal reasons.
12. Vacation leave must be used in no less than 4 hours or half day increments.
13. Vacation leave without pay shall not be granted if the employee has available VL credits.
14. Any employee who has rendered at least 5 years of service to the company may be granted leave without pay not exceeding 3 months in addition to the allowable vacation leave if his/her services can be dispensed with, during the period of his/her leave, as certified by his/her manager.
15. Vacation Leave without pay for a minimum of three months may be granted for any of the following reasons:



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- Sickness, if all SL credits from the company and SSS sickness benefit had all been used
 - Review and/or taking licensure exam
 - Travel abroad
 - Study
 - Other reasons that will be allowed by the President
16. Employees going on long leaves shall turn over tasks to the person designated to handle the tasks in his/her absence.
17. The employee who has been in a 3-month VL without pay must report for duty immediately upon expiration of the leave or must inform the Human Resource Department before the expiration date of the reason why reporting for work will not be done. The employee will be declared AWOL for failure to report or inform of his inability to report upon expiration of the leave and therefore, will be dealt with according to the Code of Conduct and Discipline of the company

Sick Leaves

1. Sick leave privileges are to be extended to injured, sick and convalescing employee upon certification by the company physician, or by a private physician that said employee is incapable of discharging his duties due to illness or injury contracted in the course of normal living.
2. The employee or his/her representative has to inform employee's immediate superior or Human Resource on his/her absence due to sickness immediately on the first 2 hours of the day when the employee cannot come to work due to sickness.
3. The employee has to file the incurred sick leave immediately upon return to work. Failure to do so will mean non-charging to the SL credits that therefore results in salary deduction.
4. Absences for three (3) consecutive days or more due to sickness shall require a submission of a duly-certified and signed medical certificate. If the employee is not able to submit medical certificate, the absence will not be charged to Sick Leave and will result in leave without pay where corresponding deduction to salary to the nearest payroll period will be effected.



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5. Any unauthorized sick leave will subject the employee to disciplinary action. SL is unauthorized under the following circumstances:
 - The employee failed to inform immediate superior or HRD for more than 2 days about his/her absence due to illness unless fully justified.
 - If sickness claimed is fictitious or non-existent.
6. The employee or his/her representative must inform his/her immediate superior or HR if extension of SL will be needed to recover from the sickness. A medical certificate must be submitted before the expiration of the SL. Absence of notice and certification will be considered unauthorized unless the company physician, after due examination of the employee, certifies that extension of leave is warranted.
7. VL credits can be used by the employee if all SL credits had been utilized and the employee is still unfit to work and needs more time to recuperate.
8. SL with pay shall not be granted when an employee is on maternity leave.
9. No SL shall be credited to an employee while he/she is serving suspension or when he is on VL without pay or on Terminal Leave.
10. An employee reporting for work after an illness shall submit the application for SL to Human Resources Department on his/her first working day.

Emergency Leaves

1. Unplanned absences that are not related to medical/health/sickness condition of the employee shall be charged to the available VL credits provided that it is filed immediately upon reporting back to work as approved by the immediate superior/manager; failure to file or late filing of emergency leave will mean deduction from the salary in the nearest payroll period.
2. If the employee has no available credit, the Emergency Leave will be without pay as approved by the immediate superior/manager.

I.f.4 Commutation

Credits in excess of 10 VL and 10 SL each will be converted to cash and given to the employees before January 31 of the following year. The current basic salary of the employee shall be the basis of commutation of VL and SL



PERFORMANCE MANAGEMENT SYSTEM

I.a BACKGROUND

Performance management is the systematic process of:

PLANNING work in advance so that goals and expectations can be set

MONITORING progress and performance continually

DEVELOPING the employee's ability to perform through training and work assignments

RATING periodically to summarize performance in a summary fashion

REWARDING good performance

Performance management is an ongoing, continuous process of communicating and clarifying job responsibilities, goals and priorities and performance expectations in order to ensure mutual understanding between supervisor and employee. It is a philosophy which values and encourages employee development through a style of management which provides frequent feedback and fosters teamwork. It emphasizes communication and focuses on adding value to the organization by promoting improved job performance and encouraging skill development.

I.b RATIONALE

The purpose of an effective performance management system is for employees to have a clear understanding of the work expected from them, to receive ongoing feedback regarding how they are performing relative to expectations, to distribute rewards accordingly, to identify development opportunities, and to address performance that does not meet expectations. A comprehensive performance management system empowers employees to have greater input to their personal career progression and will enable managers to better identify, recognize, and reward individuals based upon an agreed set of criteria.

I.c Policy Statement

AFPGEN strives to be an effective organization. Managing the performance of the individual employees will help us draw out the best from our people in terms of:

- Commitment to corporate mission and objectives,
- Attainment of the highest level of productivity, and



- Achievement of personal and professional growth,

I.d OBJECTIVES

The Performance Management System (PMS) is designed for people to achieve the following:

- Identify the real areas within which they are expected to achieve objectives where excellence would have significant impact on business results.
- Participate and commit in the attainment of their objectives, duties and responsibilities.
- Provide them with a continuous assessment/information on their performance, which shall serve as a sound basis for their progress and continuous development in the company.
- Serve as a uniform standard to assess their individual performance for employee action such as promotion, performance bonus, merit increase and/or disciplinary action.

I.e IMPLEMENTING Guidelines

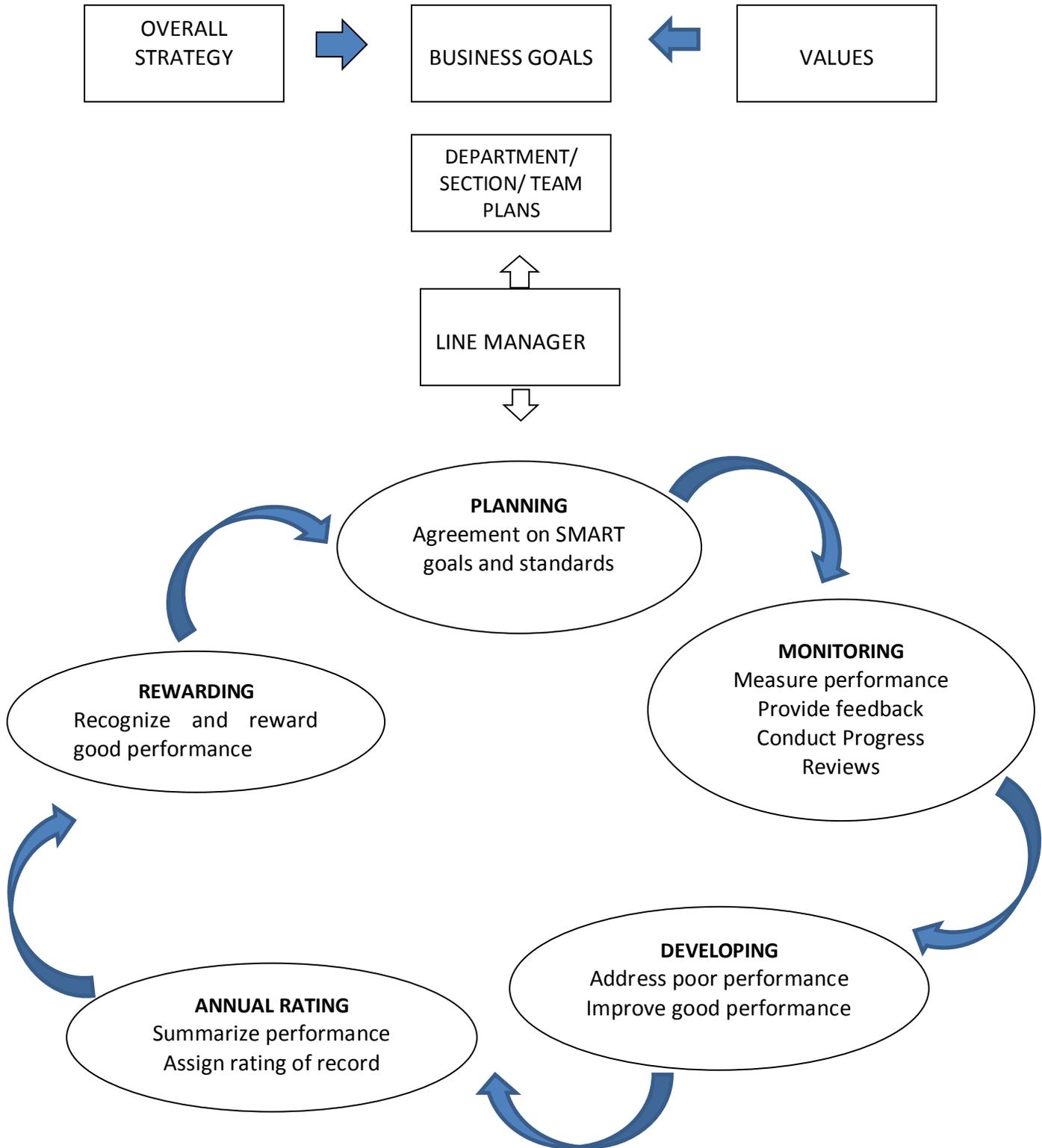
1. Overview of the Performance Management Cycle

Performance management starts with a shared understanding of what AFPGEN is trying to achieve. This is embodied in the strategy map which incorporates the corporate objectives as derived during the annual planning sessions. The corporate objectives are greatly influenced by the company's mission, vision and values.

The corporate objectives or key result areas (KRAs) are then cascaded to the executive level, to the managers, to the supervisors and to the rank and file. The individual objectives should clearly be linked to the objectives of the whole organization.



OVERVIEW OF THE PERFORMANCE MANAGEMENT CYCLE





2. Performance Management Cycle Timetable

PHASES	TIME OF THE YEAR
PLANNING FOR THE NEXT YEAR	OCTOBER TO DECEMBER
MONITORING	PROGRESS REVIEWS AT THE END OF MAR AND SEPTEMBER
DEVELOPING	AS NECESSARY
SEMI-ANNUAL RATING	JULY AND JANUARY
REWARDING	MIDYEAR PERFORMANCE INCENTIVE, PROMOTIONS, MERIT INCREASES

3. Responsibilities

- i. **RATEE** is the employee being rated
 - Participates in performance planning.
 - Performs assigned duties according to specified standards.
 - Asks questions to clarify understanding of expectations.
 - Seeks and attends training to develop knowledge, skills and abilities (KSAs) to perform their job in a competent manner.
 - Advises their supervisor when they lack the KSAs and/or resources necessary to perform their assigned duties and achieve the specified performance standards and/or individual goals.
- ii. **RATER** is the employee's immediate supervisor
 - Maintains an accurate job description for the employees position.
 - Completes the employee's performance planning process with the employee at the beginning of each rating period.
 - Provides ongoing monitoring, coaching, counseling and correction as needed to support the employee in performing the assigned duties and achieve the specified performance standards.



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- Identifies/arranges training and secures resources necessary for the employee to perform their assigned duties, expectations and identified goals.
 - Completes the specified performance appraisal form and conducts an appraisal meeting with the employee.
- iii. **REVIEWER** is the Rater's supervisor
- Identifies/arranges appropriate supervisory training.
 - Reviews the alignment of the employee's performance standards and/or goals to the department's and organization's mission and goals.
 - Serves as resource to the rater when necessary to address performance problems or to assist in securing needed resources.
 - Reviews draft performance appraisal to assure accuracy of rating and narrative content.
 - Assists their subordinate supervisors in calibrating their application of common standards in order to achieve uniformity and fairness.
 - Accurately assesses rater's performance management accomplishments in the rater's own performance appraisal.

4. Performance Management Forms

Goals Record Form (GRF) - Lists the individual employees' five priority goals for the year and their corresponding weights and performance standards. Included types of goals would be critical job essence goals, improvement goals, project completion goals, innovation goals, staff development goals (for the development of subordinates) and personal development goals. Goals to address audit findings are mandatory for department heads. (PMS FORM A)

Progress Review Form (PRF) - Serves to record the status of performance and behavioral manifestations for the core values and the leadership brand for the first to the third quarter. This discussion results in developmental goals or adjustments in goals. (PMS FORM B)

Performance Appraisal Form (PAF) - The rater renders his formal rating at the end of the year. Part 1 of this is a self-evaluation section.



(PMS FORMS C & D)

5. Scope of the Performance Management

The PAF of managers and supervisors shall consist of the following components with corresponding weights:

Individual Goals (<i>includes 5% for Audit Compliance goals</i>)	85%
Core Values	5%
Leadership Brand:	<u>10%</u>
Total	100%
	=====

The PAF of the rank and file shall consist of the following components with corresponding weights:

Individual Goals	85%
Core Values	<u>15%</u>
Total	100%
	=====

6. Rating System

According to the performance standards set, each of the goals will be given a rating according to the following table:

Description of Performance	Range of Scores
Exceptional	5
Exceeds Expectations	4
Meets Expectations	3
Meets Most Expectations	2
Does Not Meet Expectations	1

The behaviors and leadership brand will be rated as follows:

Description of Performance	Range of Scores
Highly Evident	5
Evident	4
Moderately Evident	3
Slightly Evident	2
Not Evident	1

The Employee's total or overall score in the PAF shall be classified as follows:

Description of Performance	Range of Scores
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Exceptional	4.51-5.00
Exceeds Expectations	3.76-4.50
Meets Expectations	3.01-3.75
Meets Most Expectations	2.26-3.00
Does Not Meet Expectations	2.25 or lower

7. Rater and Reviewer of Performance Appraisal Form

To ensure objectivity of the PAF for every individual, the rater and reviewer shall be as follows:

Employee Category	Rater (To rate performance)	Reviewer/ Endorser	Approver
Managers	President for direct reports	not applicable	President
Internal Audit Manager	Audit Committee Chairperson	not applicable	Audit Committee Chairperson
Managers	Vice President (VP) Operations for direct reports	not applicable	President
	Senior Vice President (SVP) Finance & Administration for direct reports	not applicable	President
Supervisors	Manager	VP Operations for Supervisors of the Operations Division	President
Supervisors	Manager	SVP Finance & Administration for Supervisors of Finance & Administration	President
Staff	Supervisor	Manager	VP Operations for Staff of the Operations Division
Staff	Supervisor	Manager	SVP Finance & Administration for Staff of Finance & Administration

8. Progress Review Sessions



Progress Reviews shall be conducted between the ratee (employee) and the rater (manager) every end of the quarter which shall be documented in the PRF covering the following:

- Part A – Competencies of Behaviors Review
 - A-1 – Core Values
 - A-2 – Leadership Brand (only for Managers)
- Part B – Performance Goals Review

Any changes or additional goals should be reflected in a revised GRF that will indicate the total accumulated goals and their corresponding weights.

9. Semi- Annual Performance Appraisal

The performance appraisal summarizes the employee's performance for each semester, taking into consideration the performance results already documented in the progress review forms for the past two quarters. The rater should discuss the PAF with the ratee. The PAF covers the following:

- Part 1 is the Self-evaluation for the ratee in which he will have the opportunity to share his assessment of his performance. This will serve as input to the rater in his own evaluation of the employee's outputs.
- Parts 2 and 3 are the rating sheets for the performance goals and the competencies/behaviors manifested.
- Part 4 summarizes the ratings.
- Part 5 deals with the career development action plan.
- The PAF parts 1 and 2 should reflect all the accumulated goals of the employee for the year with their corresponding weights.

10. Employee Action

The average result of an employee's Performance Appraisal for the 2 semesters shall be used as one of the basis for employee action, such as:

- i. Promotion



An employee being considered for promotion should at least attain exceeds expectations rating for at least 2 years.

ii. Performance Bonus (PB)

- The Performance Bonus is based on basic pay.
- Provided that the employee obtains an average rating of Exceeds Expectations, he shall be entitled to a one month performance bonus.
- Provided that the employee obtains an average rating of Exceptional, he shall be entitled to two months performance bonus

iii. Merit Increase (MI)

Management shall grant merit increases to employees with Exceeds Expectations to Exceptional ratings for two consecutive years.

A merit increase of one step of employee's basic pay for two consecutive years of Exceeds Expectation rating and two steps for two consecutive years of Exceptional rating. The employee gets 30% of the merit increase on the first year and gets the full amount in the second year. If the employee fails to sustain the rating for the second year, he is given another year to earn the merit increase provided he gets Meets Expectations in the intervening year. If his rating is below Meets Expectations he can only get the full merit increase by earning the rating for another two successive years. If the employee garners an Exceeds Expectations for the first year and an Exceptional rating on the second year, he is likewise entitled to a PB on top of the merit increase based on the Exceeds Expectations rating and a bonus for his exceptional rating as indicated in para 10.3.

In the event that due to the additional MI, the employee's basic salary exceeds the maximum range of the established salary for his/her position, then the excess in basic pay amount multiplied by 12 months shall be converted as a one-time bonus for the applicable year. Again, employee shall continue to receive corresponding PB as described in 10.3.

AFPGEN must at least attain its corporate financial targets to be able to grant performance-based bonus and merit increases.



Moreover, the funding for these expenses must be included in the budget else the necessary amounts must be added to the annual net income target.

iv. Disciplinary Action

An employee whose performance is below Meets Expectations for one (1) year shall be subjected to disciplinary action, to wit:

Infraction/Offense: ***Inefficiency or continuing unsatisfactory performance***

- An employee whose performance is below Meets Expectations for one (1) year shall be given a stern written warning that he/she should attain at least a Meets Expectations performance the coming year in order not to have his/her services terminated for unsatisfactory performance.
- An employee whose performance is below Meets Expectations for (2) consecutive years shall be terminated for Inefficiency or continuing unsatisfactory performance.

11. Implementation of the Performance-Based Bonus

The bell curve system of appraisal shall be the basis of the budget allocation and decisions on the grant of performance bonuses , following the practice of the MBI, the parent company.

The bell curve system rates the entire workforce by comparing the performance of those engaged in similar activities and ranking them on the basis of their performance. The entire workforce is segregated as Exceptional, Exceeds Expectations, Meets Expectations, Meets Most Expectations and Does Not Meet Expectations.

AFPGEN Bell Curve Distribution

	Managers	Supervisors	Rank and file
Exceptional	10%	10%	10%
Exceeds Expectations	15%	15%	15%
Meets Expectations	50%	50%	50%
Meets most expectations	15%	15%	15%
Does not meet expectations	10%	10%	10%

example, if there are 50 rank and file, the budget will cover for 5



(10%) who are Exceptional, 7 (15%) who are Exceeds Expectations. The same will be done for the supervisors and managers.

Based on the average appraisal ratings, only 5 will be given the two month bonus for those garnering an exceptional rating. Those who do not belong to the first five will be brought to the Exceeds Expectations category which will have a limit of 7 individuals.

The above stated methodology applies only to the distribution of the performance bonus. Therefore, employees retain their original ratings even if they are re-classified to a lower rank because of the application of the bell curve system. For example: an employee who earns an Exceptional rating but is reclassified to Exceeds Expectations due to the bell curve methodology (for the purpose of distributing the bonus) still retains his Exceptional rating in terms of performance. The employee may still be able to qualify himself for promotion or merit increase.

The executives will be covered by a separate policy.

12. Exception in Rating

The reviewer may take exception to any of the rater/s and/or Ratee's appraisal points and has the authority to change the appraisal ratings completed by the rater/s provided a justification is attached to the appraisal. However, this must be done before the 2nd appraisal discussion is conducted on the employee.

13. Change in Job Responsibilities/Ad-hoc Projects/ Additional Objectives

Whenever an employee's job responsibilities change significantly or he/she is tasked to perform a priority project not earlier taken as an objective for the year, the GRF should be revised to reflect that change and approved by the employee's immediate superior and supervising executive before the change in the objective is accepted. A copy of the approved change in objectives should be forwarded to HR Manager (HRM) for reference.

14. Acknowledgement of PRFs and PAFs

Employee is required to acknowledge that he/she underwent the Progress Reviews and the Performance Appraisal Discussion.

If after the PA Discussion, an employee refuses to sign his/her PAF, a notation shall be made by the immediate superior on the PAF, and another supervisor or manager shall witness the notation made.



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15. All PRFs and PAFs shall become a permanent part of the employee's 201 file for a period of 5 years.
16. The Manual on Performance Management provides the detailed guidelines on conduct of the Performance Management Cycle.
17. The Human Resource Manager shall be responsible for monitoring the full implementation of the PMS.



Vacation Leave and Sick Leave

I.a Vacation Leave

1. Application for one (1) to two (2) days VL shall be filed and approved online, three (3) days in advance prior to the actual date of VL.
2. For three (3) days or more VL, the application shall be filed and approved online, seven (7) working days in advance prior to the actual date of VL.
3. The timekeeping system will deduct the number of leaves applied for from the leave credit balance or if the employee does not have leave credits, the system will deduct the number of days of leaves from the salary for the immediate period
4. The employee will be prompted by the system if the application for VL is Approved or disapproved
5. Vacation Leave balance can be viewed in the timekeeping system

I.b Sick Leave

I.b.1 Advance Application for Sick Leave

1. An application for sick leave shall be filed online before the employee leaves the office.
2. The approving authority approves/disapproves the leave online
3. The timekeeping system will deduct the number of leaves applied for from the leave credit balance or if the employee does not have leave credits, the system will deduct the number of days of leaves from the salary for the immediate period
4. The employee will be prompted by the system if the application for SL is Approved or disapproved
5. Sick Leave balance can be viewed in the timekeeping system

I.b.2 Application for Sick Leave upon reporting back to work



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1. An employee who cannot report for work by reason of sickness or injury shall notify his/her immediate superior of his/her condition, either personally or thru his/her representative, within the first two (2) hours of work in the morning.
2. The immediate superior must inform the Human Resources Department and the Department Head of the employee's notice of absence
3. An employee reporting for work after an illness of one (1) to two (2) days shall file an application for sick leave online either during the time of sickness or on his/her first working day
4. An employee reporting for work after an illness of three (3) days or more shall secure and attach duly-signed and certified Medical Certificate in his/her application for sick leave and shall file it online
5. The approving authority approves or disapproves the application online.
6. The employee will be prompted by the system if the application for SL is Approved or disapproved
7. Sick Leave balance can be viewed in the timekeeping system
8. The timekeeping system will deduct the number of leaves applied for from the leave credit balance or if the employee does not have leave credits, the system will deduct the number of days of leaves from the salary for the immediate period.

I.b.3 Emergency Leave

1. An employee who will absent himself/herself for emergency reasons shall notify his/her immediate superior, either personally or thru his/her representative, within the first two (2) hours of work in the morning.
2. It shall be the duty of the immediate superior to inform the Human Resources Department and the Department Head of the employee's notice of absence.
3. An employee reporting for work after the emergency leave shall file online an application for Absence Excuse on his/her first working day
4. The approving authority approves/disapproves the leave online.



5. The employee will be prompted by the system if the application for Emergency Leave is Approved or disapproved
6. Sick Leave or Vacation Leave balance can be viewed in the timekeeping system
7. The timekeeping system will deduct the number of leaves applied for from the leave credit balance or if the employee does not have leave credits, the system will deduct the number of days of leaves from the salary for the immediate period.

I.c.4 Commutation

1. Human Resources Department shall generate summary of employees with unused leave credits in excess of 10 days for Sick leave and 10 days for vacation leave indicating their cash equivalent. The following are indicated in the payroll summary:
 - Name of employees
 - Total accumulated leave credits
 - Accumulated leave credits in excess of 10 days for vacation leave and 10 days for sick leave (Number of days to be commuted)
 - Commutation rate per employee
 - The gross amount due each employee
 - The aggregate payroll due.
2. The payroll summary of Rank-and-Files, Supervisors, and Managers shall be forwarded to the Senior Vice President – Finance & Administration for approval.
3. The payroll summary of Executives shall be forwarded to the President for approval.
4. Upon approval of the Senior Vice President – Finance & Administration or the President, Human Resources Department shall prepare Request for Payment for the commutation/conversion of unused sick leave and vacation leave in excess of 10 days.
5. Human Resources Department effects the payment of commutation