

MANUAL ON CORPORATE GOVERNANCE

FOR CHINABANK INSURANCE BROKERS INC.

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I. INTRODUCTION

This Manual shall serve as guide / reference for CHINABANK INSURANCE BROKERS INC. (or CIBI) in complying with, but not limited to the following regulatory issuances:

- a. IC Circular 2020-71
- b. Republic Act No. 11232 or the Revised Corporation Code of the Philippines, and its implementing rules and guidelines.

The Board of Directors, Management, Officers and Staff of CIBI hereby formally commit to sound principles and best practices contained in this Manual, and acknowledge that the same shall continue to guide CIBI in the attainment of its corporate goals.

II. OBJECTIVE

This Manual shall formalize and institutionalize the principles of good corporate governance in the entire organization.

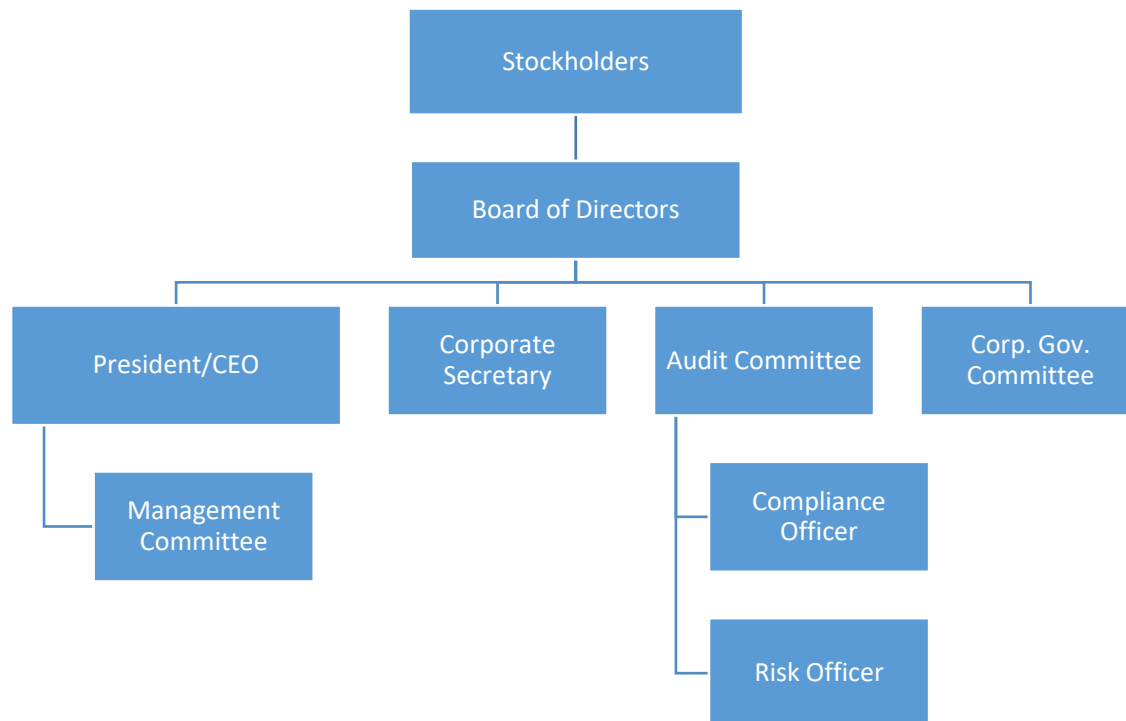
The Board, Management, employees and shareholders believe that good corporate governance is a necessary component of what constitutes sound strategic business management and shall therefore undertake greater effort necessary to create more and continuing awareness within the organization.

CIBI adheres to the following basic principles of good governance:

- a. **Transparency** or the availability of information through expansion of public disclosure requirements.
- b. **Accountability** involves providing adequate incentives and instilling in the business environment the discipline to act in the best interest of CIBI.
- c. **Fairness** or equity implies that the rights of all concerned parties are protected. Directors should not only promote the interest of the stockholders but also that of other stakeholders such as policyholders, business partners and the insuring public in general.
- d. **Integrity** or CIBI's strict adherence to a moral code, reflected in transparent honesty and complete harmony in what one thinks, says and does.

III. CORPORATE GOVERNANCE STRUCTURE

The Board of Directors is at the core of CIBI's corporate governance structure, wherein its members represent our shareholders.



As part of CIBI's adherence to the rule on transparency in corporate governance and the 3-lines of defense governance framework, the above structure shows CIBI's line of accountability as regards corporate governance. The same shall be reviewed and updated periodically, or as the need arises by the Corporate Governance Committee and shall form part of the annual report and other disclosures.

IV. COMPOSITION OF THE ORGANIZATION

A. Board of Directors

1. Diversity in the Composition of the Board

The Board should be composed of directors with a collective working knowledge, experience or expertise that is relevant to industry/sector. The Board should ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively – to fulfill their roles & responsibilities, as well as respond to the needs of the organization based on the evolving business environment & strategic direction.

To ensure diversity, the Board shall consider gender, educational background, business experience in insurance or related industry, competence, knowledge, skills and to include ethnicity, culture, skills, among others.

To the extent practicable, the members of the Board of Directors shall be selected from a broad pool of qualified candidates. The membership of the Board may be a combination of executive and non-executive directors. Non-executive directors, who shall include independent directors, shall comprise at least majority of the members to promote the independent oversight of management by the Board of Directors and help secure the objective independence of the Board from the views

of senior management in judgment of corporate affairs and to substantiate proper checks and balances; that no director or small group of directors can dominate the decision making process.

The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

1.1 Composition and Limits on Membership

1.1.1 Limit on Numbers.

- a. The Board shall be composed of at least five (5) but not more than fifteen (15) members elected by the stockholders, where at least one-third (1/3) but not less than two (2) members of the Board shall be independent directors: *Provided*, That any fractional result from applying the said requirement, shall be rounded up to the nearest whole number or such number as to constitute at least one-third of the members of the Board, whichever is higher.
- b. In case of merger, the number of directors may be increased up to the total number of the members of the Board of Directors of the merging / consolidating company, provided for in their respective Articles of Incorporation, but in no case to exceed twenty-one (21). The Board shall determine the appropriate number of its members to ensure that the number thereof is commensurate with the size and complexity of the company's operations.

1.2 Definition of Directors

Directors shall include:

- 1.2.1 Directors who are named as such in the Articles of Incorporation;
- 1.2.2 Directors duly elected in subsequent meetings of the stockholders; and
- 1.2.3 Those elected to fill vacancies in the Board of Directors.

1.3 Independent and Non-Executive Directors

CIBI, in selecting independent directors and non-executive directors, must consider the number and types of entities where the candidate is likewise elected as such, to ensure that he will be able to devote sufficient time to effectively carry-out his duties and responsibilities:

1.3.1 Definition of an Independent Director

Must be an owner of at least one (1) share of stock of the company.

"Independent Director" is defined as a person who, apart from his fees and shareholdings, is independent of management and the controlling shareholder and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the company, and includes, among others, any person who -

- a. is not or was not a regular director, officer or employee of the covered entity, its subsidiaries, affiliates or related companies during the past

three (3) years counted from the date of his election/appointment;

b. is not or was not a regular director, officer, or employee of the covered entity's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;

c. is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the covered entity, or in any of its related companies or of its majority corporate shareholders;

d. is not a relative by affinity or consanguinity within the fourth (4th) degree of a director, officer, or stockholder holding shares of stock sufficient to elect one (1) seat in the board of the covered entity or any of its related companies or of any of its substantial stockholders;

e. is not acting as a nominee or representative of any director or substantial shareholder of the covered entity, any of its related companies or any of its substantial shareholders;

f. is not or was not retained as professional adviser, auditor, consultant, agent or counsel of the covered entity, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election/appointment;

g. is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the covered entity or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;

h. was not appointed in the covered entity, its subsidiaries, affiliates or related companies as Chairman "Emeritus", "Ex-Officio", Regular Directors, Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his election/appointment;

i. is not affiliated with any non-profit organization that receives significant funding from the covered entity or any of its related companies or substantial shareholders; and,

j. is not employed as an executive officer of another company where any of the covered entity's executives serve as regular directors.

Related company refers to (a) the covered entity's holding/parent company; (b) its subsidiary or affiliate; (c) subsidiaries of its holding/parent company; or (d) a corporation where a covered entity or its majority stockholder own such number of shares that will allow/enable such person or group to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner.

1.3.2 Term Limit for Independent Directors (ID)

- a. An ID can serve for a maximum cumulative term of nine (9) years.
- b. After which, the ID, in general, shall be perpetually barred from reelection as such in CIBI. However, he may continue to qualify as a regular director of CIBI.

In case the company wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholder's approval during the annual shareholders' meeting.

- c. It shall be the responsibility of the Corporate Secretary to ensure that the above-mentioned requirements for an ID are complied with during nomination / election.

1.3.3 Limit on Directorship of ID and NED

There shall be no limit in the number of covered companies a person may be elected as NED; but an ID who is also a NED, can only be elected as ID for up to five (5) listed companies within the conglomerate. Each entity where the NED is concurrently serving as director shall be separately considered in assessing compliance with this requirement;

1.3.4 Definition of Terms

The foregoing terms and phrases used in items (a) to (q) of 1.3.1 above shall have specific meaning, please refer to Annex 3:

1.3.5 Termination/Cessation of ID

- a. Independent directorship shall be terminated in case the ID voluntarily resigns or he was terminated for a cause (such as disqualification), or for other reasons based on existing rules, regulations and internal policies, such as the Code of Ethics for Directors.
- b. Such resignation, disqualification or cessation from independent directorship shall be reported to the Securities and Exchange Commission within five (5) days from such resignation, disqualification or cessation, by the Office of the Corporate Secretary.
- c. Any vacancy due to termination or cessation of independent directorship shall be filled in accordance with the rules on vacancies in the Board of Directors set for the in Section 1.10 hereunder.

1.3.6 Reportorial Requirement

Please refer to Section IV.A.3 hereunder for the reportorial requirements concerning the Independent Director.

1.4 Definition of Executive Director (ED)

An ED is a director who has executive responsibility of day-to-day operations of a part or the whole of CIBI organization.

1.5 Definition of Non-Executive Director (NED)

- 1.5.1 A NED is a director who has no executive responsibility and does not perform any work related to the operations of CIBI.
- 1.5.2 Non-executive members of the Board of Directors refer to those who are not part of the day to day management of insurance broking and shall include the IDs. However, not all NEDs are considered as IDs.

1.6 Chairman of the Board

- 1.6.1 The responsibilities of the Chairman include, among others the following:

- a. To provide leadership in the Board of Directors. The Chairperson of the Board shall ensure effective functioning of the Board, including maintaining a relationship of trust with Board members.
- b. To make certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of CIBI, major developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;

The Chairman shall preside at all meetings of the directors as well as of the stockholders, whether regular or special, unless the By-laws provide otherwise. In the absence, inability, or incapacity of the Chairman, the President or CEO shall preside

- c. To ensure that the Board takes an informed decision. The chairperson of the Board shall ensure sound decision making process and he should encourage and promote critical discussion and ensure that dissenting views can be expressed and discussed within the decision-making process.

In relation to the above, he shall guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;

- d. Facilitate discussion on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- e. Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- f. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- g. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

- 1.6.2 Qualifications of the Chairman of the Board

In order to promote check and balance, the Chairman should be:

- a. A NED or an ID;
- b. Must not have served as Chief Executive Officer of CIBI for the past three (3) years.

1.6.3 Separation of Duties of the Chairman and Chief Executive Officer (CEO)

The roles & responsibilities of the Chairman and CEO shall be separate to foster appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board.

To carry out item 1.6.2 above, the roles of the Chairman of the Board and the CEO are segregated, with a clear division of duties and responsibilities.

1.6.4 Lead Independent Director

- a. In case the Chairman is not an independent director and if the roles of the Chairman and the CEO are combined and to avoid the possible abuse of power and authority, and potential conflict of interest, the Board shall appoint among the independent directors a strong "lead director". The Lead Independent Director shall have sufficient authority to lead the Board in cases where management has clear conflict of interest.

The Board should ensure that the Lead Independent Director can function in an environment that allows him to effectively challenge the CEO as circumstances may warrant.

- b. Functions of the Lead Independent Director

- i. Serves as an intermediary between the Chairman and the other directors when necessary;
- ii. Convenes and chairs meeting of the independent directors and/or non-executive directors without the presence of the executive directors;
- iii. Contributes to the performance evaluation of the Chairman, as required; and
- iv. Lead the independent directors at board meetings in raising queries and pursuing matters

1.7 CEO

1.7.1 Duties of the CEO

In accordance with the amended By-Laws, the President shall be the CEO of CIBI, and subject to the control of the Board, have direct charge of the business and general supervision of the business affairs and property of CIBI.

In the absence, inability or incapacity of the Chairman, he shall preside over the meetings of the stockholders and the Board of Directors. In addition, he has the following roles and responsibilities:

- a. Determines CIBI's strategic direction, formulates and implements the strategic plan & direction of the business;
- b. Communicates and implements CIBI's vision, mission, values and overall strategy, as well as promotes any organization or stakeholder change in relation to the same;

- c. Oversees the operations of CIBI and manages human and financial resources in accordance with the strategic plan;
- d. Has a good working knowledge of the insurance industry, its market and keeps up-to-date/abreast of its core business purpose;
- e. Directs, evaluates and guides the work of key officers of CIBI;
- f. Manages CIBI's resources prudently and ensures proper balance of the same;
- g. Provides the Board with timely information and interfaces between the Board and employees;
- h. Builds the corporate culture and motivates the employees of CIBI; and
- i. Serves the link between internal operations and external stakeholders

1.8 Nomination and Election of Directors

- 1.8.1 The nomination of Directors shall be governed by the policies issued and to be issued by the Office of the Corporate Secretary and shall form an integral part of this Manual. The Nomination Rules of CIBI has been attached as Annex 1 hereof.
- 1.8.2 The aforesaid rules shall determine the reasonable time within which nomination in writing may be submitted using the prescribed form to any member of the Corporate Governance Committee or the Office of the Corporate Secretary.
- 1.8.3 Any shareholder of record, who is entitled to a notice and to vote during the Annual Stockholders' Meeting, is qualified to nominate or be nominated.
- 1.8.4 The Committee (as mentioned in item 1.8.2 above) shall endeavor to (i) prescreen the qualifications of the nominees, evaluating the qualifications of all persons nominated to the Board, (ii) on the basis of the nominations and/or supporting papers, prepare a final list of candidates containing all relevant information about the nominees, and (iii) present the nominees for independent directors to the Board. In the unlikely event that no one among the stockholders who made the nominations indicated any particular nominee as nominee for ID, the Committees shall endorse by majority vote of their members the nominees for IDs who meet the guidelines/criteria set by the regulatory agencies.
- 1.8.5 In all meetings of the stockholders, any stockholder who is not delinquent in his subscription shall be allowed to vote either in person, through remote communication, in absentia or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact, subject to compliance with the requirements of existing rules and regulations.

1.9 Voting

Each Common share entitles the holder to one vote. At each meeting of the shareholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one

vote for each share of stocks standing in his name in the books of the company at the time of the closing of the transfer books for such meeting.

In accordance with Section 23 of the Revised Corporation Code, at each election of directors, every stockholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him as of the relevant record date for as many persons as there are directors to be elected and for whose election he has the right to vote, or to cumulate his votes by giving one candidate the number of votes equal to the number of directors to be elected multiplied by the number of his shares shall equal or by distributing such votes on the same principles among any number of candidates as the stockholder shall see fit.

Either authorized in CIBI's By-laws or by majority of the Board of Directors, the stockholders or members may also vote through remote communication or in absentia. A stockholder or member who participates through remote communication or in absentia shall be deemed present for purposes of quorum.

1.10 Vacancies in the Board

1.10.1 As a general rule, any vacancy occurring in the Board (other than removal or by expiration of term which will be governed by the succeeding paragraphs), may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose, in accordance with law. The election must be held no later than forty-five (45) days from the time the vacancy arose.

1.10.2 Vacancy Due to Expiration of Term

When the vacancy is due to term expiration, the election or the filling of the vacancy shall be in accordance with existing laws, rules & regulations.

1.10.3 Vacancy Due to Removal by the Stockholders

When the vacancy is a result of removal by the stockholders or members, the election may be held on the same day of the meeting authorizing the removal and this fact must be so stated in the agenda and notice of meeting, or to be done in accordance with existing law.

1.10.4 The person so elected to fill a vacancy shall be referred to as replacement director shall hold office/serve only for the unexpired term of his predecessor in office.

1.10.5 The Board of Directors may use professional search firms or other external sources of candidates when searching for candidates for the Board.

1.11 Retirement of the Board Members

As a matter of policy, a director shall remain in the Board of CIBI for as long he/she remains to be fit and proper for the position of a director, in accordance with the requirements of the Insurance Commission's Revised Code of Corporate Governance.

The director shall continue to be mentally and physically fit to discharge his duties and responsibilities, which includes physical attendance and active participation in the Board/Board Committee meetings by being able to contribute in a meaningful way through inputs and insights during the discussions. The director shall also ensure that

he/she regularly attends the Board meetings, as set forth in this Manual and the rules of IC.

The director has the burden to prove that he/she possesses continuing fitness or qualification for the position. The annual self-assessment process is one of the means by which a director can assess his fitness to discharge his responsibilities.

If the director no longer has the required fitness, he/she shall inform the Board of his intention to retire or refrain from seeking re-election. The Corporate Governance Committee shall take cognizance of the director's decision to retire, and take appropriate steps to ensure a smooth transition of the change in board composition.

1.12 Advisor to the Board

CIBI's Board of Directors understand that in order for the Board to come up with an informed decision, it should have sufficient information at hand, and thus welcomes comments, opinions, and/or advice.

In this regard, CIBI may engage an advisor, someone who can provide counsel, advice, and expert knowledge to the Board on certain issues or via a specific project or task.

1.12.1 Board Advisor

It shall be the Board's prerogative to retain an internal advisor, without prejudice from seeking external advice, as it may deem necessary.

In appointing or selecting an advisor to the Board, the Board may consider, among others:

- a. Compatibility – While keeping an independent thinking or judgment, the Advisor should possess the necessary qualities, expertise and experience that will complement the existing Board to strengthen decision making process.
- b. Field of Expertise – The Advisor must have competence in the particular task / project, preferably with insurance experience or experience in other financial intermediary service and related industries.
- c. Integrity and Reputation - The Advisor must possess – (i) integrity and a good reputation in .ing industry. He must not have been charged of a crime involving moral turpitude, or a record of scandalous behavior or ethical conduct and other circumstances analogous to the foregoing.
- d. Conflict of Interest – The Advisor must not have any conflict of interest with CIBI. Any existing or potential conflict of interest must be properly and timely disclosed for the Board's evaluation whether or not to terminate the engagement with the Advisor. CIBI's internal policies & rules on conflict of interest shall form an integral part of this Manual.

1.12.2 External Advisor

If there is no expert Advisor internally, or whenever appropriate, the Board may, in its discretion, engage an external party to render advice on certain areas such as, fairness opinion on prices, continuing education, IT, etc.

1.12.3 Selection of Advisor to the Board

The Corporate Governance Committee shall have the responsibility of assessing prospective advisors to the Board. The CORPORATE GOVERNANCE Committee shall however, secure the final approval or ratification from the Board.

1.12.4 Professional Fees

The Advisor shall be entitled to a professional fee, commensurate with the services rendered, as determined by Management, upon the endorsement of the CORPORATE GOVERNANCE Committee and approved by the Board.

1.12.5 Obligation of the Advisor

- a. Any person, who accepts such advisory services, shall ensure that his/her activities or commitments to CIBI shall not in any way conflict with his/her other commitments, if any. While employment outside - CIBI is common, some types of interests may pose possible conflict, and the Advisor should avoid these conflicts and properly disclose any interest that may result to or give rise to potential conflict of interest.
- b. In this regard, the Advisor shall be required to make regular, timely and full disclosure to the Board through the Office of the Corporate Secretary.

1.12.6 Prohibition

All information with regard to CIBI's clients, directors, officers, including information on transactions, strategies or plans obtained by the Advisor by reason of his engagement shall be considered in utmost confidence and shall not be disclosed by the Advisor.

2. Powers/Responsibilities, Duties and Functions of the Board of Directors

There are the two key elements of the fiduciary duty of the Board: duty of care and loyalty. The duty of care requires members of the Board to act on a fully informed basis, in good faith, with due diligence and care while the duty of loyalty is where the board members should act in the best interest of CIBI and all its stakeholder.

2.1 Corporate Powers and Authority of the Board of Directors

The corporate powers of CIBI shall be exercised, its business conducted and all its property shall be controlled and held by its Board of Directors. The powers of the Board of Directors as conferred by law are original and cannot be revoked by the stockholders. The powers of the Board are more specifically stated in CIBI's By-Laws.

The directors hold their office charged with the duty to exercise sound and objective judgment for the best interest of CIBI.

2.2 Primary Responsibilities of the Board of Directors

- 2.2.1 The position of a director is a position of trust. A director assumes certain responsibilities to different stakeholders, i.e. CIBI, its stockholders, its management and employees, the regulators, insurers and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner.
- 2.2.2 The Board of directors is primarily responsible for defining CIBI's vision and mission. It has the fiduciary responsibility to the company and its shareholders. It shall approve and oversee (i) the implementation of the company's strategic objectives and monitor their

implementation, in order to sustain CIBI's long term viability and strength (ii) the implementation of risk governance framework (iii) the system of checks and balances, (iv) the establishment of a sound corporate governance framework, and (v) approve the selection of the CEO and key members of senior management and control functions and oversee their performance.

2.3 Specific Duties and Responsibilities of the Board of Directors

2.3.1 Define CIBI's corporate culture and values. It shall establish a code of conduct and ethical standards and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body. In this regard the Board shall:

- a. Approve a code of conduct or code of ethics, which shall articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of CIBI as well as the corresponding disciplinary actions and sanctions.

The code of conduct shall explicitly provide that directors, officers, and all personnel are expected to conduct themselves ethically and perform their job with skill, due care, and diligence in addition to complying with laws, regulations, and company policies.

- b. Consistently conduct the affairs of CIBI with a high degree of integrity and play a lead role in establishing the company's corporate culture and values.

The Board shall establish, actively promote, and communicate a culture of strong governance in CIBI, through adopted policies and displayed practices.

The Board shall ensure that the CEO and management team champion the desired values and conduct, and that they face material consequences if there are persistent or high profile conduct and value breaches.

- c. Oversee the integrity, independence, and effectiveness of CIBI's policies and procedures on Whistleblowing. It shall allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the Board or to any independent unit.

Policy shall set on how the concerns are to be investigated and addressed, either by internal control, an objective external party, senior management and/or the Board itself. It shall prevent the use of the facilities of CIBI in the furtherance of criminal and other improper or illegal activities, not limited to financial misreporting, money laundering, fraud, bribery or corruption.

2.3.2 Approve CIBI's objectives and strategies and in overseeing management's implementation thereof. In this regard, the Board shall perform the following functions:

- a. Ensure that the company has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.
- b. Approve CIBI's business plans, taking into account long-term financial interests, level of risk tolerance and ability to manage risk effectively. In this respect, the Board shall establish a system for measuring performance against plans through regular monitoring and reviews, with corrective action taken as needed.
- c. Actively engage in the affairs of the company and keep up with material changes in CIBI's business and regulatory environment as well as act in a timely manner to protect the long-term interest of CIBI.

- d. Approve and oversee the implementation of policies governing major areas of operations. The Board shall regularly review these policies, as well as evaluate control functions (e.g. internal audit, risk management and compliance) with senior management to determine areas for improvements, as well as to promptly identify and address significant risk areas and issues on all major business activities, e.g., asset and liability management, business planning and budgeting. The Board shall accordingly define the company's level of risk tolerance in respect of said activities. A mechanism to ensure compliance with said policies shall also be provided.

The Board shall set out matters and authorities reserved to it for decision, which include, among others major capital expenditures.

In relation to the above, the powers of the Board are set out in Section 1 of CIBI's By-laws.

2.3.3 The Board shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentive policies for personnel.

In this regard, the Board shall:

- a. Oversee selection of the CEO and other key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise, and experience in the company's business, either current or planned, shall be the key considerations in the selection process. Moreover, since mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy, vision and core values of CIBI.
- b. Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy. The policy should be consistent with the long-term strategic objectives and financial soundness of the company and promote good performance, convey acceptable risk taking behavior, and reinforce the company's operating and risk culture.
- c. Oversee the performance of senior management and heads of control functions:
 - i. The Board shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards.
 - ii. The Board shall hold members of the senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the Board's performance expectations. The expectations shall include adherence to CIBI's values, risk appetite and risk culture, under all circumstances.
 - iii. The Board shall regularly meet with senior management to engage in discussions, questions, and critically review the reports and information provided by the latter.
 - iv. **Non-executive Board members shall meet regularly, other than in meetings of the audit and corporate governance committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk functions.**

- d. Engage in succession planning for the CEO and other critical positions, as appropriate. In this respect, the Board shall establish an effective succession planning program. The program should include a system for identifying and developing potential successors for the CEO and other critical positions.
- e. Ensure that personnel's expertise and knowledge remain relevant. The Board shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of developments relevant to their areas of responsibility.
- f. Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of at all times, and that all transactions involving the pension fund are conducted at arm's length terms.

2.3.4 The Board shall be responsible for approving and overseeing implementation of CIBI's corporate governance framework.

In this regard, the Board shall:

- a. Define appropriate governance structure and practices for its own work and ensure that such practices are followed and periodically reviewed:
 - i.* The Board shall structure itself in a way, including in terms of size, frequency of meetings, so as to promote efficiency, critical discussion of issues and thorough review of matters. The Board shall meet regularly to properly discharge its functions and likewise have discussions on values, conduct, and behaviors.
 - ii.* The Board shall create committees to increase efficiency and allow deeper focus in specific areas. The number and nature of board-level committees would depend on the size of and the board, CIBI's complexity of operations, as well as Board of Directors' long-term strategies and risk tolerance.

The discussions on various board-level committees are in Section IV.E of this Manual.
 - iii.* The Board of Directors shall regularly review the structure, size and composition of the Board and Board-level committees with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation of the structure, size and composition of the Board of Directors and Board-level committees shall be adopted which shall include, but not limited to, benchmark and peer group analysis.

The result of the assessment shall form part of the ongoing improvement efforts of the Board of Directors.
 - iv.* The Board shall adopt policies aimed at ensuring that the members of the Board of Directors are able to commit to effectively discharge their responsibilities, which shall include policy on the number of directorship positions and/or other internal/external professional commitments that a director may have, commensurate with the responsibilities placed on the director, as well as the nature, scale and complexity of . operations.

- v. The Board shall ensure that individual members of the Board and the shareholders are accurately and timely informed of a comprehensive and understandable assessment of CIBI's performance, financial condition and risk exposures. All members of the board shall have reasonable access to any information about CIBI at all times. The Board shall ensure that adequate and appropriate information flows internally and to the public.

Towards this end and aligned with CIBI's commitment on transparency, policies are in Section VI.H of this Manual.

- vi. The Board of Directors shall assess at least annually its performance and effectiveness as a body, as well as all board level committees, the Chairman and the Chief Executive Officer, the individual directors, which may be facilitated by the corporate governance committee or external facilitators. This exercise shall cover the assessment of the ongoing suitability of each board member taking into account its performance in the board and board-level committees.
- vii. The Board shall maintain appropriate records (e.g. minutes or summaries of matters reviewed, recommendations made, decisions taken and dissenting opinions) of its deliberations and decisions. The Board shall also ensure that independent views in meetings of the Board of Directors shall be given full consideration and all such meetings shall be duly put into minutes.

The Minutes are taken and kept by the Office of the Corporate Secretary.

- b. Develop a remuneration and other incentives policy for directors that shall be submitted for approval of the stockholders. The Board of Directors shall ensure that the policy is consistent with the long-term interest of CIBI, does not encourage excessive risk-taking, and is not in conflict with the director's fiduciary responsibilities.
- c. Adopt a policy on retirement for directors and officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power.

The Board retirement policy statement is discussed in Section IV.A 1.11 hereof.

- d. Conduct and maintain the affairs of CIBI within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound practice.
- e. Maintain and periodically update, organizational rules, by-laws, or other similar documents setting out its obligation, rights, responsibilities and key activities.

The Board shall ensure that CIBI's organizational structure facilitates effective decision making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability.

- f. Oversee the development, approve, and monitor implementation of corporate governance policies. The Board shall ensure that these policies are followed and periodically reviewed for ongoing improvement.

2.3.5 The Board shall be responsible for approving CIBI's risk governance framework and

overseeing management's implementation thereof. In this regard, the Board shall:

- a. Define CIBI's risk appetite, where the Board shall take into account the business environment, regulatory landscape, and CIBI's long term interest and ability to manage risk.
- b. Approve and oversee adherence to the risk appetite statement (RAS), risk policy and risk limits.
- c. Oversee the development of, approve and oversee the implementation of policies and procedures relating to the management of risks throughout CIBI.

Additional Duties and Responsibilities of the Board with regard to accrediting Non-Life Insurance Companies

- i. The Board shall be responsible for the approval and regular review of the accreditation manual, as well as the oversight of its implementation.
- ii. The Board shall ensure that accreditation guidelines provides for adequate policies, procedures and processes to identify, measure, monitor and control the accreditation of companies according to their compliance to minimum regulatory requirements, financial standing, risk appetite and capabilities to meet their obligations to CIBI and its clients and that an independent assessment of the guidelines is performed, the results of which shall be reported to it or to a board-level committee for appropriate action.
- iii. The Board should approve the accreditation guidelines that clearly defines authority, establish accountabilities and responsibilities of individuals involved in different phases of the accreditation process. Moreover, the Board shall ensure that the key functions are considered; that independence and control oversight functions are effective to avoid or address any potential conflict of interest.

Additional Duties and Responsibilities of the Board with regard to the Operational Risk Management

Apart from the establishment of a comprehensive and effective operational risk management framework (as part of the enterprise-wide risk management system), the Board shall:

- i. Ensure that it is aware of and understands the nature and complexity of the major operational risks in the company's business and operating environment, including risks arising from transaction or relationships with third parties, vendors, suppliers, including outsourced service providers, and clients of the services provided. This should include understanding of both the financial and non-financial impact of operational risk to which CIBI is exposed to;
- ii. Approve the operational risk management framework which shall form part of company's risk management system and shall cover all business lines and functions of CIBI, including outsourced services and services provided to external parties.

The operational risk management framework should include definition of operational risk consistent with the definition under governance and reporting structures including the roles and responsibilities of all personnel, feedback mechanism, as well as standards and tools for operational risk management. In this regard, the Board shall:

- 1) Define the operational risk management strategy and ensure that it is aligned with CIBI's overall business objectives. Relative to this, the Board should set and provide clear guidance on the company's operational risk appetite (i.e. the

level of operational risk CIBI is willing to take and able to manage in pursuit of its business objectives as well as the type of risks that are not acceptable to the Board and management), which should consider all material risk exposures as well as -company's financial condition and strategic direction.

- 2) Approve appropriate thresholds or limits to ensure that the level of operational risk is maintained within tolerance and at prudent levels and supported by adequate capital. Relative to this, the Board shall approve policy on resolving limit breaches which should cover escalation procedures for approving or investigating breaches, approving authorities, and requirements in reporting to the appropriate level of management or the Board;
- 3) Ensure that operational risk is appropriately considered in the capital adequacy assessment process;
- 4) Ensure that it receives adequate information on material developments in the operational risk profile of CIBI, including pertinent information on the current and emerging operational risk exposures and vulnerabilities as well as information on the effectiveness of the operational risk management framework.

The Board must challenge the quality and comprehensiveness of operational risk information it receives. It should also be satisfied with the reliability of the said information and the monitoring system for operational risk;

- 5) Ensure that business objectives, risk appetite, the operational risk management framework, and the respective roles and responsibilities of personnel and officers at all levels in terms of implementing the operational risk management framework, are properly disseminated, clearly communicated / discussed, and understood by personnel concerned;
- 6) Provide senior management with clear guidance and direction regarding the principles underlying the operational risk management framework. The Board shall ensure that senior management appropriately implements policies, processes and procedures, and provides feedback on the operational risk management process. In this regard, the Board shall establish a feedback and reporting system that will allow employees to raise their concerns without fear of negative consequences.

With regards to the above, .CIBI follows an existing Whistleblowing System covered by a specific policy.

- 7) Ensure that the operational risk management framework is subject to effective and comprehensive independent review, on a periodic basis, by operationally independent, appropriately trained, and competent staff to ensure that it remains commensurate with CIBI's risk profile and continues to be adequate and effective in managing operational risk. The review should take into account the changes in business and operating environment, material changes in systems, business activity or volume of transactions, quality of control environment, effectiveness of risk management or mitigation strategies, loss experience, and the frequency, volume or nature of breaches in limits or any policy.

- iii. Provide adequate oversight on all outsourcing activities and ensure effective management of risks arising from these activities. In this regard, the Board of Directors shall approve a framework governing outsourcing activities, which includes a system to evaluate the risk

and materiality of all existing and prospective outsourcing engagements and the policies that apply to such arrangements;

- iv. Ensure observance of expectations and requirements prescribed under relevant laws, rules and regulations, industry set standards, and policies on internal control, internal audit, and disclosure;
- v. Promote a culture of high standards of ethical behavior. The board shall adopt a code of ethical behaviors with corresponding disciplinary actions for non-compliance, which should cover, among others, guidance and protocols on conflicts of interest situations, safeguarding of confidential information, and use of sensitive information. The Board should likewise institute tools, methodologies, and practices in order to ensure compliance and adherence to the standards by all employees including the senior officers and the Board itself. In this regard, employees should be required to acknowledge in writing that they have read, understood, and will observe the code of conduct.
- vi. Ensure that business and risk management activities, including the operational risk management function, are carried out by adequate and qualified staff with the necessary experience, technical capabilities, and competence. Moreover, the Board shall ensure that employees and officers in all areas of operations have a high degree of integrity.

For this purpose, the Board shall approve appropriate hiring and selection policies and processes, adopt a continuing professional development program, and institutionalize a framework for continuing assessment of fitness and propriety of employees. These policies, processes and programs should reinforce the conduct and values being promoted in the organization.

Further, the Board shall oversee the design and implementation of remuneration policies. It shall ensure that the remuneration policies do not encourage excessive risk-taking or provide incentives to people to perform contrary to the desired risk management values. It shall also ensure that remuneration policies are appropriate and aligned with . company's long-term strategic direction and risk appetite, as well as with relevant legal or regulatory requirements.

- vii. Ensure that all units in the organization have adequate resources, including personnel complement, duly supported by appropriate technological systems that is commensurate to the activities being undertaken; and
 - viii. Oversee implementation of a sound business continuity management framework. The Board should create and promote an organizational culture that places high priority on business continuity. This shall include providing sufficient financial and human resources associated with CIBI's business continuity initiatives.
- d. Define organizational responsibilities following the three lines of defense framework. The business line functions will represent the first line of defense, the risk management and compliance functions for the second line of defense, and the internal audit function for the third line defense. In this regard
- i. The Board shall ensure that the risk management, compliance and internal audit functions carry out their responsibilities independently, objectively and effectively are given adequate support for them to be able to effectively carryout their duties.
 - ii. The Board shall ensure that non-executive board members meet regularly, the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit and corporate governance committees, in the absence of senior management.

2.4 Additional Duties and Responsibilities of the Board of Directors

2.4.4 The following are additional duties and responsibilities of the Board on Compliance Risk:

- a. To ensure that it is assisted in its duties by appointing a Compliance Officer (CO) who should have a rank of Senior Vice President or an equivalent position with adequate status and authority in CIBI. The CO shall not be a member of the Board and should annually attend training on corporate governance.
- b. To ensure that the compliance program is defined for CIBI and compliance issues are resolved expeditiously. In this regard, the Audit Committee shall oversee the Compliance Program.
- c. To ensure that personnel and affiliated parties adhere to the predefined compliance standards (which rest collectively with the senior management) of which the CO is the lead operating officer on compliance.

2.4.5 The Board of Directors of CIBI including senior management shall be liable for the acts performed and representation made by sales and marketing personnel in their official capacity.

Notwithstanding the above, the Board and senior management may file the case or action against the erring sales and marketing personnel.

2.4.6. The following are additional responsibilities of the Board in relation to the sustainable finance rules:

In promoting long-term financial interest on the company and in ensuring that it has beneficial influence on the economy, the Board of Directors shall:

- a. Institutionalize the adoption of sustainability principles, including those covering environment and social (E&S) risk areas in CIBI , by incorporating the same in the corporate governance and risk management frameworks as well as in CIBI's strategic objectives and operations taking into account CIBI's risk appetite and ability to manage risks;
- b. Promote a culture that fosters environmentally and socially responsible business decisions. The board of directors shall ensure that sustainability implications are considered in the overall decision-making process;
- c. Ensure that sustainability objectives and policies are clearly communicated across the institution, and to its investors, clients, and other stakeholders;
- d. Adopt an effective organizational structure to ensure attainment and continuing relevance of CIBI's sustainable objectives. The board of directors or the designated board-level or management committee shall monitor the company's progress in attaining sustainability objectives;
- e. Ensure that adequate resources are available to attain sustainability objectives. The board of directors shall ensure that the members of the board, senior management and personnel are regularly apprised of the developments on sustainability standards and practices; and

2.4.7 Ensure appropriate management information systems are established; and

2.4.8 Ensure that the interests of stakeholders are adequately protected.

The Board's responsibilities shall include the following:

- a. Promote culture of ethical behavior and adherence to the highest standards of fair and responsible dealing with customers;
- b. Ensure that adequate information and actions taken are reported on a regular basis in terms of the measurement of customer related risks as well as other material consumer related developments that will impact the company;
- c. Ensure the adequate provision of resources and effective implementation of personnel training and competency requirements;

2.4.9 Board to require the external auditor to submit to the board of directors or a Letter of Commitment indicating any material weakness or breach in the institution's internal control and risk management systems not later than 120 calendar days after the close of the calendar year or fiscal year of company.

If no material weakness or breach is noted to warrant the issuance of an LOC, a certification under oath stating that no material weakness or breach in the internal control and risk management systems was noted in the course of the audit of CIBI shall be submitted instead, together with the AFS.

2.4.10 The Board of Directors, in a regular or special meeting, shall consider and act on the AFS and the LOC and shall submit, not later than one hundred twenty (120) calendar days after the close of the calendar year or fiscal year adopted by CIBI, a copy of its resolution (containing the date of receipt of the AFS and LOC by the Board of Directors), to the appropriate supervising department of the *Insurance Commission*. The resolution shall show the action(s) taken on the AFS and the findings and recommendations stated in the LOC, if any.

2.5 Code of Ethics for Directors

The Board, being the highest governing body, sets the tone for and leads the practice of ethical and responsible business conduct throughout the organization. Each member upholds the Code of Ethics for Directors which establishes the standards for directors' professional and ethical conduct, including the acceptable practices when dealing with customers, contractors, suppliers, regulators, and the general public. The Code also provides the guiding principles on the performance of their duties in accordance with the fit and proper rules.

All Directors and employees are required to comply with CIBI's Code of Ethics. New employees of CIBI are provided a booklet of the Code, and receipt thereof is acknowledged in writing.

3. Reportorial Requirements

3.1 Transmission of the Duties and Responsibilities of a Director

- 3.1.1 The Office of the Corporate Secretary (OCS) shall furnish all first time directors of CIBI, upon their election with a copy of the general and specific duties and responsibilities of the Board of Directors and as an individual director.
- 3.1.2 The director/s concerned shall acknowledge receipt of the copies of such general and specific duties and responsibilities and shall certify that he/she fully understand the same.
- 3.1.3 The OCS shall keep on file copies of the certification under oath the acknowledgment receipt thereof.

3.2 Bio-Data of Directors

- 3.2.1 In compliance to **IC Circular 35-2006**, CIBI shall submit to the appropriate department of the IC a bio-data with ID picture of their directors who are:
 - a. Subject to confirmation based on existing rules, using the prescribed form, and
 - b. First time directors

Within twenty (20) working days from the date of election/re-election of the directors/meeting of the Board of Directors in which the officers are appointed/promoted.

3.2.2 Updating of the Bio-Data

The bio-data shall be updated and submitted in cases of change of name due to change in civil status and change of residential address, within twenty (20) working days from the date the change occurred, and in cases of requests for prior Board approval of interlocks.

- 3.2.3 CIBI shall keep a record of the bio-data of all its directors and officers and shall maintain a system of updating said records which shall be made available to the IC during its examination.

3.3 List of Incumbent Directors

The OCS shall submit to the IC a duly notarized list of the incumbent members of the Board of Directors and officers (format based on Appendix 102) within twenty (20) working days from the annual election of the Board as provided in the by-laws.

3.4 Certification by an ID

In the case of ID, the bio-data shall be accompanied by a certification under oath from the director concerned, that he/she is an ID as defined under existing laws, rules and regulations.

B. Directors

1. Specific Duties and Responsibilities of a Director

The position of a director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders. These stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The members of the Board of Directors should exercise their duty of care and duty of loyalty to company.

- 1.1 To remain fit and proper for the position for the duration of his term. A director is expected to remain fit and proper for the position for the duration of his term. He should possess unquestionable credibility to make decisions objectively and resist undue influence. He shall treat Board directorship as a profession and shall have a clear understanding of his duties and responsibilities as well as his role in promoting good governance. Hence, he shall maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities that CIBI is engaged in or intends to pursue as well as the developments in insurance industry including regulatory changes through continuing education or training.

- 1.2 **To conduct fair business transactions with CIBI and to ensure that personal interest does not bias Board decisions.** Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institution cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that would compromise his impartiality.

In order to enhance the conflict of interest prevention, aside from the Bio-data of directors for IC purposes, the directors are required to accomplish the Conflict of Interest (COI) Disclosure Form, requiring a more robust disclosure of possible conflict, in addition to RPT policy of CIBI.

Conduct of the COI accomplishment shall be facilitated by CIBI's Corporate Governance Committee.

- 1.3 **To act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as clients and the general public.** A director must always act in good faith, with the care which an ordinarily prudent man would exercise under similar circumstances. While a director should always strive to promote the interest of all stockholders, he should also give due regard to the rights and interests of other stakeholders.

- 1.4 **To devote time and attention necessary to properly discharge their duties and responsibilities.** Directors should devote sufficient time to familiarize themselves with the institution's business. They must be constantly aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the Board's work. They must attend and actively participate in board and committee meetings, request and review meeting materials, ask questions, and request explanations. If a person cannot give sufficient time and attention to the affairs of the institution, he should neither accept his nomination nor run for election as member of the Board.

- 1.5 **To act judiciously.** Before deciding on any matter brought before the Board, every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.

- 1.6 **To contribute significantly to the decision-making process of the Board.** Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of such Board.
- 1.7 **To exercise independent judgment.** A director should view each problem/ situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollarily, he should support plans and ideas that he thinks will be beneficial to the institution.
- 1.8 **To have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of its articles of incorporation and by-laws, the requirements of the IC and where applicable, the requirements of other regulatory agencies.** A director should also keep himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness.
- 1.9 **To observe confidentiality.** Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the Board.

2. **Qualifications of Directors**

A director should have the following minimum qualifications:

- 2.1 He must be fit and proper for the position of a director of CIBI. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness, relevant education/ financial literacy/ training, possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind, and sufficiency of time to fully carry out responsibilities.

In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and standards of any regulatory body, professional body, clearing house or exchange, or government and of its instrumentalities / agencies.

An elected director has the burden to prove that he possesses all the foregoing minimum qualifications and none of the cases mentioned under the section - **Persons disqualified to become directors**). A director shall submit to the Insurance Commission the required certifications and other documentary proof of such qualifications using the Appendix 101 as guide within twenty (20) working days from the date of election. Non-submission of complete documentary requirements or their equivalent within the prescribed period shall be construed as his failure to establish his qualifications for the position and results in his removal from the Board of Directors.

The members of the Board of Directors shall possess the foregoing qualifications for directors in addition to those required or prescribed under R.A. No. 8791 and other existing applicable laws and regulations.

- 2.2 He must have attended a special seminar on corporate governance for Board of Directors. A director shall submit to the IC a certification of compliance with IC-prescribed

syllabus on corporate governance for first time directors and documentary proof of such compliance: *Provided*, That the following persons are exempted from complying with the aforementioned requirement:

2.2.1 Filipino citizens with recognized stature, influence and reputation in the community and whose business practices stand as testimonies to good corporate governance;

2.2.3 Former Chief Justice of the Philippine Supreme Court.

Provided, further, that this exemption shall not apply to the annual training requirements for the members of the Board.

3. Disqualification of Directors

The following are the grounds for the disqualification of a director:

3.1 Permanently disqualified

Directors/officers/employees permanently disqualified by the BSP Monetary Board, the Insurance Commission, the Securities, Exchange Commission and the Revised Corporation Code from holding a director position:

3.1.1 Persons who have been convicted by final judgment:

- a. Of a court for offenses involving fraud acts, dishonesty or breach of trust such as but not limited to estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. 22 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. 9160, as amended (Anti-Money Laundering Act), and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees).

Note: The disqualification on violation of Anti-Graft and Corrupt Practices Act shall apply to government employees appointed for directorship position.

- b. Or order by a competent judicial or administrative body of any crime that:
 - i. involves the purchase or sale of securities, as defined in the Securities Regulation Code;
 - ii. arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker;
- c. Or has been adjudged by final judgment or order of the SEC, BSP, IC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law, regulation or order administered by the SEC or BSP or IC; and

- d. Or 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 previously;
- 3.1.2 Persons who have been judicially declared with finality as insolvent, spendthrift or incapacitated to contract;
- 3.1.3 Persons who were found to be culpable for the company's closure as determined by Insurance Commission.
- 3.1.4 Persons found by the Insurance Commission to be administratively liable for violation of laws, rules and regulations implemented by the IC, where a penalty of removal from office is imposed, and which resolution of the IC has become final and executory;
- 3.1.5 Persons found liable by another government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct, or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government agency has become final and executory;

Directors, officers or employees of closed insurance companies or any insurance intermediaries who were responsible for such institution's closure as determined by the insurance commission.

- 3.1.6 Other grounds as the SEC may provide.

3.2 Temporarily Disqualified

Directors/officers/employees disqualified by the IC and the Securities and Exchange Commission from holding a director position for a specific/indefinite period of time. Included are:

Persons who refuse to fully disclose the extent of their business interests when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the IC. This disqualification shall be in effect as long as the refusal persists;

Directors and Officers of closed insurance companies or insurance intermediaries pending clearance from the IC;

- 3.2.1 Persons confirmed to have committed acts or omissions, which include failure to observe/discharge their duties and responsibilities prescribed under existing regulations, that (a) caused undue injury or disadvantage to .company through manifest partiality, evident bad faith or gross inexcusable negligence; (b) caused or may have caused material loss or damage to company, stockholders, Insurance Commission or to the public in general; or (c) exposed the safety, stability, liquidity or solvency of . company to abnormal risk or danger. This disqualification applies until the lapse of the specific period of disqualification of the IC.
- 3.2.2 Persons found to have been involved in any irregularity/violation which constitutes a just cause for dismissal/termination as defined under the Labor

Code of the Philippines, as amended, regardless of any action taken by . company;

Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director has attended such seminar;

- 3.2.3 Persons with cases pending before a court or other tribunal, or those convicted by said court or tribunal but whose conviction has not become final and executory, for offenses involving: (a) dishonesty or breach of trust such as, but not limited to estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22 (AntiBouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering Act), and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees); or (b) violation of insurance laws, rules and regulations;
- 3.2.4 Persons who have been convicted by a court for an offense involving moral turpitude, and persons who have been sentenced to serve a term of imprisonment of more than six (6) years for other crimes but whose conviction has not yet become final and executory;
- 3.2.5 Persons against whom a formal charge has been filed or who are found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as director/officers, and which finding of said government institution is on appeal, unless execution or enforcement thereof is restrained by the appellate court; and

The following temporary disqualifications are found in SEC Memo No. 19 Series of 2016:

- 3.2.6 Absence in more than fifty percent (50%) of all regular meetings and special meetings of the Board of Directors during his incumbency, or any 12-month period during the said incumbency, unless absence is due to illness, death in the immediate family or serious accident. The disqualification should apply for purposes of the succeeding election;
- 3.2.7 Dismissal or termination for cause as director of any publicly listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.
- 3.2.8 If the beneficial equity ownership of an ID in . or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. This disqualification from being elected as an ID is lifted if the limit is later complied with; and
- 3.2.9 If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

3.2.10 Those under preventive suspension; .

3.2.11 Persons with derogatory records with the NBI, court, police, Interpol and insurance authorities of other countries (for foreign directors) involving violation of any law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of an insurance director.

This disqualification applies until they have cleared themselves of involvement in the alleged irregularity;

3.2.12 Persons who are delinquent in the payment of their obligations as defined hereunder:

- a. Delinquency in the payment of obligations means that obligations of a person with the insurance company or its related companies where he/she is a director or officer; or at least two obligations with other insurance companies, under different credit lines or loan contracts;
- b. Obligations shall include all borrowings from an insurance company, or its related companies obtained by:
 - 1. A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorsers, or surety for loans from such institutions;
 - 2. The spouse or child under the parental authority of the director or officer;
 - 3. Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
 - 4. A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
 - 5. A corporation, association or firm wholly owned or majority of the capital is contributed by any or a group of persons mentioned in the foregoing items 1,2, and 4.

This disqualification should be in effect as long as the delinquency persists.

C. Board and Committee Meetings

The director should attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele-/videoconferencing in accordance with the rules and regulations, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so.

In Board and Committee meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

1. Schedule of Board Meetings

In accordance with the Company's By-Laws, the Board shall meet at least once a month, to review the Company's financial performance and to attend to matters that may require

its approval. Special Board meetings may be called for to deliberate and assess corporate proposals or business issues that require Board approval.

2. Place of Board Meetings

In accordance with the Company's By-laws, Board Meetings shall be held at the principal office of the Corporation or if not applicable, in the city where the principal office of the Company is located

3. Conduct of Meetings, Attendance and Quorum Requirement

3.1 Full Board of Directors meetings

3.1.1 Board members are encouraged to attend board meetings regularly. They are expected to prepare for and participate in these meeting and to act judiciously, in good faith, and in the best interest of the company, the shareholders and other stakeholders.

3.1.2 A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board, and whenever required by existing laws and regulations.

3.1.3 In cases where a decision is to be arrived at by the Board, as a matter of policy, decisions should be made only upon quorum of 2/3 members of the board present, unless a different voting requirement is required by existing laws, rules and regulations.

The above rule shall apply for material RPTs that fall within the definition of the SEC as individual material related party transaction.¹ Material shall refer to transactions that are 10% or higher of CIBI's total consolidated assets based on the latest consolidated audited financial statement.

3.1.3 If a member of the Board cannot attend personally, subject to existing rules, he/she may attend/participate/vote in meetings through remote communication/teleconference or videoconferencing or other alternative modes of communication that allow them reasonable opportunities to participate, and in compliance with CIBI's Guidelines for Participation in Board and Committee Meetings Through Remote Communication.

In relation to the conduct of meeting through modern technologies such as, but not limited to, teleconferencing and videoconferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein: *Provided*, That every member of the Board shall participate in at least fifty percent (50%) and shall physically attend at least twenty five percent (25%) of all Board meetings every year: *Provided*, further, That the absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board of Directors during his/her incumbency is a ground for disqualification.

- 3.1.4 Except for most compelling reasons, an ID should always be in attendance in every meeting, recognizing the significant role of an ID in the board decisions. Unless otherwise provided in the by-laws, his absence shall not affect the quorum.

3.2 Board-level Committee Meetings

- 3.2.1 Board-level committees shall meet in accordance with their respective charters. Participation of committee members may likewise be in person or through modern technologies: *Provided*, That attendance and participation of members in committee members shall be considered in the assessment of continuing fitness and propriety of each director as member of board-level committees and the Board of Directors.

3.2.2 Conduct of Committee Meetings

Committee members should attend and actively participate in all meetings in person or through tele-/videoconferencing in accordance with the rules and regulations, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so.

3.2.3 Quorum

A majority of the members of the Committee shall constitute a quorum and every decision of at least a majority of the Committee members present at a meeting at which there is a quorum shall be valid, unless a specific number of votes is required by existing laws and regulations.

4. Board Materials

In general, board papers are provided to the directors five (5) days before the meeting.

5. Definition of Specific Actions by the Board and its Committees

Ratify - When the Board and any of its committees ratifies an action, it means approving an action which originally or initially did not bind the Company because the person who has acted for the Company lacked the authority. ²

Thus an act or agreement that was signed or executed without the confirmation of the Board is not enforceable or valid until it was ratified by the Board.

Approve – When an action is approved, it refers to giving a favorable decision on item/s presented to it for decision.

Note – When the Board noted an action presented to it, it means that they have clearly understood the information provided or given them. Moreover, they are also signifying a commitment that whatever action is to be taken or done, they shall implement the same.

Confirm – When the board confirms an action made by a board committee or the management committee, it means to strengthen the said act.

D. Board Committees

The Board of Directors may delegate some of its functions, but not its responsibilities, to Board-level committees.

1. Creation of Committees

The Board of Directors shall constitute, at a minimum, the following committees

- 1.1 Audit Committee
- 1.2 Corporate Governance Committee, and

For the size of operation of CIBI, other committees that may be relevant but could be made part of the existing functions of the Board or the committees already formed which includes the Management Committee.

2. Committee Charters

- 2.1 The Board shall approve, review, and update, at least annually or whenever there are significant changes therein, the respective charters of each committee or other documents that set out its mandate, scope and working procedures.
- 2.2 Said documents shall articulate how the committee will report to the full Board of Directors, what is expected of the committee members, and tenure limits for serving on the committee.
- 2.3 In case of conflict between the approved committee charter and provisions of this Manual, the most recently approved document shall prevail.

3. Tenure Limit for Serving in a Committee

The Board shall consider occasional rotation of committee members and chairs to avoid undue concentration of power and promote fresh perspective.

In this regard, a director who has been a member of a board-level committee for at least five (5) years shall be rotated, as necessary.

4. Members in Committees

The Board of Directors shall appoint members of the committees taking into account the optimal mix of skills and experience to allow the Board of Directors, through the committees, to fully understand and objectively evaluate the relevant issues. In order to promote objectivity, the Board of Directors, shall appoint independent directors and non-executive members of the Board to the greatest extent possible. Towards this end, an independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions.

The Board of Directors shall have the power to remove and replace members of and fill vacancies in the Board-level committees, as necessary and in compliance with laws, rules and regulations.

5. Minutes of Meetings

The Board of Directors shall ensure that each committee shall maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.

6. Performance Evaluation

The Board shall conduct an annual review of the performance of the committees through a self-assessment. The results thereof shall be reported to the Board through the Corporate Governance Committee.

7. Deadlock Resolution

In cases where there is deadlock on matters for resolution of the Committee, the same shall be elevated to the Board of Directors for its decision and resolution. For this purpose, the Corporate Secretary shall include in the agenda of the Board of Directors in its next meeting the matters which need to be decided upon or resolved by the Board of Directors in view of the deadlock.

8. Audit Committee

Without prejudice to its own charter, the following guidelines shall govern the Audit Committee of CIBI:

8.1 Functions of the Audit Committee

The Audit Committee primarily oversees all matters pertaining to audit the internal audit function and performance, the integrity of CIBI's financial statements, and - accounting processes in general, among other things.

The Audit Committee is responsible for overseeing the senior management's activities in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Audit Committee provides oversight of company's financial reporting and control and internal and external audit functions.

The Committee also plays an important role in empowering and elevating the status of internal audit activity throughout the organization as provider of quality and significant assurance and consulting services that adds value to company's governance, risk management, and internal control processes.

8.2 Composition of the Audit Committee

8.2.1 The audit committee shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairman, should be independent directors. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance that is commensurate with the size, complexity of operations and risk appetite of CIBI.

To the greatest extent possible, the audit committee shall be composed of a sufficient number of independent and non-executive board members.

8.2.2 Restrictions in the Audit Committee Membership

- a. The Chairman of the Committee should not be the chairman of the Board or any other committees.
- b. The Chief Executive Officer, Chief Financial Officer and/or Treasurer or officers holding equivalent positions, shall not be appointed as members of the audit committee.

8.2.3 The Board has the power to re-organize committee membership, thus, in case of vacancy the Board of Directors may appoint the replacement in accordance with CIBI's By-Laws.

8.3 Authority of the Audit Committee

The audit committee shall have explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions. The audit committee shall ensure that a review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually.

8.4 Duties and Responsibilities

The Audit Committee has the following duties and responsibilities, among others:

8.4.1 On Internal Audit Charter

Adopt the internal Audit Charter of the parent bank which formally defines the role of Internal Audit and the audit plan as well as oversee the implementation of the IA Charter;

8.4.2 On Internal Control

- a. Through the Internal Audit, monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
- b. It shall monitor and evaluate the adequacy and effectiveness of the internal control system.
- c. Shall ensure that a review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management.

8.4.3 On Financial Reporting and Financial Statements

- a. Assist the Board in the performance of its oversight responsibility for the financial reporting process, practices, and system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations.

In addition to the above, the Audit Committee shall be responsible for overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework.

It shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, rules and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.

- b. Review and approve the Interim and annual financial statements before their submission to the Board, with particular focus on the following matters
 - i. Any change/s in accounting policies and practices
 - ii. Areas where a significant amount of judgment has been exercised
 - iii. Significant adjustments resulting from the audit
 - iv. Going concern assumptions
 - v. Compliance with accounting standards
 - vi. Compliance with tax, legal and regulatory requirements
- c. Shall provide oversight over the institutions financial reporting policies, practices and control and internal and external audit functions.

8.4.4 On Management's Risk Management Activities

- a. Provide oversight over Management's activities in managing liquidity, operational, legal and other risks of CIBI. This function shall include regular receipt from Management of information on risk exposures and risk management activities; and
- b. Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations.

8.4.5 On Internal Audit Plan

Follow and adopt the annual internal audit plan of the parent bank including all major changes thereafter, to ensure its conformity with the objectives of the company. The plan shall include the audit scope, resources and budget necessary to implement it.

8.4.6 On Compliance

Coordinate, monitor, and facilitate compliance with laws, rules and regulations.

8.4.7 On Whistleblowing

The committee shall establish and maintain mechanisms by which officers and staff, 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. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

8.5 Responsibilities on Internal and External Audits

- 8.5.1 Perform oversight functions over the corporation's internal and external auditors. It ensures the independence of internal and external auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions. ³
- 8.5.2 Prior to the commencement of audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts
- 8.5.3 Review the reports submitted by the internal and external auditors by reviewing the disposition of the recommendation in the External Auditor's management letter.
- 8.5.4 It shall receive key audit 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;
- 8.5.5 Evaluate and determine the non-audit work, if any, of the external auditor, and periodically review the non-audit fees paid to the external auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report and Corporate Governance Report;
- 8.5.6 Review the effectiveness of the internal audit function, including compliance with The Institute of Auditors' International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards.

In assessing the effectiveness of the external auditor's work, the Audit Committee should closely coordinate with the external auditor during all phases of the external audit engagement, as follows:

- a. It should discuss and agree to the terms of the engagement letter issued by the external auditor prior to the approval of the engagement.

Where relevant, the engagement letter should reflect changes in circumstances relevant to the external audit

- b. It should obtain an understanding of the score and audit approach which shall be adopted by the external auditor for purposes of meeting the ICRE's financial reporting requirements;
- c. It should ascertain and take steps to address the major areas of concern identified by the external auditor during the course of its audit. These issues may cover significant accounting estimates, valuation methodologies and accounting policies adopted;
- d. It should review management representation letters before these are transmitted to the external auditor to ensure that items in the letter are complete and appropriate;
- e. It should assess the extent of corporation provided by CIBI management during the conduct of the external audit; and
- f. It should understand and duly assess the external auditor's opinion regarding the capacity of CIBI management and the adequacy of accounting/information system to comply with financial and prudential reporting responsibilities.

8.5.7 Meet separately with the Head of internal audit/external auditors to discuss any matter that the committee or internal/external audit and such meetings shall be duly minuted.

8.5.8 Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationship between the auditors and CIBI, including non-audit services, and discussing the relationships with the auditors.

8.5.9 Communication with the External Auditor

In order to reinforce the Audit Committee's effectiveness in performing its key role in strengthening corporate governance, the Audit Committee shall maintain effective communication channels with the external auditor through regular and structure dialogues in the course of the external audit.

Such communication should focus on the key accounting or auditing issues that, in the external auditor's judgment, give rise to a greater risk of material misstatement of the financial reports, as well as other external audit concerns of the Audit Committee. Internal and external auditors should be allowed and encouraged to attend the meeting of the Audit Committee.

During regular meetings of the Audit Committee, matters that may be raised include audit findings that would impact on CIBI's compliance with regulatory requirements, disclosures and other accounting concerns.

8.6 Responsibilities over Internal Audit Outsourcing

8.6.1- The Audit Committee shall abide by the terms and conditions of the internal audit services provided by the parent bank.

8.6.2- The Audit Committee shall be responsible to oversee the performance of the internal audit service provider.

In particular, the Audit Committee shall be responsible for:

- a. Ensuring the independence of the internal audit service provider;
- a. Reporting to the Board on the status of accomplishments of the outsourced internal audit activities, including significant findings noted during the conduct of the internal audit;
- b. Ensuring that the internal audit service provider comply with sound internal auditing standards such as the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics;
- c. Ensuring that the audit plan is aligned with the overall plan strategy and budget of CIBI and is based on robust risk assessment; and
- d. Ensuring that the internal audit service provider has adequate human resources with sufficient qualifications and skills necessary to accomplish the internal audit activities.

8.7 Reporting Responsibilities

- 8.7.1 Provide an open avenue of communication between internal audit, the external auditors, and the Board of Directors.
- 8.7.2 Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- 8.7.3 Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation

8.8 Additional Responsibilities as Risk Oversight and RPT Committees

- 8.8.1 Advise the Board on CIBI's current and future risk appetite levels and risk tolerance limits;
- 8.8.2 It shall oversee the system of limits to discretionary authority that the board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached;
- 8.8.3 Oversee the state of risk culture of the Company; and
- 8.8.4 Require the Risk Officer to communicate formally and informally any material information relative to the discharge of its function to the Committee.

Functions on Risk Oversight

- i. **Oversee the risk management framework** – The Committee shall oversee the enterprise risk management framework and ensure that there is periodic

review of the effectiveness of the risk management systems and recovery plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns.

- ii. **Identify and evaluate exposures** – the Committee shall assess the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur and are costly when they happen.
- iii. **Develop risk management strategies** –the Committee shall develop a formal written risk management program which shall contain and define the following: (a) common language or register of risks, (b) well defined risk management goals, objectives and oversight, (c) uniform strategies for managing and controlling the major risks. (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures.

The committee shall identify practical strategies to reduce the chance of harm and failure, or minimize losses if the risk becomes real.

- iv. **Oversee the implementation of the risk management plan** – the Committee shall conduct regular discussions on the Company's current and residual risk exposure based on regular risk management reports, and assesses how the concerned units or offices are addressing and managing these risks.

In view of the above, the Committee shall provide oversight over Management's activities in managing operational, legal and other risk exposures of CIBI. This function includes regularly receiving information on risk exposures and risk management activities from Management; and

Report to the Board on a quarterly basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

- v. **Review and revise the plan as needed** – the Committee shall oversee and evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. It shall revisit strategies, look for emerging or changing material exposures, and stay abreast of significant developments that seriously affect the likelihood of harm or loss. It shall report regularly to the Board of Directors, or as deemed necessary, CIBI's over-all risk exposure, the actions taken to reduce the risks, and recommends further action or plans as necessary.
- vi. **Oversee adherence to risk appetite** – The Committee shall ensure that the current and emerging risk exposures are consistent with the Company's strategic direction and overall risk appetite. It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies, and procedures relating to risk management and control, and performance of management among others.
- vii. **Review . risk appetite** – at least annually, the Committee shall review CIBI's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the company;

- viii. **Oversee the risk management function** – The Committee shall be responsible for the appointment/selection, remuneration and dismissal of the Risk Officer. It shall ensure that the risk management function has adequate resources and effectively oversee the risk taking activities of the Company.

Review of Material RPTs

- i. Evaluate on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in relationships shall be reflected in the relevant reports to the Board.
- ii. The Committee shall also be responsible in evaluating or reviewing all material RPTs as defined in the existing policies of CIBI.
- iii. The Committee shall evaluate the terms and conditions of the facility or the transaction, ensuring that it is conducted at arm's length basis, or shall be upon economic terms not less favorable to CIBI than those offered to others and that no business resources of company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transaction.
- iv. In determining that a transaction is at arm's length or not undertaken on more favorable economic terms for the related party, it shall consider the pricing, commission, interest rates, fee, tenor, collateral requirement, timing of transactions, economic benefit, etc.

In the evaluation, the Committee shall take into account, among others, the following:

- a) The related party's relationship to CIBI and interest in the transaction;
- b) The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- c) The benefits to company of the proposed RPT;
- d) The availability of other sources of comparable products or services; and
- e) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The price discovery mechanism is in place and exercise due diligence in determining a fair price for RPTS.
- f) Ensure that appropriate disclosure is made, and/or information is provided to the parent bank regarding the company's exposures, and policies on conflicts of interest or potential conflicts of interest with the information on the approach to managing material conflicts of interest that are inconsistent with such policies and conflicts that could arise as a result of CIBI's affiliation or transactions with other related parties.
- g) Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- h) Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.

- i) Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

9. **Corporate Governance Committee**

This Committee is tasked to assist the Board of Directors in fulfilling its corporate governance responsibilities by ensuring compliance with and proper observance of corporate governance laws, rules, principles and best practices.

9.1 Composition of the Corporate Governance Committee

The Committee shall be composed of at least three (3) members of the Board of Directors, all of whom shall be independent directors including the chairperson.

9.2 Duties and Responsibilities

The Committee has the following duties and responsibilities, among others:

a. Corporate Governance Framework and Policies

1. Oversee the implementation of the corporate governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to the Company's size, complexity and business strategy, as well as its business and regulatory environment; ⁴
2. Adopt corporate governance policies and ensures that these are reviewed and evaluated regularly and consistently implemented in form and in substance.

b. As Nomination and Election Committee

1. Oversee the nomination process for members of the Board of Directors and for positions requiring appointment by the Board of Directors.
2. Determine the nomination and election process for the company's directors and has the special duty of defining the general profile of Board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board;
3. Review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors.
4. Decide on matters pertaining to the assignment to board committees, as well as succession plan for the members of the Board of Directors and senior management.

c. Education Program

1. Oversee the continuing education program for the Board of Directors by ensuring allocation of sufficient time, budget and other resources, and draw on external expertise as needed.
2. The Committee shall establish and ensure effective implementation of policy for on-boarding/orientation program for first time directors and annual continuing education for directors.

For the above purpose, the orientation program for first time directors shall be for at least eight (8) hours, while the annual continuing training shall be at least four (4) hours. The training program should cover topics relevant in carrying out their duties and responsibilities as directors.

3. Propose and plan relevant training for the members of the Board. In relation thereto, it shall make recommendations to the Board regarding the continuing education of directors, assignment to Board Committees, succession plan for the Board members and senior officers, and their remuneration commensurate with corporate and individual performance.

d. Performance Evaluation of the Board and Committees

1. Oversee the periodic evaluation (may be conducted through the use of self-assessments) of contribution and performance (e.g. competence, candor, attendance, preparedness and participation) of the Board of Directors, board-level committees, and senior management.
2. Ensure that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement.⁵
3. Adopt internal guidelines that shall address the competing time commitments that are faced when directors serve on multiple boards.

e. Compensation of the Directors

1. Oversee the design and operation of the remuneration and other incentives policy.
 2. The Corporate Governance Committee shall establish a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with CIBI's culture and strategy as well as the business environment in which it operates.
 3. The Committee shall ensure that the remuneration and other incentives policy is aligned with operating and risk culture as well as with the strategic and financial interest of CIBI, promotes good performance and conveys acceptable risk-taking behavior defined under its Code of Ethics, and complies with legal and regulatory requirements.
 4. The Committee shall evaluate the incentives created by the remuneration system.
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5. The Committee shall monitor and review the remuneration and other incentives policy including plans, processes and outcomes to ensure that it operates and achieves the objectives as intended.
- f. Decide the manner by which the Board of Directors' performance shall be evaluated, and propose an objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long-term shareholder's

9.3 Additional Responsibilities

Duties and Functions on Nomination

- i. The primary task is to review and evaluate the qualifications of all persons nominated to the Board and all other appointments as may be prescribed in . internal policy.

That with regard to the nominees to the Board, the Committee is also tasked to identify the quality of the directors nominated aligned with strategic directions.

- ii. It shall promulgate the guidelines or criteria to govern the conduct of the nomination, and the same shall be properly disclosed in information or proxy statement or such other reports required to be submitted to the SEC.

In relation to the above, determine the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competences and expertise that complement the existing skills of the Board.

- iii. The nomination of all directors, more particularly of independent director/s, shall be conducted by the Committee prior to a stockholders' meeting. All nominations or recommendation shall be signed by the nominating stockholders together with the acceptance and conformity of the nominees.
- iv. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters that meet at least the minimum requirement of relevant IC and SEC circulars and issuances to facilitate its task to effectively review the qualifications of the nominees for directors, more specifically for independent director/s.
- v. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for directors, more particularly for independent directors, as required by existing laws and relevant circulars and issuances.
- vi. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as directors. No other nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
- vii. Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

Duties and Functions on Remuneration

The Committee shall review the design and operation of the remuneration and other incentives by examining whether incentives provided by the remuneration system taken into consideration risk, capital, and likelihood and timing of earnings.

1. Establish a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Insurance's culture and strategy as well as the business environment in which it operates.
2. Review and approve amount of remuneration, which shall be at a sufficient level to attract and retain directors and all personnel who are needed to manage the company successfully.
3. Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
4. Disallow any director to decide his or her own remuneration.
5. Provide in the Company's annual reports, information and proxy state

10. **Management Committee**

10.1 Composition of the Management Committee

- i The Committee shall be composed of such number as may be determined by the Board which should include the President.
- ii The Board of Directors shall have the power at any time to remove and replace the members of, and fill vacancies in the Committee.

10.2 Duties and Responsibilities

The Management Committee shall be responsible with the day-to-day operation of CIBI and makes sure that CIBI:

- a meets its business objectives;
- b implements internal and regulatory policies and guidelines and ensure compliance to them;
- c has clear business strategies and that these are put into action and monitored to ensure attainment of set targets;
- d continuously train and develop people, to upgrade their skills and maintain their competitive advantage

E. Board and Committee Evaluation Process

The Board shall conduct an annual review of its performance, including the evaluation of the performance of the Chairman, individual members and committees to be conducted through self-assessment. The results thereof shall be reported to the Board through the Corporate Governance Committee.

F. Remuneration and Other Incentives

1. Remuneration and Incentive Policy

The Board of Directors shall approve remuneration and other incentives policies that are consistent with the principle of remuneration and performance. It shall be able to attract and retain the services of qualified and competent individuals that are appropriate and consistent with CIBI's operating and risk culture, long-term business and risk appetite, performance and control environment.

The said policy shall cover all employees and should be designed to encourage good performance that supports the interest of company and its stakeholders. It shall be aligned with prudent risk taking and explicitly discourage excessive risk taking.

This will encourage employees to act in the long-term interest of Company, rather than for themselves or for other personal reasons.

2. Design of Remuneration

The following shall be considered in the design of the remuneration and other incentives policy:

- 2.1 The remuneration and incentives package shall take into account the employee position, role, responsibilities and activities in .the Company. It shall also consider the risks that the employees take on behalf of Company. Thus, it should be sensitive to prospective risk and risk outcomes that have been realized and considers the overall performance of Company.
- 2.2 Remuneration and incentive pay-out schedule should be sensitive to the time-horizon of risk. The policy may include provision that defer payment until risk outcomes are better known or provisions under which remunerations and incentives may be reduced or reversed. If new facts emerge showing that the remuneration and incentives paid was based on erroneous assumptions, such as misreporting, or if it is discovered that the employee has failed to comply with internal policies or legal requirements.

3. Compensation of Director

- 3.1 The directors shall not receive any compensation in their capacity as directors. However, the stockholders (representing at least a majority of the outstanding capital stock or majority of the members) may grant director with compensation and approve the amount thereof at a regular or special meeting.

In no case shall the total yearly compensation of directors exceed ten (10%) percent of the net income before income tax of the corporation during the preceding year.

- 3.2 Directors shall receive a per diem for attendance at each session of the Board of Directors or of any Committee. The amount of which shall be in accordance with . Laws, or as may be determined from time to time by stockholders owning or representing a majority of the subscribed capital stock at any regular or special meeting.
- 3.3 In accordance with CIBI's By-Laws, a portion of the net earnings shall be given to the members of the Board of Directors.
- 3.4 No Director of CIBI is allowed to participate in the discussion or deliberation involving his / her own per diem or remuneration.
- 3.5 CIBI shall reflect in its annual report the total compensation of each of their directors, in accordance with the requirements of the law.

4. Disclosure of Board Compensation

CIBI shall submit to the shareholders and the SEC, an annual report of the total compensation of each of the directors, in accordance with existing laws and regulations.

G. Corporate Secretary

1. The Corporate Secretary is an officer of the Parent Bank, a Filipino citizen and resident of the Philippines.

The Corporate Secretary is primarily responsible to the corporation and its shareholders and not to the Chairman or President of the Company.

2. Among others, he has the following responsibilities:
 - 2.1 Assist the Board and the Board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agenda for those meetings;
 - 2.2 Safekeep and preserve the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;
 - 2.3 Keep abreast on relevant laws, rules and regulations, all governance issuances, relevant industry;
 - 2.4 Work fairly and objectively with Board, Management, stockholders and other stakeholders;
 - 2.5 Advise on the establishment of Board committees and their terms of reference.
 - 2.6 Inform the members of the Board, in accordance with the By-Laws, of the agenda of their meetings at least five working days in advance and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
 - 2.7 Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
 - 2.8 Perform required administrative functions;

- 2.9 Oversee the drafting of the by-laws and ensure that they conform with regulatory requirements; and
- 2.10 Perform such other duties and responsibilities as may be provided by the Securities and Exchange Commission.

H. Officers

The selection of Officers shall be in accordance with the qualifications set by the Company

1. Qualifications of an Officer

- 1.1 An officer must be fit and proper for the position he is being appointed to. In determining whether a person is fit and proper for a particular position, the following shall be considered: integrity/probity, education/training, and possession of competencies relevant to the function such as knowledge and experience, skills and diligence.
- 1.2 In assessing an officer's integrity/probity, consideration shall be given by CIBI to the officer's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

2. Duties and Responsibilities of Officers on Corporate Governance

- 2.1 To set the tone of good governance from the top CIBI officers shall promote the good governance practices within the company by ensuring that policies on governance as approved by the Board of Directors are consistently adopted across CIBI
- 2.2 To oversee the day-to-day management of CIBI. CIBI officers shall ensure that activities and operations are consistent with the company's strategic objectives, risk strategy, corporate values and policies as approved by the Board of Directors. They shall establish a company-wide management system characterized by strategically aligned and mutually reinforcing performance standards across CIBI.
- 2.3 To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency. CIBI officers shall establish measurable standards, initiatives and specific responsibilities and accountabilities for each personnel. Officers shall oversee the performance of these delegated duties and responsibilities and shall ultimately be responsible to the Board of Directors for the performance of CIBI.
- 2.4 To promote and strengthen check and balance systems in the company. Officers shall promote sound internal controls and avoid activities that shall compromise the effective dispense of their function. Further, they shall ensure that they give due recognition to the importance of the internal audit, compliance and external audit functions.

3. Bio-Data of Officers

- 3.1 In compliance to IC Circular 35-2006, CIBI shall submit to the appropriate department of the IC a bio-data with ID of their:
 - 3.1.1 Officers who are subject to confirmation based on existing rules;

- 3.1.2 Officers below the rank of SVP requiring a different set of minimum qualifications, upon every election/re-election/appointment/promotion in a prescribed form and for first time directors/officers, the duly notarized authorization form (as prescribed by the IC), within twenty (20) working days from the date of election/re-election of the directors/meeting of the Board of Directors in which the officers are appointed/promoted.

Updating of the Bio-Data

The bio-data shall be updated and submitted in cases of change of name due to change in civil status and change of residential address, within twenty (20) working days from the date the change occurred.

4. List of Officers

- 4.1 CIBI is required to submit to the Insurance Commissions a list of incumbent officers (president or equivalent rank, down the line) within 30 calendar days from the date of hiring, effectivity of promotion or resignation
- 4.2 The responsibility of submission is with the Office of the President of CIBI.

V. Code of Conduct

1. CIBI must establish a set of Personnel Policies and Code of Conduct to be strictly observed by all employees of the company. It should form part of the Employee Handbook which a copy should be distributed to all employees for their information. Any updates thereto shall also be distributed to all employees and should be duly acknowledged. This Handbook shall be with the employee for the whole duration of his stay in the Company and must be surrendered upon his resignation / retirement.
2. All officers and employees of CIBI hold a position of trust. In this regard he/she must avoid situations where his / her personal interest may conflict or appear to conflict with the interest of company or its customers. In case of conflict, the interest of CIBI should prevail.

VI. Compliance System and Internal Control

A. Internal Control Framework

1. Definition of Internal Control

Internal control is a process designed and effected by the Board of Directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, rules, supervisory requirements, and the organization's policies and procedures.

2. Components of Internal Control

CIBI's internal control framework shall embody the following:

- 2.1 Management oversight and control culture
- 2.2 Risk recognition and assessment
- 2.3 Control activities
- 2.4 Information and communication; and
- 2.5 Monitoring activities and correcting deficiencies

3. Control Activities

CIBI control activities shall form part of the daily activities and all levels of personnel in . company. This shall involve establishment of control policies and procedures, and verification that these are being complied with.

Control activities in every business level shall include the following:

- 3.1 Top and functional level reviews;
- 3.2 Checking compliance with exposure limits and follow-up on non-compliance;
- 3.3 A system of approvals and authorizations (to include the approval process for new products and services); and
- 3.4 A system of verification and reconciliation.

4. Senior Management's Responsibility over Internal Control

- 4.1 Senior management shall be responsible for maintaining, monitoring and evaluating the adequacy and effectiveness of the internal control system on an ongoing basis, and for reporting on the effectiveness of inter controls on a periodic basis;
- 4.2 Management shall develop a process that identifies, measures, monitors and controls risk that are inherent to the operations of CIBI ;
- 4.3 Maintain an organizational structure that clearly assigns responsibility, authority and reporting relationships;
- 4.4 Ensure that delegated responsibilities are effectively carried out;
- 4.5 Implement internal control policies and ensure that activities are conducted by qualified personnel with the necessary experience and competence;
- 4.6 Ensure that personnel undertake continuing professional development and that there is an appropriate balance in the skills and resources of the front office, back office, and control functions;
- 4.7 Management shall promptly inform the internal audit function of the significant changes in CIBI's risk management system, policies and processes.

B. Compliance Function

CIBI's Compliance function acts as a second line of defense, aside from Risk Management. It has a formal status, defining its function, standing, authority and independence, which includes its right to obtain access to information necessary to carry out its responsibilities, conduct of investigation on possible breaches of the compliance policy.

The compliance function of CIBI is separate and distinct but is closely coordinated with the Compliance Division of the Parent Bank and with direct reporting line to the CIBI Board.

The Compliance Function facilitates effective management of compliance risk by:

- a. Advising the Board and senior management on relevant laws, rules and standards, including keeping them informed on development in the area;
- b. Apprising CIBI personnel on compliance issues, and acting as a contact point within the company for compliance queries;
- c. Establishing written guidance to staff on appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines;
- d. Identifying, documenting and assessing the compliance risk associated with CIBI's business activities, including new products;
- e. Assessing the appropriateness of CIBI's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments;
- f. Monitoring and testing compliance by performing sufficient and representative compliance testing; and
- g. Maintain constructive working relationship with the Insurance Commission.

1. Compliance Officer (CO)

CIBI's CO should have the necessary qualifications, experience, and professional background and should have a sound understanding of relevant laws and regulations and their potential impact on company's operations.

1.1 Qualifications of a CO

- 1.1.1 He must be fit and proper for the position of an officer based on the fit proper rules of the IC, which consideration shall include but not limited to: integrity/probity, education, training and possession of competencies relevant to the function;
- 1.1.2 He must have the necessary knowledge, skill, experience and professional background on insurance, financial industry or compliance.
- 1.1.3 He should have understanding of relevant laws, rules and regulations and their potential impact on CIBI's operations.

In this regard, he should be up-to-date with the developments in laws, rules, regulations and standards maintained through continuous training.

1.2 Appointment

Taking into consideration the importance of the compliance function, the CO shall be a senior officer functionally reporting to CIBI's Board of Directors through the appropriate board-level Committee

2. Duties and Responsibilities

2.1 He shall oversee the identification and management of CIBI's compliance risks

2.2 He is expected to liaise with IC on compliance related issues.

2.3 He shall also be responsible for ensuring the integrity and accuracy of all documentary submissions to the IC and the SEC.

2.4 He shall functionally meet/report to the Board or Board-level committee, such as, but not limited to, matters that affect the design and implementation of the compliance program to the Board;

He shall also report found violation matters to the Board and recommends the imposition of appropriate disciplinary action

2.5 Seek the approval of the Board for the Compliance Program and amendments thereto; and

2.6 Report promptly breaches of compliance program to the Board and to promptly address these breaches.

The CO shall have the following additional duties :

2.7 Monitor, review, evaluate and ensure the compliance by CIBI , its officers and directors with the relevant laws, the Code of CORPORATE GOVERNANCE, rules and regulations and all governance issuances of regulatory agencies;

2.8 Appear before the Commission when summoned in relation to compliance with the Code of CORPORATE GOVERNANCE; and

2.9 Collaborates with other departments to properly address compliance issues, which may be subject to investigation;

2.10 Identifies possible areas of compliance issues and works towards the resolution of the same;

2.11 Ensures the attendance of Board members and key officers to relevant trainings; and

2.12 Perform such other duties and responsibilities as may be provided by the SEC.

3. Work Plan

3.1. Identification of applicable laws, rules and regulations

- a. It shall be the general responsibility of the compliance officer and the Corp. Gov. Committee to identify basic laws, rules and regulations, standards and best practices concerning corporate governance.
- b. A list of the basic and specific laws shall be maintained by the –compliance officer to serve as his/her guide in monitoring compliance.

3.2 Risk Levels

The risk levels as identified in the Compliance Manual shall be adopted in the risk classification of laws, rules and regulations affecting corporate governance, that shall be based on:

- a. **Impact** – the potential loss as well as the potential effect on shareholder value and reputation;
- b. **Likelihood** – the frequency with which the event is likely to occur or the probability

This however, does not prohibit the corporate governance committee from adding relevant criteria in determining risk levels.

3.3 Compliance Testing

As required in the Parent Bank's Compliance System, the Compliance Officer of CIBI shall ensure that a periodic compliance testing on CIBI's compliance with applicable laws, rules and regulations on corporate governance is conducted.

C. Audit Function

Internal Audit is an independent, objective assurance and consulting function established to examine, evaluate and improve the effectiveness of internal control.

For CIBI, the internal audit function is outsourced from the parent bank, where a Service Level Agreement is put in place to establish responsibilities, timelines and expectations in compliance to the requirement under the IC Revised code of Corporate Governance.

1. Internal Audit

An effective and efficient internal audit function constitutes the third line of defense in the system of internal control.

Internal audit is an independent, objective assurance and consulting function established to examine, evaluate and improve the effectiveness of internal control, risk management

and governance systems and processes of an organization, which helps management and the Board of Directors in protecting CIBI and its reputation.

In addition, Internal Audit helps in monitoring and guides the implementation of policies and to accomplish objective by bringing a systematic, disciplined approach.

The internal audit function shall both assess and complement operational management, risk management, compliance and other control functions. In this respect, internal audit shall be conducted in frequencies commensurate with the assessment levels of risk in specific areas of CIBI operation.

1.1 Functions of Internal Audit

Among others, internal audit shall have the following functions:

1.1.1 Provide an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in promoting the right values and ethics;

i. Ensuring effective performance management and accounting in the organization;

ii. Communicating risk and control information; and

iii. Coordinating the activities and information among the Board, external and internal auditors, and Management.

1.1.2 Perform regular and special audit as contained in the annual audit plan and/or based on risk assessments;

1.1.3 Perform consulting and advisory services related to governance and control as appropriate for CIBI.;

1.1.4 Perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on CIBI;

1.1.5 Review, audit and assess the efficiency and effectiveness of the internal control system of all areas of CIBI;

1.1.6 Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried;

1.1.7 Evaluate specific operations at the request of the Board or Management, as appropriate; and

1.1.8 Monitor and evaluate governance process.

1.2 The scope of internal audit function:

All processes, systems, units and activities, including outsourced services shall fall within the overall scope of the internal audit function.

The score of internal audit shall cover, among others, the following:

- 1.2.1 Evaluation of adequacy, efficiency and effectiveness of internal control, risk management and governance system in the context of current and potential future risk;
- 1.2.2 Review of the reliability, effectiveness and integrity of management and financial information systems, including the electronic information system;
- 1.2.3 Review of the systems and procedures of safeguarding physical and information assets;
- 1.2.4 Review of the compliance system and the implementation of established policies and procedures.
- 1.2.5 Review of areas of interest to regulators such as, among others monitoring of compliance with relevant laws, rules and regulations, including but not limited to the assessment of the adequacy of capital and provisions, liquidity level; regulatory and internal reporting.
- 1.3 Establish a follow-up process to monitor and ensure that engagement recommendations and management actions have been effectively implemented or that senior management has been apprised of and has accepted the risks of not taking action. The status reports shall summarize unresolved findings/exceptions, recommendations, corrective actions, officers responsible and implementation dates.
- 1.4 The internal auditors shall have free and full access to all functions, CIBI's records/files, accounts, properties, and personnel relevant to the internal audit activity with strict accountability for confidentiality and safeguarding of information obtained.
- 1.5 The Chief Audit Executive of the parent bank shall render to the Audit Committee and senior management an annual report on the internal audit division's activities, purpose, authority, responsibility, and performance relative to audit plans and strategies approved by the Audit Committee.
- 1.6 Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluation, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 1.7 The Chief Audit Executive shall coordinate with other control and monitoring Units (e.g. Risk Management Group, Compliance Division, Legal Division, Human Resources Group, and Information Security Office) on activities and issues that are considered important and pose potential risks to CIBI..
- 1.8 The Chief Audit Executive shall establish a quality assurance program which assures the effectiveness and efficiency of the internal auditing activities and identifies opportunities for improvement. Furthermore, he/she shall communicate the status of internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.
- 1.9 Internal Auditors should evaluate significant new or changing operations, functions, processes, services and systems coincident with their development, implementation and expansion to ensure adequacy and effectiveness of security and control.

- 1.10 Internal Audit should assist in the investigation and evaluation of significant suspected fraudulent activities within the organization and notify management and the Audit Committee of the results.
- 1.11 Internal Auditors should consider the scope of work of the external auditors/service providers and regulators, as appropriate, for the purpose of providing optimal audit coverage to CIBI. at a reasonable cost.
- 1.12 Internal Audit should report significant risk exposures, control and governance issues, and other matters needed or requested by the Board through the Audit Committee.
- 1.13 Internal Audit should maintain professional workforce which collectively have sufficient knowledge, skills, experience, and professional qualifications/certifications to meet the requirements of regulations and its Charter.

2. Outsourcing of Internal Audit Activities

CIBI may outsource internal audit activities. Outsourcing of internal audit activities shall however, be done on a continuing basis to have access to certain areas of expertise that are not available to the internal audit function or to address resource constraints.

3. External Auditor

3.1 Appointment of the External Auditor

An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the company, An external auditor shall be selected by the parent bank to provide the external audit requirement to the entire Chinabank group.

3.2 Audit Engagement and Reportorial Requirements

The scope of external audit work shall sufficiently cover the following areas:

- 3.2.1 Review of the adoption of the applicable reporting framework as well as the assessment of the accuracy, adequacy, and reliability of accounting records and financial reports;
- 3.2.2 Assessment of the propriety and adequacy of disclosures in the financial statements;
- 3.2.3 Assessment of the adequacy and effectiveness of internal controls and risk management systems;
- 3.2.4 Assessment of the quality of capital in relation to risk exposures; and
- 3.2.5 Evaluation of the quality of corporate governance.

3.3 External Audit Report to Insurance Commission

The External Auditor is required by the IC to report to the appropriate supervising department of the IC within fifteen (15) calendar days upon discovery of any matter adversely affecting the condition or soundness of CIBI, such as but not limited to:

- 3.3.1 Any material finding involving fraud or error;
- 3.3.2 Actual or potential losses, the aggregate of which amounts to at least ten percent (10%) of the consolidated total assets of CIBI;
- 3.3.3 Significant doubt as to the ability of CIBI to continue as a going concern;
- 3.3.4 Material breach of laws or IC rules and regulations such as but not limited to prescribed capital and liquidity ratios, significant deficiency in allowance for credit losses, material weakness in fair value measurement methodology, and significant vulnerabilities to money laundering and combating financing of terrorism;
- 3.3.5 Material internal control weaknesses which may lead to financial reporting problems; and
- 3.3.6 Findings on matters of corporate governance that may require urgent action by the IC.

3.4 Non-Audit Work and Conflict of Interest

- 3.4.1 The external auditor shall not at the same time provide internal audit services. CIBI shall ensure that other non-audit work to be given to the external auditor shall not be in conflict with the functions of the external auditor, or does not pose a threat to his independence.
- 3.4.2 CIBI shall disclose the nature of the non-audit services performed by its external auditor in the Annual Report.

3.5 Cessation of Service of the External Auditor

If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the company's annual and current reports. The report shall include a discussion of any disagreement between him and the corporation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and . failed to resolve satisfactorily. A preliminary copy of the said report shall be given by CIBI to the external auditor before its submission.

3.6 Views of the External Auditor on the Annual Report and Other Disclosures

If an external auditor believes that the statements made in CIBI's annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

D. Risk Management Function

1. The risk management function is one of CIBI's second line of defense, apart from Compliance, and shall be performed in coordination with the Risk Management Group (RMG) of the parent bank. Risk Management includes:

- 1.1 Overseeing the risk-taking activities across CIBI as well as in evaluating whether these remain consistent with the company's risk appetite and strategic decision;

- 1.2 Ensuring that the risk governance framework remains appropriate relative to the complexity of risk taking activities of CIBI;

- 1.3 Assisting management in meeting its responsibility to understand and manage risk exposures and ensure the development and consistent implementation of risk policies, processes, and procedures;

- 1.4 Defining a risk management strategy;

- 1.5 Identifying, measuring and analyzing key risks exposure and assessing and measuring the extent of risk exposure of the company, to include risk exposures on economic, environmental, social and governance factors and the achievement of the company's strategic objective;

- 1.6 Monitoring the risk exposure and determining the corresponding capital requirement in accordance with CIBI's internal capital adequacy assessment on an on-going basis;

- 1.7 Evaluating, categorizing, monitoring and assessing decisions to accept particular risks whether these are consistent with board approved policies and parameters on risk tolerance and the effectiveness of the corresponding risk mitigation measure.

This shall include developing a risk mitigation plan for the most important risks to CIBI, as defined by the risk management strategy;

- 1.8 Establishing a risk register with clearly defined, prioritized and residual risks;

- 1.9 Communicating and reporting significant risk exposures, including strategic, compliance, operations, financial and reputation risks, control issues and risk mitigation plan on a regular basis to senior management, Audit/Risk Oversight Committee and to the Board of Directors of the results of assessment and monitoring.

2. A Risk Officer shall be appointed and to report functionally to the CIBI Board or through CIBI Audit Committee and act as coordinator of RMG for risk management-related activities.

- 2.1 Qualifications of the Risk Officer:

- 2.2.1. The RO should have the knowledge and skills necessary to oversee CIBI's risk management activities. To be assessed based on the ability of the RO to influence decisions that affect the company's exposure to risk.

- 2.2.2 He should have the ability to interpret and articulate risk in a clear and understandable manner.

- 2.2.3 He can engage in a constructive dialogue with the Board, CEO, and other senior management on key risk issues, without compromising his independence.

- 2.3 Appointment of the Risk Officer (RO)

2.3.2 CIBI shall appoint a RO, or any equivalent position, who shall be independent from executive functions and business line responsibilities operations and revenue-generating functions.

2.3.3 The RO shall be appointed with prior approval of the Board of Directors.

2.4 Independence of the RO

The independence of the RO shall be displayed in practice at all times as such, albeit the RO may report to the President or senior management, shall have direct access to the Board of Directors without any impediment. In this regard, the Board shall confirm the performance ratings given by the President or senior management to the RO.

2.5 Status and Authority of the RO

2.5.2 The RO shall have sufficient stature, authority and seniority within CIBI. This will be assessed based on the ability of the RO to influence decisions that affect CIBI's exposure to risk.

2.5.3 The RO shall have the ability, without compromising his independence, to engage in discussions with the Board of Directors, chief executive officer and other senior management on key risk issues and to access such information as he deems necessary to form his or her judgment. The RO shall meet with the Board of Directors on a regular basis and such meetings shall be duly minuted and adequately documented.

2.6 Replacement of the RO

2.6.2 The RO shall be replaced with prior approval of the Board of Directors. In case when the RO will be replaced, replacement shall be reported to the IC within 30 days

2.6.3 The reporting of the RO's replacement shall be handled by the Office of the Corporate Secretary.

2.7 Duties and Responsibilities of the Risk Officer

2.7.2 The RO shall be responsible for overseeing the risk management function and shall support the Board in the development of the risk appetite and risk appetite statement of CIBI and for translating the risk appetite into risk limits structure.

2.7.3 He shall be responsible to propose enhancements to risk management policies, process, and systems to ensure that the company's risk management capabilities are sufficiently robust and effective to fully support strategic objectives and risk-taking activities.

2.8 The RO has the following functions:

- 2.8.2 To coordinate with the Parent Bank's ERMG and help in the implementation of the Enterprise Risk Management (ERM) program within CIBI.
- 2.8.3 **To communicate the top risks and the status of implementation of risk management strategies and action plans to the Audit Committee** which also functions as the Risk Oversight body;
- 2.8.4 To collaborate with the CEO in updating and making recommendation to the Audit Committee;
- 2.8.5 To suggest ERM policies and related guidance, as may be needed; and
- 2.8.6 To provide insights on the following:
 - 2.8.6.1 Risk management processes are performing as intended;
 - 2.8.6.2 Risk measures reported are continuously reviewed by risk owners for effectiveness; and
 - 2.8.6.3 Established risk policies and procedures are being complied with.

There should be a clear communication between the Audit Committee and the RO.

E. Communication Process

- 1. This Manual shall be available for inspection by any stockholder of the company 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. They must read this Manual and understand the rules herein discussed.
- 3. Soft copy of this Manual shall be made available to everyone in CIBI through . company's Public Folder in CIBI's Microwebsite or similar data registry, for easy reference.

F. Training Process

- 1. Orientation Program
 - 1.1 CIBI shall allocate funds for the purpose of conducting an orientation program or workshop to operationalize this Manual.
 - 1.2 A new director must have attended a seminar on corporate governance for board of directors.
 - 1.3 The orientation program for first time directors shall be for at least eight (8) hours, while the annual continuing training shall be at least for four (4) hours. The training programs should cover topics relevant in carrying out their duties and responsibilities as directors.

The required/mandated SEC topics for the new director's first training are enumerated in item 2.2 below.

2. Continuing Education Program for the Directors and Key Officers

2.1 At least annually, as part of the continuing education program for the directors, they are required to attend a program on corporate governance conducted by a training provider duly accredited by the Securities and Exchange Commission.

2.2 Moreover, in accordance with SEC Memo No. 13 Series of 2014 (attached as Annex 2), the Basic Course Outline of the Training Provided, should include among others, the following:

2.2.1 Basic Course

- a. Framework for Financial Statement Reporting
- b. Principal Financial Statements and Their Uses
- c. What Decision-Makers Need to Know about the Principal Financial Statements (e.g. Statement of Comprehensive Income, Balance Sheet, Cash Flow Statement, and Statement of Change in Equity)
- d. What Board of Directors and Management Need to Know About Accounting Principles
 - i. Income Statement, Balance Sheet & Statement of Cash Flows
 - ii. Financial Statement Analysis
 - iii. What to Spot in Financial Statements
 - Issue Spotting
 - What should be Included in Performance Dashboards
 - Pointers to Ensure that Recording, Processing & Reporting Data Do Not Result in Material Misstatement of Financial Statements
 - Pointers to avoid material weaknesses in Internal Controls
 - Financial Policies for Fraud prevention that Decision-Maker should have
 - What Decision-Makers Need to Know About the External Auditor's Opinion
- Understanding Basic Concepts in Making Business Decisions - What Decision-Makers Can Get From Reading Financial Statements

2.2.2 Advance Course

Which will cover among others, provisions of the Philippine Financial Reporting Standards that are relevant to the company's specific industry.

2.3 Mandated Topics

All the mandated topics are required to be discussed during the first training of each director or key officers.

Subsequently, follow-up trainings may focus in more detail on any of the mandated topics appropriate to the needs of the directors or officers.

- 2.3.1 Revised Code of Corporate Governance
- 2.3.2 ASEAN Corporate Governance Scorecard and SEC Annual Corporate Governance Report
- 2.3.3 Board Responsibilities
- 2.3.4 Illegal activities of corporations/directors/officers
- 2.3.5 Short Swing Transactions
- 2.3.6 Liabilities of Directors
- 2.3.7 Confidentiality
- 2.3.8 Conflict of Interest
- 2.3.9 Related Party Transaction
- 2.3.10 Case Studies
- 2.3.11 Financial Reporting and Audit

- 2.4 In relation to items 2.1 & 2.2 above, it shall be the responsibility of Compliance to ensure that only accredited SEC training providers are engaged by CIBI to conduct the required annual training.

3. Seminars through Videoconference

- 3.1 Directors and Key Officers who are unable to physically attend a scheduled CORPORATE GOVERNANCE training may participate through videoconference subject to the following conditions:
 - 3.1.1 The accredited training provider or the company conducting the in-house training shall advise the Commission if there are directors or key officers who will participate through videoconference at least two (2) weeks before the scheduled training.
 - 3.1.2 The accredited training provider shall assume the following responsibilities:
 - a. To safeguard the integrity of the training/seminar via videoconferencing;
 - b. To record and properly document the training seminar;
 - c. To store for safekeeping the recording; and
 - d. To forward to the Commission a copy of the recording
 - 3.1.3 The Commission shall have the option to observe and monitor the conduct of the said training program.

G. Reportorial or Disclosure System under the Corporate Governance Policies

- 1. The reports or disclosures required under this Manual shall be prepared and submitted to the Insurance Commission by the responsible committee or officer or through CIBI's Compliance Officer.
- 2. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management, corporate strategy, and off balance sheet transactions.

3. All disclosed information shall be released through the annual report.
4. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information through the appropriate submission to the Commission for the interest of its stockholders and other stakeholders.
5. CIBI shall observe disclosure on the acquisition or disposal of significant assets, among others, the rationale, effect on operations and approval at board meetings with independent directors present to establish transparency. In this regard, should CIBI be the offeree, the Board shall appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.

H. Transparency

The Board should be transparent and fair in the conduct of the annual and special stockholders meetings of CIBI. The stockholders shall be encouraged to personally attend such meetings. In case they cannot come, the OCS should apprise them of their right to appoint a proxy.

1. Shareholders Benefits

1.1 Stockholders

CIBI constantly adheres to the applicable laws, rules and regulations geared towards the recognition and protection of the rights of the stockholders

1.2 Third Parties

CIBI participates in alternative dispute resolution when the same is provided under the contract of which CIBI is a party thereto.

CIBI refers to the provisions in the signed contracts to resolve discrepancies, disputes, undelivered requirements, erroneous output, etc. with the guidance of its legal department; conflicts are likewise amicably resolved via discussions and negotiations with third parties and related service providers; ties are severed in cases when the overall interest of CIBI are at negatively at stake.

1.3 Regulatory Authorities

CIBI appears, for purposes of alternative dispute resolution before the different regulatory agencies such as the SEC or IC, and other administrative bodies

2. Access to Relevant Information

CIBI strongly believes that disclosure of relevant information about the Company to its shareholders and other stakeholders is crucial for them to make informed decisions. In this regard, CIBI maintains an existing micro-website within its Parent Bank's website www.chinabank.ph where relevant information about CIBI are disclosed.

3. Dividend Policy and Guidelines

CIBI, as a matter of policy, will declare cash dividends subject to the conditions and limitations set forth in this policy statement.

Dividend pay-outs are reviewed annually. These are referenced against the parent company's Capital Management Process. Based on the Capital Management Process, dividend pay-outs are calibrated based on the prior year's earnings while taking consideration dividend yields, future earnings streams and future business opportunities.

CIBI dividends are declared and paid out of the unrestricted retained earnings which shall be payable in cash, property or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law.

In declaring dividend pay-outs, CIBI uses a combination of cash, property or stock dividends as follows:

1. The dividend is increased in response to CIBI achieving a higher level of sustainable earnings.
2. Dividends may be increased for a specific year to plow back to shareholders a commensurate share of unusually high earnings for a given year.

CIBI capital management philosophy and process, and consequently its Dividend Policy which comprises an integral component of this undertaking, are driven by the following primary objectives:

1. Ensuring compliance with externally imposed regulatory capital requirements.
2. Maintaining healthy capital ratios to support its business and maximize shareholder value.

CIBI manages its capital structure and makes adjustments to it in the light of:

1. Changes in economic conditions.
2. The risk characteristics of its activities.
3. The assessment of prospective business requirements or directions.

Management of and adjustments to the capital structure are accomplished through the following principal means:

1. Adjustments of dividend pay-outs to shareholders
2. Adjustments in form of dividend pay-outs (cash vs. stock)
3. The issuance or conversely reduction of capital securities.

Capital Management broadly follows the process outlined below:

1. An assessment of regulatory capital and capital adequacy measures.
2. Determination of the optimal capital structure based on a risk-based capital planning approach that considers:
 - a. Planned levels and risk appetite for business activity with a focus on the implication of these plans on the resulting credit, market and operational risk exposure.
 - b. An analysis of the implications of macroeconomic activity or industry developments and probability of a corresponding improvement or deterioration in CIBI's risk exposures.

- c. Provision of a capital buffer to mitigate against an unforeseen deterioration in . company's asset portfolio quality, or an increase in business risk, or business opportunities that arise over the course of its business activities.
- d. Desired capital mix, leverage, and target return on equity.
- e. Accretive or dilutive effects of incremental capital build up programs.
- f. Developments or opportunities in the capital markets or regulatory environment that have a direct relation to CIBI's ability to build up or reduce its capital levels.
- g. Sustainability of internally generated capital and consequently sustainability of dividend payouts.

4. Sale or Other Disposition of Assets

CIBI may sell, lease, exchange, mortgage, pledge or otherwise dispose of its property and assets, upon terms and conditions which may be money, stock, bonds, or other instruments for the payment of money or other property or consideration, as the Board may deem necessary, by a majority vote of the Board.

On sale involving all or substantially all of the corporation's properties and assets, including its goodwill must be authorized by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, or at least 2/3 of the members, in a stockholders' meeting duly called for the purpose.

If the counterparty is a related party, the RPT rules shall apply.

5. Annual Certifications and Report

CIBI shall comply with the reportorial requirements under the Revised Corporation Code:

- a Annual audited financial statements by an independent certified public accountant,
- b General information sheet;
- c Director compensation report; and
- d Director appraisal or performance report and the standards or criteria used to assess each director or trustee.

I. Monitoring and Assessment

- 1. Each Committee shall report regularly to the Board of Directors.
- 2. The Compliance Officer shall establish an evaluation or self-rating system to determine and measure the performance of the Board and Management in compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Section L of this Manual.

3. The establishment of such evaluation system, including the features thereof, shall be disclosed in the company's annual report (SEC Form 17–A) or in such form of report that is applicable to CIBI. The adoption of such performance evaluation system must be covered by a Board approval.
4. This Manual shall be subject to annual review unless the same frequency is amended by the Board.
5. All business processes and practices being performed within any department of CIBI that are not consistent with any portion of this manual shall be revoked, following due process and proper investigation, or shall be required to comply with the requirements under this Manual.

J. Related Party Transactions

1. General RPT Policy Statements

- 1.1 CIBI recognizes that Related Party Transactions (RPTs) may give rise to a conflict of interest. In this regard, CIBI, through its Board of Directors shall ensure that transactions with related parties are reviewed to make sure that all RPTs are conducted at arm's length or shall be upon terms not less favorable to the company than those offered to others and that corporate or business resources of CIBI are not misappropriated or misapplied.

2. Disclosure of Related Party Transactions

- 2.1 CIBI shall disclose a summary of material related party transactions to the parent bank which are entered into during the reporting years and which shall be disclosed in CIBI's AML/CTF report to AMLC.
- 2.2 Material RPTs falling under the IC guidelines shall be disclosed in the Parent Bank's Annual Report,

K. Annual Corporate Governance Report (ACGR)

1. In accordance with IC CL-2020 72 , every May 30 starting 2018 and for each succeeding year, CIBI shall be required to submit the fully accomplished ACGR (standard format provided for by the IC and shall be made available in the Compliance Public Folder).
 - 1.1 The ACGR shall be prepared / accomplished as follows:

Column	General Instruction/s
Recommended CORPORATE GOVERNANCE Practices / Policies	- Answer/Disclose the first three (3) items using the “comply or explain” approach.
Contains CORPORATE GOVERNANCE practices / policies derived from corresponding sources, labeled as follows:	- Answer/Disclose the fourth item based on CIBI’s discretion.
1. “Recommendation” (CORPORATE GOVERNANCE Code for ICREs) 2. “Supplement Recommendation” (IC CORPORATE GOVERNANCE Guidelines for Insurance Commission Regulated Entities) 3. “Additional Recommendation” (CORPORATE GOVERNANCE practices not found in the first two items but are expected of ICREs) 4. “Optional Recommendation” (ASEAN Corporate Governance Scorecard)	
Compliant / Non-Compliant	Indicate if CIBI is compliant with the recommended practice or not
Additional Information	Provide relevant information to support CIBI’s compliance with the recommended practice
Explanation	- Describe the circumstances surrounding the non-compliance and include how the overall principle of the recommendation is still being achieved by CIBI. - “Not applicable” or “None” shall not be accepted.

1.2 At least one (1) duly notarized copy bearing the original and manual signatures of the following shall be filed to IC :

- 1.2.1 Chairman of the Board
- 1.2.2 President and CEO

- 1.2.3 All Independent Directors
- 1.2.4 Compliance Officer
- 1.2.5 Corporate Secretary

1.3 CIBI shall no longer be required to file:

1.3.1 Consolidated changes on the Annual CORPORATE GOVERNANCE Report within ten (10) days from the end of the year

1.3.2 Updates and changes on the Annual CORPORATE GOVERNANCE Report within five (5) days from the occurrence of reportable changes

1.4 Accessible links shall be made available in CIBI's microwebsite thru the Parent Bank website within five (5) working days from submission to SEC.

2. Basic Penalties

Particulars	Amount (Php)
Non / Late Submission	50,000
Disclosure	
Incomplete	25,000
Misrepresentation / Misinterpretation	100,000
Incomplete/Incorrect Signatory/ies	10,000

L. Penalties for Non-Compliance with the Manual

1. Strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on CIBI's directors, officers, staff and their respective directors, officers and staff in case of violation of any of the provision of this Manual:

1.1 In case of **first violation**, the subject person shall be reprimanded.

1.2 Suspension from office shall be imposed in case of **second violation**. The duration of the suspension shall depend on the gravity of the violation.

1.3 **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 CIBI 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.

VII. SUSTAINABILITY, ENVIRONMENT, SOCIAL AND NON-FINANCIAL INFORMATION

China Bank believes that the best barometer for success is the fulfillment of its responsibilities not just to shareholders, but to other stakeholders like its customers, employees, communities, and the environment as well.

CIBI embodies the same beliefs by making sure it is guided by the principles of corporate governance in its operation, that it observes fair business practices, that it continues to provide its employees with good work-environment and opportunities to be productive and become contributors to the country's economic growth, that it cultivates within them social commitment and environmental consciousness through their participation in relevant community projects and environmental programs.

Sustainability Reporting

Under IC Revised Code of Corporate Governance Principle 10, the Company shall attach to its Annual Report (AR) its annual sustainability report.

Although CIBI aligns its practices with the parent bank, its ESG initiatives are a combination of employee-driven social projects and active participation in the parent bank's various CSR programs. In this regard, the parent bank's Sustainability Report which highlights group-wide goals, practices and achievements is considered to reflect CIBI's own ESG initiatives and performance, and is regarded as compliant to the Sustainability Reporting requirement under the code.

Rules Governing the Nomination and Election of Directors

Section 1. PERIOD – All nomination for Directors and Independent Directors shall be submitted to the Office of the Corporate Secretary on or before _____ and therefore be referred to the Nominations and Corporate Governance Committees for evaluation and action.

Section 2. FORM AND CONTENT – The nomination shall be (1) in writing; (2) duly signed by the nominating stockholder or said stockholder's representative duly authorized in writing; and (3) with the written acceptance and conformity of the person being nominated (Nominee). The nomination must indicate whether the nominee is intended to be, or not intended to be an Independent Director, and shall contain the nominee's age, educational attainment, and full disclosure of work and/or business experience and/or affiliations. The attached nomination form may be used for convenience.

Section 3. QUALIFICATIONS – The Directors and independent Directors shall be elected from among the bank's stockholders. All nominees for Directors and Independent Directors must be fit and proper for the position of a director, and possesses the minimum requirement/qualifications and none of the disqualification described by the relevant regulatory agencies. Age, integrity, knowledge, educational background, skills, industry experience values, independence, time, commitment and other criteria to ensure diversity to achieve optimal composition of the Board, and that each member is fit and proper for the position of Director/Independent Director, will be considered.

Section 4. LIST OF CANDIDATES – The Committees shall pre-screen the qualifications of the nominees on the basis of the nominations and/o supporting papers and prepare a final list of candidates containing all relevant information about the nominees, and indicate the nominees for independent directors, is any (Final List of Candidates). In the unlikely event that no one among the stockholders who made the nomination indicate any particular nominee as nominee for independent director, the Committees shall endorse by majority vote of their members the nominees for independent directors who meet the guidelines/criteria set by the regulatory agencies.

Section 5. NOMINATION OF THE COMMITTEES – If there are not enough nominees for directors and/or independent directors, the Nominations and/or Corporate Governance Committees, jointly or separately, as maybe agreed upon among the members, may by majority vote nominate such number of nominees for the said position/s and include them in the final list to be submitted at the stockholders meeting.

Section 6. FINAL LIST OF CANDIDATES – Only members whose names appear on the final list of candidates shall be eligible for election as Director /s or Independent Director/s, as the case may be. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual annual stockholder's meeting.

NOMINATION FORM

PLEASE CHECK PROPER BOX:

- ☐ - Nominee for Independent Director »
- ☐ - Not a nominee for Independent Director

NAME OF NOMINEE »

CITIZENSHIP : _____ AGE : _____ DATE OF BIRTH : _____
(MM/DD/YYYY)

PLACE OF BIRTH : _____ NAME OF SPOUSE : _____

RESIDENTIAL ADDRESS : _____ TEL. NO. : _____ CELL. NO. : _____

OFFICE ADDRESS : _____ TEL. NO. : _____

EDUCATIONAL BACKGROUND/ATTAINMENT < (Please attach separate sheet, if necessary)

FULL DISCLOSURE OF WORK AND/OR BUSINESS EXPERIENCE: (Please attach separate sheet, if necessary)

DIRECTORSHIP/POSITION IN OTHER CORPORATIONS/ASSOCIATIONS: (Please attach separate sheet, if necessary)

PSE-LISTED COMPANIES :

OTHER COMPANIES :

STOCKHOLDINGS/SECURITY OWNERSHIP:

DIRECT :

INDIRECT:

CONVICTION, IF ANY, OF AN OFFENSE, JUDICIAL OR ADMINISTRATIVE, OR JUDICIAL DECLARATION OF BEING INSOLVENT, SPENDTHRIFT OR INCAPACITATED TO CONTRACT. IF APPLICABLE, PLEASE STATE:

PARTICULARS & NATURE OF OFFENSE

COURT/BODY

DATE COMPLAINT/
INFORMATION WAS FILED

CONFORMITY & ACCEPTANCE:

SIGNATURE

SIGNATURE

PRINTED NAME OF NOMINEE

PRINTED NAME OF NOMINATOR-STOCKHOLDER
OR AUTHORIZED REPRESENTATIVE »

DATE SUBMITTED

RELATION TO NOMINEE

NOTE: Please see reverse side to be signed and certified by nominee for Independent Director

CERTIFICATION *

(Nominee for Independent Director)

As a nominee for Independent Director of the China Banking Corporation, I hereby certify that I have all the qualifications and none of the disqualifications as provided for in SEC Memorandum Circulars No. 16, Series of 2002 and No. 4, Series of 2017, Section 38 of the Securities Regulation Code and its Amended Implementing Rules and Regulations, Sections 131.g, 132 and 138 of the Manual of Regulations for Banks, and those required/implicit under The General Banking Law (R.A. No. 8791).

IN WITNESS WHEREOF, I have hereunto signed this certification in _____ this _____ day of _____, 2020.

Signature of Nominee for Independent Director

Republic of the Philippines)

City of _____ s.s.

SUBSCRIBED AND SWORN to before me this _____ day of _____, 2020 in _____, affiant exhibiting to me his/her _____ issued on _____ in _____.

Notary Public

Doc. No. _____
Page No. _____
Book No. _____
Series of 2020.

- * must be an owner of at least one (1) share of stock of the Bank (Sec. 22, The Revised Corporation Code); must be fit and proper for the position of a director, and must have attended a seminar on corporate governance for board of directors (Section 132, Manual of Regulations for Banks (MORB)).
- * "Independent Director" is defined as a person who, apart from his fees and shareholdings, is independent of management and the controlling shareholder and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with or influence his exercise of independent judgment in carrying out his responsibilities as a director of the Bank. (SEC Memorandum Circulars Nos. 19 (Series of 2016) or the Code of Corporate Governance for Publicly Listed Companies (COCG for PLCs), 16 (Series of 2002); Sec. 38 of The Securities Regulation Code (SRC), and its Amended Implementing Rules and Regulations (AIRR); Sec. 15 of The General Banking Law; and Section 131.g of the MORB as amended by Bangko Sentral ng Pilipinas (BSP) Circular No. 969)
- Independent Director includes, among others, any person who:
 - i. is not, or has not been a senior officer or employee of the Bank unless there has been a change in the controlling ownership of the company (Recommendation 5.2, COCG for PLCs);
 - ii. is not or has not been a director, an officer, or employee of the Bank, its subsidiaries, associates or affiliates or related interests in the three (3) years immediately preceding his election (Section 131.g(1), MORB), and is not a director, officer, or employee of the Bank's substantial stockholders and their related companies in the three (3) years counted from the date of his election/appointment, or holding more than two percent (2%) of the outstanding shares of stock or holding shares of stocks sufficient to elect one (1) seat in the Board of Directors of the Bank, or in any of its related companies or of its majority corporate shareholders (Rule 38.2.2, AIRR of the SRC; and Section 131.g(2 and 3), MORB);
 - iii. has not been appointed in the Bank, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three (3) years immediately preceding his election/appointment (Recommendation 5.2, COCG for PLCs; Section 131.g(8), MORB);
 - iv. is not a close family member of any director, officer, or stockholder holding shares of stock sufficient to elect one (1) seat in the Board of the Bank or any of its related companies or any of its substantial stockholders (Section 131.g(4), MORB);
 - v. is not acting as a nominee or representative of any director or substantial shareholder of the Bank, or any of its related companies or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement (Section 131.g(5), MORB; Rule 38.2.4, AIRR of the SRC);
 - vi. has not been employed in any executive capacity by the Bank, any of its related companies and/or any of its substantial shareholders within the last two (2) years (Rule 38.2.5, AIRR of the SRC);
 - vii. is not retained as professional adviser, consultant, agent or counsel by the Bank, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election (Section 131.g(6), MORB);
 - viii. has not been engaged and does not engage in any transaction with the Bank and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment (Section 131.g(7), MORB);
 - ix. is not or has not been convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Securities Regulation Code, committed within five (5) years prior to the date of his election (Rule 38.3, AIRR of the SRC);
 - x. as non-executive director, he/she should not concurrently serve as director to more than five (5) publicly listed companies (Recommendation 4.2, COCG for PLCs; Section 132, MORB);
 - xi. is not affiliated with any non-profit organization that receives significant funding from the Bank or any of its related companies or substantial shareholders (Recommendation 5.2, COCG for PLCs; Section 131.g(9), MORB); and,
 - xii. is not employed as an executive officer of another company where any of the covered company's executives serve as directors (Recommendation 5.2, COCG for PLCs; Section 131.g(10), MORB).
- * nominee must be at least a college graduate or have five (5) years of experience in business (SEC Memorandum Circular No. 16, Series of 2002).
- * nominator must attach a copy of pertinent Board or Partnership Resolution if a corporation or partnership stockholder is making the nomination, or a Special Power of Attorney if an individual stockholder is making the nomination through representative.
- * nominee for independent director must certify under oath that he complies with all the qualifications required of an independent director and does not possess any of the disqualifications therefor (Sections 131(g), 132, 138, MORB).



Republic of the Philippines
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila

CORPORATE GOVERNANCE & FINANCE DEPARTMENT

SEC MEMORANDUM CIRCULAR NO. 13
Series of 2014

**TO : ALL ACCREDITED CORPORATE GOVERNANCE
TRAINING PROVIDERS**

SUBJECT : COURSE UNITS ON FINANCIAL REPORTING AND AUDIT

Rule 68 (I) (B) (i) of the Securities Regulation Code provides that financial statements filed with the Commission are primarily the responsibility of the management of the reporting company and accordingly, the fairness of the representations made therein is an implicit and integral part of the management's responsibility. The Board of Directors, in discharging its responsibilities, reviews and approves the financial statements before these are submitted to the stockholders.

In delineating the role of management and the internal auditors, Rule 68 (I) (B) (vii) further provides, in part, that the independent auditor's duty is to conduct an independent examination of the company's financial statements and supporting documents pursuant to the prescribed auditing standards and practices.

In line with the Revised Code of Corporate Governance mandating the management of corporations to formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control, all SEC accredited corporate governance training providers are directed to include, in their prescribed curriculum, the following units on financial reporting:

- I. The Basic Course which includes the following, among others:
 1. Framework for Financial Statement Reporting
 2. Principal Financial Statements and Their Uses
 3. What Decision-Makers Need to Know About the Principal Financial Statements (e.g. Statement of Comprehensive Income, Balance Sheet, Cash Flow Statement, Statement of Change in Equity)
 4. What Board Directors and Management Need to Know About Accounting Principles
 5. Income Statement, Balance Sheet & Statement of Cash Flows

Annex 2

6. Financial Statement Analysis
 7. What to Spot in Financial Statements
 8. Issue Spotting
 9. What Should Be Included in Performance Dashboards
 10. Pointers to Ensure that Recording, Processing & Reporting Data Do Not Result in Material Misstatement of Financial Statements
 11. Pointers to Avoid Material Weaknesses in Internal Controls
 12. Financial Policies for Fraud Prevention that Decision-Makers Should Have
 13. What Decision-Makers Need to Know About the External Auditor's Opinion
 14. Understanding Basic Concepts in Making Business Decisions
 15. What Decision-Makers Can Get From Reading Financial Statements
- II. The Advance Course which covers, among others, provisions of the Philippine Financial Reporting Standard provisions that are relevant to the company's specific industry.

This circular shall take effect immediately.

Signed this 23rd day of June 2014, Mandaluyong City, Philippines.

For the Commission:


TERESITA J. HERBOSA
Chairperson

Annex 3

Definition of Terms

Annex to Section 1.3.1

Parent shall refer to a corporation which has control over another corporation directly or indirectly through one (1) or more intermediaries;

Subsidiary shall refer to a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by its parent corporation.

Affiliate shall refer to an entity linked directly or indirectly to Company by means of:

- (1) Ownership, control as defined under item “d” hereof, or power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa.”
- (2) Interlocking directorship or officership, where the director or officer concerned owns, control, as defined below, or has the power to vote, at least twenty percent (20%) of the outstanding voting stock of the entity;
- (3) Common ownership, whereby the common stockholders own at least ten percent (10%) of the outstanding voting stock of company and at least twenty percent (20%) of the outstanding voting of the entity;
- (4) Management contract or any arrangement granting power to company to direct or cause the direction of management and policies of the entity; or
- (5) Permanent proxy or voting trust in favor of . company constituting at least twenty percent (20%) of other outstanding voting stock of the entity, or vice-versa.

Related interests as defined under Sections 12 and 13 of R.A. No. 8791²²⁶ shall mean individuals related to each other within the fourth degree of consanguinity or affinity, legitimate or common law, and two (2) or more corporations owned or controlled by a single individual or by the same family group or the same group of persons.

Control of an enterprise exists when there is:

- i. Power over more than one-half of the voting rights by virtue of an agreement with other stockholders; or
- ii. Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
- iii. Power to appoint or remove the majority of the members of the Board of Directors or equivalent governing body; or
- iv. Power to cast the majority votes at meetings of the Board of Directors or equivalent governing body; or
- v. Any other arrangement similar to any of the above.

Annex 3

Control is presumed to exist if there is ownership or holding, whether direct or indirect, of twenty percent (20%) or more of a class of voting shares of a company.

Should .company choose to disclaim or rebut the presumption, it should provide facts sufficient to show that there is indeed no control. Further, company shall submit a written commitment that (a) shares owned or held are exclusively for investment purposes; (b) company stockholder will not serve on the Board of Directors and will not nominate any candidate to serve on the Board of Directors or otherwise seek Board representation; (c) company stockholder will have only limited contacts with the company management that are customary for interested shareholders; (d) company stockholder will engage only in normal and customary transactions with the enterprise; and (e) .company-will not pledge the shares acquired to secure a loan with any institution.

Related company shall refer to another company which is:

- i. Its parent or holding company;
- ii. Its subsidiary or affiliate; or
- iii. a corporation where company or its majority stockholder own such number of shares that will allow/enable such person or group to elect at least one (1) member of the Board of Directors or a partnership where such majority stockholder is a partner.

Stockholder shall refer to any stockholder of record in the books of CIBI , acting personally, or through an attorney-in-fact; or any other person duly authorized by him or through a trustee designated pursuant to a proxy or voting trust or other similar contracts, whose stockholding in company , individual and/or collectively with the stockholdings of: (1) his spouse and/or relative within the first degree by consanguinity of affinity or legal adoption; (2) a partnership in which the stockholder and/or the spouse and/or any of the aforementioned relatives is a general partner; and (3) corporation, association or firm of which the stockholder and/or his spouse and/or the aforementioned relatives own more than fifty percent (50%)of the total subscribed capital stock of such corporation, association or firm, amount to one percent (1%) or more of the total subscribed capital stock of company .

Substantial or major shareholder shall refer to a person, or group of persons whether natural or juridical, owning such number of shares that will allow such person or group to elect at least one (1) member of the Board of Directors of CIBI or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security.

Close family members shall refer to persons related to CIBI's directors, officers and stockholders (DOS) within the second degree of consanguinity or affinity, legitimate or common-law. These shall include the spouse, parent, child, brother, sister, grandparent, grandchild, parent-in-law, son-/daughter-in-law, brother/sister-in-law, grandparent-in-law, and grandchild-in-law of CIBI's DOS.

Majority stockholder or majority shareholder shall refer to a person, whether natural or juridical, owning more than fifty percent (50%) of the voting stock of CIBI.

