

May 30, 2018

**PHILIPPINE STOCK EXCHANGE, INC.**

Disclosure Department  
6F PSE Tower One Bonifacio High Street  
28<sup>th</sup> Street corner 5<sup>th</sup> Avenue Bonifacio Global City  
Taguig City

**Attention: MR. JOSE VALERIANO B. ZUÑO III**  
OIC - Disclosure Department

**PHILIPPINE DEALING & EXCHANGE CORP.**

37/F Tower 1, The Enterprise Center  
6766 Ayala Avenue cor Paseo de Roxas  
Makati City

**Attention: MS. KATHLENE ANNE F. FAMADICO**  
OIC - Issuer Compliance and Disclosure Department

Gentlemen:

We are pleased to furnish your good office with a copy of China Bank's 2017 Integrated-Annual Corporate Governance Report (I-ACGR) filed with the Securities and Exchange Commission (SEC).

For your information and guidance.

Thank you.

Very truly yours,



**ALEXANDER C. ESCUCHA**  
Senior Vice President & Head  
Investor & Corporate Relations Group  
**CHINA BANKING CORPORATION**

8745 Paseo de Roxas corner Villar Street, Makati City, Philippines

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**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM – I-ACGR**  
**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

1. For the fiscal year ended **December 31, 2017**
2. SEC Identification Number **443**
3. BIR Tax Identification No. **320-000-444-210**
4. Exact name of issuer as specified in its charter **China Banking Corporation**
5. ....  
Province, Country or other jurisdiction of  
incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. **China Bank Bldg., 8745 Paseo de Roxas**  
**cor. Villar St., Makati City**  
Address of principal office
8. **1226**  
Postal Code
8. **(632) 885-5555**  
Issuer's telephone number, including area code
9. ....  
Former name, former address, and former fiscal year, if changed since last report.

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

**COMPLIANT/  
NON-  
COMPLIANT**

**ADDITIONAL INFORMATION**

**EXPLANATION**

**The Board's Governance Responsibilities**

**Principle 1:** The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.

**Recommendation 1.1**

<p>1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on the following:</p> <ol style="list-style-type: none"> <li>1. Academic qualifications, industry knowledge, professional experience, expertise and relevant trainings of directors</li> <li>2. Qualification standards for directors to facilitate the selection of potential nominees and to serve as benchmark for the evaluation of its performance</li> </ol>	<p>The Bank's Board of Directors is composed of directors with diverse knowledge, working experience and expertise. Moreover, they are all confirmed by the Bangko Sentral ng Pilipinas (BSP), in accordance with the fit and proper rule of the Manual of Regulations for Banks (MORB). Directors are required to undergo an orientation program and continuous training program.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• Corporate Governance Manual: Pages 33-39 (Qualifications and Disqualifications of Directors) <a href="http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>• 2017 Annual Financial and Sustainability Report: Page 64 (Board Nomination and Election) <a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></li> </ul>
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2. Board has an appropriate mix of competence and expertise.	Compliant		<p>To ensure diversity, the Board considers age, educational background, business experience in banking or related industry, competence, knowledge, skills and to include ethnicity, culture, skills among others.</p> <p>The Board in ensuring diversity has identified the required skills and mix of qualifications of directors.</p> <p>Link/Reference:</p> <p>Board Skill Set Matrix and Measurable Objectives  <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Board+Policies">http://www.chinabank.ph/about_china_bank.aspx?title=Board+Policies</a></p>
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<p>3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.</p>	<p>Compliant</p>		<p>Bank Directors, annually, during their election/re-election certify that they possess all the qualifications and none of disqualifications.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• Directors' Profile <a href="http://chinabank.ph/about_china_bank.aspx?title=Board+of+Directors">http://chinabank.ph/about_china_bank.aspx?title=Board+of+Directors</a></li> <li>• Corporate Governance Manual: Pages 33-39 (Qualifications and Disqualification of Directors) <a href="http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> </ul>
<p><b>Recommendation 1.2</b></p>			

1. Board is composed of a majority of non-executive directors.	Compliant	Identify or provide link/reference to a document identifying the directors and the type of their directorships	<p>China Bank's Board is composed of 11 directors – two (2) of whom are Executive Directors: Mr. Gilbert U. Dee, and Mr. William C. Whang</p> <p>Three (3) are Independent Directors and all the rest are non-executive directors.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• Directors' Profile <a href="http://chinabank.ph/about_china_bank.aspx?title=Board+of+Directors">http://chinabank.ph/about_china_bank.aspx?title=Board+of+Directors</a></li> <li>• 2017 Annual Financial and Sustainability Report: Pages 82-85 (Board of Directors) <a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></li> </ul>
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### Recommendation 1.3

<p>1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.</p>	<p>Compliant</p>	<p>Provide link or reference to the company's Board Charter and Manual on Corporate Governance relating to its policy on training of directors.</p>	<p>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. The Corporate Governance Manual serves as the Bank's Board Charter as well.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• Corporate Governance Manual: Pages 90-92 (Continuing Education Program for Directors and Key Officers) <a href="http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>• 2017 Annual Financial and Sustainability Report: Page 64 (Board Orientation and Training Program) <a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></li> </ul>
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<p>2. Company has an orientation program for first time directors.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on the orientation program and trainings of directors for the previous year, including the number of hours attended and topics covered.</p>	<p>First time Directors are required to undergo an orientation program, which 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.</p> <p>The Policy of the Bank requiring orientation program is provided in the Corporate Governance Manual.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 57 (Education Program)  <a href="http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
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<p>3. Company has relevant annual continuing training for all directors.</p>	<p>Compliant</p>		<p>Members of the Board and key officers of the Bank are required to undergo relevant continuing training as provided in the Bank's Corporate Governance Manual.</p> <p>The Annual Training of the Board is also discussed in the Bank's Annual Report.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• Corporate Governance Manual (pages 12, 57, 90-92) <a href="http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>• 2017 Annual Report (SEC 17-A) <a href="http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf">http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf</a></li> </ul>
<p><b>Recommendation 1.4</b></p>			

1. Board has a policy on board diversity.	Compliant	<p>Provide information on or link/reference to a document containing information on the company's board diversity policy.</p> <p>Indicate gender composition of the board.</p>	<p>The policy essentially provides that to ensure diversity in the Board, : (i) there shall be an appropriate mix of competence and expertise; and (ii) consider age, educational background, business experience in banking or related industry, competence, knowledge, skills and to include ethnicity, culture, skills, etc.</p> <p>The Board has one (1) female member. The rest of the directors are male.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>Corporate Governance Manual: Pages 3-4 <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>Board Diversity Policy <a href="http://chinabank.ph/about_china_bank.aspx?title=Board+Policies">http://chinabank.ph/about_china_bank.aspx?title=Board+Policies</a></li> </ul>
<b>Optional: Recommendation 1.4</b>			

1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.	Compliant	<p>Provide information on or link/reference to a document containing the company's policy and measurable objectives for implementing board diversity.</p> <p>Provide link or reference to a progress report in achieving its objectives.</p>	<p>The progress on measurable objectives for the implementation of the board diversity is available in the Bank website.</p> <p>Link/Reference:</p> <p>Board Measurable Objectives  <a href="http://chinabank.ph/about_china_bank.aspx?title=Board+Policies">http://chinabank.ph/about_china_bank.aspx?title=Board+Policies</a> </p>
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Recommendation 1.5			
1. Board is assisted by a Corporate Secretary.	Compliant	<p>Provide information on or link/reference to a document containing information on the Corporate Secretary, including his/her name, qualifications, duties and functions.</p>	<p>The Bank's Corporate Secretary is Atty. Corazon I. Morando. She is not the Chief Compliance Officer nor is she a director of the Bank.</p> <p>Link/Reference:</p> <p>Corporate Secretary's Profile  <a href="http://chinabank.ph/about_china_bank.aspx?title=Board+of+Directors">http://chinabank.ph/about_china_bank.aspx?title=Board+of+Directors</a> </p>
2. Corporate Secretary is a separate individual from the Compliance Officer.	Compliant		
3. Corporate Secretary is not a member of the Board of Directors.	Compliant		

4. Corporate Secretary attends training/s on corporate governance.	Compliant	Provide information or link/reference to a document containing information on the corporate governance training attended, including number of hours and topics covered	<p>The Bank's Corporate Secretary has attended the Bank's Exclusive Annual Corporate Governance Training last 06 December 2017.</p> <p>Please refer to Annex 1 for a copy of her Attendance Certificate in the 2017 CG Training.</p>
<b>Optional: Recommendation 1.5</b>			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.		Provide proof that corporate secretary distributed board meeting materials at least five business days before scheduled meeting	<p>As a general practice, the Corporate Secretary distributes the materials for board meetings at least five banking days before the scheduled meeting.</p> <p>Please refer to Annex 2 for a copy of sample e-mail with the attached agenda and materials sent to the directors.</p>
<b>Recommendation 1.6</b>			

1. Board is assisted by a Compliance Officer.	Compliant	Provide information on or link/reference to a document containing information on the Compliance Officer, including his/her name, position, qualifications, duties and functions.	<p>The Bank's Chief Compliance Officer is Atty. Aileen Paulette S. De Jesus, she has a rank of Vice President.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>Atty. De Jesus' Profile <a href="http://chinabank.ph/news.aspx?title=China+Bank+appoints+new+Chief+Compliance+Officer">http://chinabank.ph/news.aspx?title=China+Bank+appoints+new+Chief+Compliance+Officer</a></li> <li>Disclosure <a href="http://www.chinabank.ph/pdf/2018-02-07-CHIBPSEDisclosure-CHIB-Results-of-Board-Meeting-of-February-7-2018-CCO.pdf">http://www.chinabank.ph/pdf/2018-02-07-CHIBPSEDisclosure-CHIB-Results-of-Board-Meeting-of-February-7-2018-CCO.pdf</a></li> </ul>
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	Compliant		
3. Compliance Officer is not a member of the board.	Compliant		<p>Atty. De Jesus is not a member of the Bank's Board of Directors.</p> <p>Link/Reference:</p> <p>Members of the Board of Directors <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors">http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors</a></p>

4. Compliance Officer attends training/s on corporate governance.	Compliant	Provide information on or link/reference to a document containing information on the corporate governance training attended, including number of hours and topics covered	<p>The Chief Compliance Officer is required to undergo continuous training program on Corporate Governance. Atty. De Jesus has attended an extensive training program on Corporate Governance.</p> <p>Please refer to Annex 3 for a copy of her training Attendance Certificate.</p>
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**Principle 2:** The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.

**Recommendation 2.1**

1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	Compliant	Provide information or reference to a document containing information on how the directors performed their duties (can include board resolutions, minutes of meeting)	<p>Bank Directors are required to act on a fully informed basis, in good faith and with due diligence for the best interest of the Bank. In order to provide them with relevant information, materials for the Board meetings are provided to them within five (5) business days prior to the Board meeting. As an example, the results of the reorganization meetings of the Board are posted on the Bank's website.</p> <p>Link/Reference:</p> <p>Other Disclosures ("CHIB Results of Board Meeting of &lt;Date&gt;")  <a href="http://www.chinabank.ph/corgov.aspx?title=Other+Disclosures">http://www.chinabank.ph/corgov.aspx?title=Other+Disclosures</a> </p>
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**Recommendation 2.2**

<p>1. Board oversees the development, review and approval of the company's business objectives and strategy.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on how the directors performed this function (can include board resolutions, minutes of meeting)</p>	<p>The Bank adopts a top-down approach whereby the role of the BOD is to convey the shareholders' expectations to Senior Management which in turn formulates the Bank's objectives and strategies into annual and 5-year business plan. The business plans and strategies are then presented to the Board for review and approval. On February 1, 2017, the Bank's 2017 - 2021 business plans were presented to the Board and after some deliberation, approved Management's projections and recommendations.</p> <p>This is consistent with the Bank's Corporate Governance Manual which provides that the Board is primarily responsible for approving and overseeing the implementation of the bank's strategic objectives, risk strategy, corporate governance and corporate values.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Pages 14-15 (Item 2.2.2) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p> <p>Please refer to Annex 4 for the corresponding certification from the Corporate Secretary.</p>
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<p>2. Board oversees and monitors the implementation of the company's business objectives and strategy.</p>	<p>Compliant</p>	<p>Indicate frequency of review of business objectives and strategy</p>	<p>The Performance Report is presented to the Board on a quarterly basis, and evidenced by the corresponding minutes of the meeting.</p> <p>Please refer to Annex 5 for the corresponding certification from the Corporate Secretary.</p> <p>The Board's efforts in monitoring these are also reflected in the Message to Stockholders found in the Annual Financial and Sustainability Report.</p> <p>Link/Reference:</p> <p>2017 Annual Financial and Sustainability Report: Pages 10-15  <a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></p>
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**Supplement to Recommendation 2.2**

1. Board has a clearly defined and updated vision, mission and core values.	Compliant	<p>Indicate or provide link/reference to a document containing the company's vision, mission and core values.</p> <p>Indicate frequency of review of the vision, mission and core values.</p>	<p>The Bank's mission, vision and core values, as well as the information on the periodic review being performed, are posted in the website.</p> <p>The Board reviews China Bank's mission and vision periodically.</p> <p>Link/Reference:</p> <p>Bank Mission, Vision and Values  <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Mission,+Vision,+and+Values">http://www.chinabank.ph/about_china_bank.aspx?title=Mission,+Vision,+and+Values</a> </p>
2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.	Compliant	Provide information on or link/reference to a document containing information on the strategy execution process.	As mentioned in the replies for Recommendation 2.2 (items 1 and 2), the Board remains attuned to the Bank's performance and the business environment because of the periodic presentation and/or discussion of the corresponding items.
<b>Recommendation 2.3</b>			

1. Board is headed by a competent and qualified Chairperson.	Compliant	Provide information or reference to a document containing information on the Chairperson, including his/her name and qualifications	<p>The Bank's Chairman of the Board is Mr. Hans T. Sy. His election/appointment to the Board was confirmed by the Monetary Board of the BSP.</p> <p>Link/Reference:</p> <p>Director's Qualifications  <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors">http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors</a> </p>
<b>Recommendation 2.4</b>			



1. Board ensures that the Bank adopts an effective succession planning program for directors, key officers and management.

Substantially  
Compliant

Disclose and provide information or link/reference to a document containing information on the company's succession planning policies and programs and its implementation

The Bank has an existing policy for its key officers and management.

The Corporate Governance Manual provides that the Board is responsible for overseeing the performance of senior management and heads of control functions. As part of its succession planning efforts, potential successors for the above-mentioned critical positions are identified and developed, as appropriate.

The Bank has an approved retirement policy for directors.

The Bank will revisit related provisions provided under the By-Laws and CG Manual, to further enhance the implementing guidelines on the succession planning program for directors.

Links/References:

- Corporate Governance Manual: Pages 17-18  
<http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf>
- By-Laws (Art. IV, Sec. 3)  
<http://www.chinabank.ph/pdf/ChinaBank-By-Laws.pdf>
- 2017 Annual Financial and Sustainability Report: Page 54 (Career Advancement and Succession) and Page 64 (Retirement and Succession)  
[http://www.chinabank.ph/pdf/2017 Annual Report.pdf](http://www.chinabank.ph/pdf/2017%20Annual%20Report.pdf)

<p>2. Board adopts a policy on the retirement for directors and key officers.</p>	<p>Compliant</p>		<p>There is a retirement policy in place that governs the retirement of key officers of the Bank.</p> <p>To promote dynamism in the corporation, as a matter of policy, a director shall remain in the Board of the Bank for as long he/she remains / continues to be fit for the position of a director. Whether or not a person is fit and proper for the position of a director, the following must be considered: integrity/probity, physical/mental fitness, relevant education, financial literacy and training, possession of competencies relevant to being a director, such as knowledge and experience, skills, diligence and independence of mind and sufficiency of time to fully carry out responsibilities.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• Compensation and Benefits <a href="http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies">http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies</a></li> <li>• Retirement Policy for Directors <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Board+Policies">http://www.chinabank.ph/about_china_bank.aspx?title=Board+Policies</a></li> </ul>
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#### Recommendation 2.5

<p>1. Board aligns the remuneration of key officers and board members with long-term interests of the company.</p>	<p>Compliant</p>	<p>Provide information on or link/reference to a document containing information on the company's remuneration policy and its implementation, including the relationship between remuneration and performance.</p>	<p>For Senior / Key Officers the Bank's remuneration policy is to likewise provide them with fair and competitive salary and benefits commensurate with their experience, responsibilities, rank and position, and reasonably proportional to the Bank's economic situation. In determining senior / key officer compensation, we also benchmark against the executive compensation for the same positions in comparable organizations (similar size, organization structure, business risk, and management complexity)</p> <p>Link/Reference:</p> <p>2017 Annual Report (SEC 17-A): Page 75 (Compensation or Remuneration Committee) and Page 210-211 (Remunerations of Directors and other Key Management Personnel)</p> <p><a href="http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf">http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf</a></p>
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2. Board adopts a policy specifying the relationship between remuneration and performance.



Compliant

Under the By-Laws, members of the BOD are entitled to 4% of the Bank's net earnings. On the other hand, officers are entitled to 10% of the net earnings, in such manner as the Board may determine based on the recommendation of the CEO.

The Bank has the Performance Management System Policy in place to guide the Organization in attaining the desired business results. Officers performance rating aside from the Bank's performance is used as the basis for the appropriate Merit and /or Promotion increases. Furthermore, the Profit Sharing and Performance Bonuses distribution are also guided by the officer's performance rating and the bank's performance.

The Performance Management System Policy is uploaded to the Bank's internal public folder.

Link/Reference:

- For the Board of Directors, By-Laws <http://www.chinabank.ph/pdf/ChinaBank-By-Laws.pdf>
- For the Board and Employees, 2017 Annual Report (SEC 17-A): Page 210-211 (Remunerations of Directors and other Key Management Personnel) <http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf>
- For the Employees, Compensation and Benefits <http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies>

<p>3. Directors do not participate in discussions or deliberations involving his/her own remuneration.</p>	<p>Compliant</p>		<p>Directors of the Bank do not participate in the discussion or deliberation involving their remuneration.</p> <p>In accordance with the Bank's amended By-laws, China Bank Directors are entitled to a per diem of ₱500.00 for attendance at each Board/Board Committee meeting and to 4% of the Bank's net earnings. Executive Directors are appointed under standard employment terms, which include provisions for basic salary and performance bonus, depending on their performance, banking experience, employment status, position, and rank in the Bank. Non-executive Directors, on the other hand, do not receive any performance-related compensation.</p> <p>Link/Reference:</p> <p>By-Laws  <a href="http://chinabank.ph/pdf/ChinaBank-By-Laws.pdf">http://chinabank.ph/pdf/ChinaBank-By-Laws.pdf</a> </p>
<p><b>Optional: Recommendation 2.5</b></p>			



<p>1. Board approves the remuneration of senior executives.</p>	<p>Compliant</p>	<p>Provide proof of board approval</p>	<p>The Board of Directors of the Bank is responsible for the approval of the remuneration of the Bank's senior executives and other employees.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 17 (Item 2.3.3) <a href="http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p> <p>The corresponding proof shall be made available for validation, due to its confidentiality.</p>
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<p>2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.</p>	<p>Non-compliant</p>	<p>Provide information on or link/reference to a document containing measurable standards to align performance-based remuneration with the long-term interest of the company.</p>	<p>Executive directors &amp; senior executives are compensated based on clearly identified drivers of business growth such as attainment of target bankwide returns (ROE and ROA), market share, cross-sell ratio and other metrics aligned with the long term interest of the Bank.</p> <p>We will draft a policy for business transactions and deals for which the spirit of claw back provision would be applicable.</p> <p>Alternative to the Claw Back provision &amp; Deferred Bonuses :</p> <p>Our Code of Ethics has a provision on restitution/forfeiture of benefits in case of loss or damage to the property of the Bank, etc. Recovery of the amount is by means of salary deduction or other legal means, including forfeiture of benefits/privileges.</p> <p>Further, in case of separation from the Bank, the clearance issued by the Bank contains a clause on the Bank's "right to pursue recovery and restitution of any accountability of the employee, civil or otherwise, in relation to his/her employment with the Bank.</p>
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Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	Compliant	Provide information or reference to a document containing information on the company's nomination and election policy and process and its implementation, including the criteria used in selecting new directors, how the shortlisted candidates and how it encourages nominations from shareholders.	<p>The Bank's nomination and election policy for 2017 are in its 2017 Nominations Rules.</p> <p>The Bank's Corporate Governance Manual contains the Nomination Rules.</p> <p>Links / References:</p> <ul style="list-style-type: none"> <li>2017 Nomination Rules <a href="http://chinabank.ph/pdf/2017-02-01-CHIBPSEDisclosure-CHIB-Nomination-and-Election-of-Directors-2017.pdf">http://chinabank.ph/pdf/2017-02-01-CHIBPSEDisclosure-CHIB-Nomination-and-Election-of-Directors-2017.pdf</a></li> <li>Corporate Governance Manual: Page 13 (Nomination and Election of Directors) and Annex 1 (Rules Governing the Nomination and Election of Directors) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> </ul>
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Compliant	<p>Provide proof if minority shareholders have a right to nominate candidates to the board</p> <p>Provide information if there was an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.</p>	

<p>3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.</p>	<p>Compliant</p>		<p>As to nomination, the Bank's 2017 Nomination Rules has defined the nomination policies.</p> <p>In accordance with the Bank's By-laws as to manner of voting, Article III, Section 7, any stockholder who is not delinquent in his subscription shall be allowed to vote either in person or by proxy executed in writing.</p> <p>Links / References:</p> <ul style="list-style-type: none"> <li>2017 Nomination Rules <a href="http://chinabank.ph/pdf/2017-02-01-CHIBPSEDisclosure-CHIB-Nomination-and-Election-of-Directors-2017.pdf">http://chinabank.ph/pdf/2017-02-01-CHIBPSEDisclosure-CHIB-Nomination-and-Election-of-Directors-2017.pdf</a></li> <li>By-Laws <a href="http://chinabank.ph/pdf/ChinaBank-By-Laws.pdf">http://chinabank.ph/pdf/ChinaBank-By-Laws.pdf</a></li> </ul>
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4. Board nomination and election policy includes how the board shortlists candidates.	Compliant		<p>The corresponding provisions are indicated in the Nomination Rules.</p> <p>Link/Reference:</p> <p>2017 Nomination Rules  <a href="http://chinabank.ph/pdf/2017-02-01-CHIBPSEDisclosure-CHIB-Nomination-and-Election-of-Directors-2017.pdf">http://chinabank.ph/pdf/2017-02-01-CHIBPSEDisclosure-CHIB-Nomination-and-Election-of-Directors-2017.pdf</a> </p>
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	Compliant		<p>The Nominations Committee, in accordance with its Charter, is tasked to assess the effectiveness of the Board process and procedures in the election or replacement of directors.</p> <p>Link/Reference:</p> <p>Nominations Committee Charter  <a href="http://www.chinabank.ph/pdf/Nominations-Committee-Charter-September-22-2017.pdf">http://www.chinabank.ph/pdf/Nominations-Committee-Charter-September-22-2017.pdf</a> </p>

6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Compliant		<p>The Bank's Nominations Committee is tasked to identify the quality of directors that is aligned with the Bank's strategic directions. The nomination and election process is set forth in the Corporate Governance Manual.</p> <p>Links / References:</p> <ul style="list-style-type: none"> <li>Corporate Governance Manual: Page 61 (Item 13, Nominations Committee) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>Nominations Committee Charter <a href="http://www.chinabank.ph/pdf/Nominations-Committee-Charter-September-22-2017.pdf">http://www.chinabank.ph/pdf/Nominations-Committee-Charter-September-22-2017.pdf</a></li> </ul>
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#### Optional: Recommendation to 2.6

1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.	Compliant	Identify the professional search firm used or other external sources of candidates	<p>The Bank has engaged the Institute of Corporate Directors in sourcing out candidates for Independent Director.</p> <p>Please refer to Annex 6 for the letter sent by ICD in response to the Bank's request for assistance.</p>
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#### Recommendation 2.7

<p>1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.</p>	<p>Compliant</p>	<p>Provide information on or reference to a document containing the company's policy on related party transaction, including policy on review and approval of significant RPTs</p> <p>Identify transactions that were approved pursuant to the policy.</p>	<p>The Bank' RPT policy covers guidelines and procedures for the review and approval of material RPTs to ensure that these are conducted at arm's length basis, and consistent with the objectives of BSP Circular 895.</p> <p>The policy serves as a guide for all the subsidiaries of the Bank in coming up with their respective RPT policies. There are also provisions in the policy requiring group-wide compliance, such as, reporting of material RPTs by the subsidiaries for consolidation &amp; reporting by the Bank to the BSP, and annual reporting of conglomerate structure/map.</p> <p>The detailed RPT Policy is uploaded to the Bank's internal public folder.</p> <p>Links / References:</p> <ul style="list-style-type: none"> <li>Corporate Governance Manual: Page 58-59 (RPT Committee) and Page 100-101 (Related Party Transactions) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>RPT Committee Charter <a href="http://www.chinabank.ph/pdf/Charter-RPT-Committee.pdf">http://www.chinabank.ph/pdf/Charter-RPT-Committee.pdf</a></li> </ul>
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<p>2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.</p>	<p>Compliant</p>		<p>The Bank's RPT policy requires all material RPTs to be reviewed by the RPT Committee before they are endorsed for the Board's approval. As guiding principle, RPTs shall be at arm's length, in the ordinary course of business &amp; in the interest of the Bank and on substantially the same terms as those offered with other parties.</p> <p>Links / References:</p> <ul style="list-style-type: none"> <li>• RPT Policy <a href="http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies">http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies</a></li> <li>• RPT Committee Charter <a href="http://www.chinabank.ph/pdf/Charter-RPT-Committee.pdf">http://www.chinabank.ph/pdf/Charter-RPT-Committee.pdf</a></li> </ul>
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<p>3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.</p>	<p>Compliant</p>		<p>The Bank' RPT policy serves as guide for all the subsidiaries of the Bank in coming up with their respective RPT policies. As mentioned in 2.7 (1), there are requirements in the Bank's RPT policy mandating group-wide compliance, such as reporting of material RPTs by subsidiaries for consolidation &amp; reporting by the Bank to the BSP, and annual reporting of conglomerate structure/map.</p> <p>The detailed RPT Policy is uploaded to the Bank's internal public folder.</p>
<p><b>Supplement to Recommendations 2.7</b></p>			

<p>1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.</p>	<p>Compliant</p>	<p>Provide information on a materiality threshold for RPT disclosure and approval, if any.</p> <p>Provide information on RPT categories.</p>	<p>The Bank has an extensive RPT policy that is kept updated, relevant and aligned with laws, rules and regulations. Based on the policy, a related party transaction is deemed material if it is P50 million and above. Starting 2018, specific materiality threshold was established on a per transaction/per unit basis.</p> <p>Please refer to Annex 7 for a copy of the revised materiality threshold.</p> <p>Link/Reference:</p> <p>RPT Policy  <a href="http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies">http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies</a></p>
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<p>2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.</p>	<p>Substantially Compliant</p>	<p>Provide information on voting system, if any.</p>	<p>Material RPTs are presented and ratified by all stockholders present during Annual Stockholders' Meeting.</p> <p>The foregoing process will address the recommendation whereby a majority of non-related party shareholders approve RPTs during the shareholders' meeting.</p> <p>Link/Reference:</p> <p>Minutes of the 2017 Annual Stockholders' Meeting: Page 5-7 (Item VII)  <a href="http://chinabank.ph/pdf/Minutes_of_the_2017_Annual_Meeting_of_Stockholders_of_China_Banking_Corporation_.pdf">http://chinabank.ph/pdf/Minutes_of_the_2017_Annual_Meeting_of_Stockholders_of_China_Banking_Corporation_.pdf</a></p>
<p><b>Recommendation 2.8</b></p>			
<p>1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>Compliant</p>	<p>Provide information on or reference to a document containing the Board's policy and responsibility for approving the selection of management.</p> <p>Identity the Management team appointed</p>	<p>The Board is primarily responsible for approving the selection of the CEO, including heads of control/oversight functions, namely, CRO, CCO and CAE.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 17 (Item 2.3.3)  <a href="http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>

<p>2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>Compliant</p>	<p>Provide information on or reference to a document containing the Board's policy and responsibility for assessing the performance of management.</p> <p>Provide information on the assessment process and indicate frequency of assessment of performance.</p>	<p>The Board is also responsible for the regular assessment of the performance of Management and the heads of control functions.</p> <p>Link / Reference:</p> <p>Corporate Governance Manual: Page 17 (Item 2.3.3.c) <a href="http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
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<b>Recommendation 2.9</b>			
<p>1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.</p>	<p>Compliant</p>	<p>Provide information on or link/reference to a document containing the Board's performance management framework for management and personnel.</p>	<p>The Bank's Performance Management System aims to align the performance of employees with the Bank's strategic direction and business plans. It is an integrated process by which the organization involves all employees (including Management) in improving organizational effectiveness towards the accomplishment of its mission and strategic goals.</p> <p>The detailed Performance Management System Policy is uploaded to the Bank's internal public folder.</p>

<p>2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.</p>	<p>Compliant</p>		<p>China Bank greatly values its employees and ensures that they are well-provided for, most prominently with competitive compensation packages. The salary range complies with industry standards, while also considering an employee's responsibilities, experience, and performance. The Bank has institutionalized generous reward systems designed to encourage employees to perform above and beyond expectations. An employee's level in the organization is determined by the Job Grade (for rank and file employees) or Corporate Rank (for officers) identified with their position, which is the basis of compensation and benefits relative to the banking industry. The position title of an employee defines the general description of their function (e.g. Customer Relations Assistant, Branch Head) while the Job Grade and Corporate Rank determine the hierarchy in terms of pay and benefits (e.g. Manager, Senior Manager, Assistant Vice President).</p> <p>The detailed Performance Management System Policy is uploaded to the Bank's internal public folder.</p>
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#### Recommendation 2.10

<p>1. Board oversees that an appropriate internal control system is in place.</p>	<p>Compliant</p>	<p>Provide information on or link/reference to a document showing the Board's responsibility for overseeing that an appropriate internal control system is in place and what is included in the internal control system</p>	<p>China Bank's Board of Directors is responsible for the establishment and review of the Bank's system of internal control while its day-to-day supervision falls upon the purview of the Management Committee. All of our employees are involved in our internal control processes to a certain extent and in specific capacities. The internal control system comprises a well-defined management structure with clear authorities, responsibilities, and operating procedures—this includes an enterprise risk management function under the Risk Management Committee and the Risk Management Group, a stringent compliance function with anti-money laundering and anti-insider trading policies, a comprehensive planning and budgeting process led by the Corporate Planning Division that delivers detailed annual financial forecasts and targets for Board approval, and an internal audit function under the Audit Division.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>Internal Control and Risk Management <a href="http://www.chinabank.ph/corgov.aspx?title=Internal+Control+and+Risk+Management">http://www.chinabank.ph/corgov.aspx?title=Internal+Control+and+Risk+Management</a></li> <li>2017 Annual Financial and Sustainability Report: Pages 71-74 (Internal Controls) <a href="http://www.chinabank.ph/pdf/2017%20Annual%20Report.pdf">http://www.chinabank.ph/pdf/2017 Annual Report.pdf</a></li> </ul>
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<p>2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.</p>	<p>Compliant</p>		<p>The Bank's internal control system includes mechanism for monitoring and managing conflict of interest.</p> <p>In accordance with the Bank's Code of Ethics, Conflict of interest between the Bank and its employees should be avoided at all times. However, should a conflict arise, the interest of the Bank must prevail. Employees are not permitted to have or be involved in any financial interests that are in conflict or appear to be in conflict with their duties and responsibilities to China Bank. They are likewise barred from engaging in work outside of the Bank unless with duly-approved permission, as well as work that lies in direct competition with the Bank.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• Code of Ethics <a href="http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies">http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies</a></li> <li>• 2017 Annual Financial and Sustainability Report: Pages 71-74 (Internal Controls) <a href="http://www.chinabank.ph/pdf/2017%20Annual%20Report.pdf">http://www.chinabank.ph/pdf/2017 Annual Report.pdf</a></li> </ul>
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3. Board approves the Internal Audit Charter.	Compliant	Provide reference or link to the company's Internal Audit Charter	<p>The Bank's Internal Audit Charter was approved by the Board on January 9, 2013 and February 19, 2014 as stated in Page 6 on Approval of the Internal Audit Charter.</p> <p>Please refer to Annex 8 for a copy of the Internal Audit Charter.</p>
<b>Recommendation 2.11</b>			



<p>1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.</p>	<p>Compliant</p>	<p>Provide information on or link/reference to a document showing the Board's oversight responsibility on the establishment of a sound enterprise risk management framework and how the board was guided by the framework.</p> <p>Provide proof of effectiveness of risk management strategies, if any.</p>	<p>Aligned with the Board's responsibility of setting the tone at the top, the Board oversees that the Bank has in place a sound enterprise risk management framework through Risk Oversight Committee to ensure its functionality and effectiveness. It oversees 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.</p> <p>Link/Reference:</p> <ul style="list-style-type: none"> <li>Corporate Governance Manual: Page 53-56 (Risk Oversight Committee and Page 86-89 (Risk Management Function) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>2017 Annual Financial and Sustainability Report: Page 71-73 (Risk Management) <a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></li> </ul>
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<p>2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.</p>	<p>Compliant</p>		<p>The Bank's Risk Management Group assists the Board in the enterprise-risk management function, which includes risk management strategies.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 86-89 (Risk Management Function), Page 55-56 (Risk Oversight Committee) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
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### Recommendation 2.12

1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	Compliant	Provide link to the company's website where the Board Charter is disclosed.	<p>The Corporate Governance Manual serves as the Charter of the Board, and sets forth its function/role, duties and responsibilities. The duty of care and loyal are the two key elements of the fiduciary duty of the Board. The duty of care requires the 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 the Bank and all its stakeholder, such as the depositors, creditors, employees and regulators.</p> <p>In addition, an Orientation Kit is provided to the new members of the Board. This document contains the specific duties and responsibilities of the Directors, as well as the applicable Board Committee Charters (i.e., those which the Director is a member of). The Corporate Governance Manual is posted in the website.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual  <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
2. Board Charter serves as a guide to the directors in the performance of their functions.	Compliant		
3. Board Charter is publicly available and posted on the company's website.	Compliant		

#### Additional Recommendation to Principle 2

1. Board has a clear insider trading policy.	Compliant	Provide information on or link/reference to a document showing company's insider trading policy.	<p>The Bank's Policy on Insider Trading is included in the Corporate Governance Manual. Provisions regarding material non-public information and prohibited "tipping" / communication and penalties for illegal conduct of insider trading are included in the manual. Moreover, the policy on the disclosure of the directors' dealings in Bank shares is also contained therein.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 95-97 (Policy on Insider Trading) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
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#### Optional: Principle 2

<p>1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.</p>	<p>Compliant</p>	<p>Provide information on or link/reference to a document showing company's policy on granting loans to directors, if any.</p>	<p>Lending to Directors is included in the Bank's DOSRI rules and RPT policy.</p> <p>Under the RPT policy, transactions with directors and other related parties should be conducted at an arm's length basis and on terms not less favorable to the Bank.</p> <p>"To avoid conflict of interest and based on the RPT policy of the Bank, any director who has interest in a transaction is required to disclose their interest and should abstain from the deliberation and approval of the related party transaction."</p> <p>Links/References:</p> <p>RPT Policy  <a href="http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies">http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies</a> </p>
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<p>2. Company discloses the types of decision requiring board of directors' approval.</p>	<p>Compliant</p>	<p>Indicate the types of decision requiring board of directors' approval and where there are disclosed.</p>	<p>In accordance with the Bank's DOSRI and RPT policies, lending to DOSRI, material related party transactions are among those required to be approved by Board of Directors, among others.</p> <p>Link/Reference:</p> <p>RPT Policy  <a href="http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies">http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies</a></p> <p>Under the Corporate Governance Manual, matters and authorities reserve to the Board for decision includes, among others, major capital expenditures, equity investments and divestments. The Board shall also establish the limits of the discretionary powers of each officer or committee, for purposes of lending, investing or other financial undertaking that exposes the Bank to significant risks.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 16  <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p> <p>The powers of the Board are set out in Section 1, Article IV of the Bank's By-Laws.</p> <p>Link/Reference:</p> <p>By-laws  <a href="http://www.chinabank.ph/pdf/ChinaBank-By-Laws.pdf">http://www.chinabank.ph/pdf/ChinaBank-By-Laws.pdf</a></p>
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**Principle 3:** Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.

#### Recommendation 3.1

1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	Compliant	Provide information or link/reference to a document containing information on all the board committees established by the company.	To aid the Board in the performance of their duties, and to address specific tasks / responsibilities, the Bank's Board of Directors created nine board-level committees namely: (1) Executive, (2) Corporate Governance, (3) Audit, (4) Compliance, (5) Risk Oversight, (6) Nominations, (7) Compensation or Remuneration, (8) Related Party Transactions and (9) Trust Investment  Link/Reference:  Board Matters <a href="http://www.chinabank.ph/corgov.aspx?title=Board+Matters">http://www.chinabank.ph/corgov.aspx?title=Board+Matters</a>
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#### Recommendation 3.2

<p>1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on the Audit Committee, including its functions.</p> <p>Indicate if it is the Audit Committee's responsibility to recommend the appointment and removal of the company's external auditor.</p>	<p>The Bank's Audit Committee oversees all matters pertaining to audit such as internal audit function and performance, the integrity of the financial statements, and general accounting processes, among others. Moreover, it provides oversight on the senior management's activities, as well as the Bank's internal and external auditors. The Committee also monitors and evaluate the effectiveness of the Bank's internal control system.</p> <p>In relation to the Committee's oversight on external auditors, it can recommend their appointment (subject to stockholder ratification) or dismissal, as necessary.</p> <p>Link/Reference:</p> <p>Audit Committee Charter  <a href="http://www.chinabank.ph/pdf/Audit-Committee-Charter-2017.pdf">http://www.chinabank.ph/pdf/Audit-Committee-Charter-2017.pdf</a></p>
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<p>2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on the members of the Audit Committee, including their qualifications and type of directorship.</p>	<p>The Bank's Audit Committee is composed three (3) members – 2 are Independent Directors, in accordance with its Charter. The members of the Committee are:</p> <p>Mr. Alberto S. Yao (Chairman) Mr. Joaquin T. Dee Mr. Roberto F. Kuan</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>Directors' Profile <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors">http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors</a></li> <li>Audit Committee Charter <a href="http://chinabank.ph/pdf/Audit-Committee-Charter-2017.pdf">http://chinabank.ph/pdf/Audit-Committee-Charter-2017.pdf</a></li> </ul>
<p>3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on the background, knowledge, skills, and/or experience of the members of the Audit Committee.</p>	<p>The members of the Audit Committee have the relevant background / knowledge, skills and experience in the areas of accounting, auditing and finance.</p> <p>Link/Reference:</p> <p>Directors' Profile <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors">http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors</a></p>

<p>4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on the Chairman of the Audit Committee</p>	<p>Mr. Alberto S. Yao is the Chairman of the Audit Committee. He is not the Chairman of the Board or of any other committee.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• Audit Committee Members <a href="http://www.chinabank.ph/corgov.aspx?title=Board+Matters">http://www.chinabank.ph/corgov.aspx?title=Board+Matters</a></li> <li>• Results of the 2017 Re-organization meeting of the Board of Directors <a href="http://www.chinabank.ph/pdf/2017-05-04-CHIBPSEDisclosure-CHIB-Results-of-the-2017-Stockholders-and-Organizational-Meeting.pdf">http://www.chinabank.ph/pdf/2017-05-04-CHIBPSEDisclosure-CHIB-Results-of-the-2017-Stockholders-and-Organizational-Meeting.pdf</a></li> </ul>
<p><b>Supplement to Recommendation 3.2</b></p>			
<p>1. Audit Committee approves all non-audit services conducted by the external auditor.</p>	<p>Compliant</p>	<p>Provide proof that the Audit Committee approved all non-audit services conducted by the external auditor.</p>	<p>In accordance with the Audit Committee Charter, the Committee is tasked to approve audit and non-audit engagements.</p> <p>Link/Reference:</p> <p>Audit Committee Charter <a href="http://chinabank.ph/pdf/Audit-Committee-Charter-2017.pdf">http://chinabank.ph/pdf/Audit-Committee-Charter-2017.pdf</a></p>

2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	Compliant	Provide proof that the Audit Committee conducted regular meetings and dialogues with the external audit team without anyone from management present.	The Audit Committee conducts regular meeting with the External Auditor without anyone from management team.  Please refer to Annex 9 for the corresponding certification from the Corporate Secretary.
<b>Optional: Recommendation 3.2</b>			
1. Audit Committee met at least four times during the year.	Compliant	Indicate the number of Audit Committee meetings during the year and provide proof	The Audit Committee had 14 meetings in 2017, including 6 joint meetings with Compliance and Corporate Governance Committees.  Link/Reference:  Audit Committee Attendance <a href="http://www.chinabank.ph/corgov.aspx?title=Board+Matters">http://www.chinabank.ph/corgov.aspx?title=Board+Matters</a>
2. Audit Committee approves the appointment and removal of the internal auditor.	Compliant	Provide proof that the Audit Committee approved the appointment and removal of the internal auditor.	In accordance with the Audit Committee Charter, appointment of the Internal Auditor is approved by the Audit Committee.
<b>Recommendation 3.3</b>			

<p>1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.</p>	<p>Compliant</p>	<p>Provide information or reference to a document containing information on the Corporate Governance Committee, including its functions</p> <p>Indicate if the Committee undertook the process of identifying the quality of directors aligned with the company's strategic direction, if applicable.</p>	<p>The Bank's Corporate Governance 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.</p> <p>It is primarily responsible to oversee the implementation of the corporate governance framework and periodically review the said framework to ensure that it remains appropriate. Moreover, it handles the nomination process for members of the Board of Directors and for positions requiring appointment by the Board. It also ensures that the members of the Board are provided with a continuing education program, and that they carry out the necessary periodic self-assessment. Also part of the Committee's duties, is to define the general profile of Board members that the Bank may need and ensure that their knowledge, competencies and expertise will complement the existing skill of the Board.</p> <p>Link/Reference:</p> <p>Corporate Governance Committee Charter  <a href="http://www.chinabank.ph/pdf/Charter-Corporate-Govenance-30-October-2017.pdf">http://www.chinabank.ph/pdf/Charter-Corporate-Govenance-30-October-2017.pdf</a></p>
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<p>2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.</p>	<p>Complaint</p>	<p>Provide information or link/reference to a document containing information on the members of the Corporate Governance Committee, including their qualifications and type of directorship.</p>	<p>The three members of the Corporate Governance Committee are all Independent Directors. The members of the Committee are:</p> <p>Mr. Roberto F. Kuan (Chairman) Mr. Alberto S. Yao Ms. Margarita L. San Juan</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>CG Committee Members <a href="http://www.chinabank.ph/corgov.aspx?title=Board+Matters">http://www.chinabank.ph/corgov.aspx?title=Board+Matters</a></li> <li>Directors' Profile <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors">http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors</a></li> </ul>
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3. Chairman of the Corporate Governance Committee is an independent director.	Compliant	Provide information or link/reference to a document containing information on the Chairman of the Corporate Governance Committee.	<p>Mr. Roberto F. Kuan is the Chairman of the Corporate Governance Committee. He is an independent director.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>CG Committee Members <a href="http://www.chinabank.ph/corgov.aspx?title=Board+Matters">http://www.chinabank.ph/corgov.aspx?title=Board+Matters</a></li> <li>Directors' Profile <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors">http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors</a></li> </ul>
<b>Optional: Recommendation 3.3</b>			
1. Corporate Governance Committee meet at least twice during the year.	Compliant	Indicate the number of Corporate Governance Committee meetings held during the year and provide proof thereof.	<p>The Corporate Governance Committee had 25 meetings in 2017, including 6 joint meetings with the Audit and Compliance Committees, 4 joint meetings with Compliance Committee, and 15 joint meetings with the Nominations Committee.</p> <p>Link/Reference:</p> <p>Corporate Governance Committee Attendance <a href="http://www.chinabank.ph/corgov.aspx?title=Board+Matters">http://www.chinabank.ph/corgov.aspx?title=Board+Matters</a></p>
<b>Recommendation 3.4</b>			

<p>1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on the Board Risk Oversight Committee (BROC), including its functions</p>	<p>The Risk Oversight Committee is responsible for the Bank's Enterprise Risk Management System, in accordance with its Charter.</p> <p>Link/Reference:</p> <p>Risk Oversight Committee Charter  <a href="http://www.chinabank.ph/pdf/Risk-Oversight-Committee-Charter-October-30.pdf">http://www.chinabank.ph/pdf/Risk-Oversight-Committee-Charter-October-30.pdf</a></p>
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<p>2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on the members of the BROC, including their qualifications and type of directorship</p>	<p>The Risk Oversight Committee is composed of 3 members – 2 are Independent Directors, namely: Ms. Margarita L. San Juan (Chairman), and Mr. Alberto S. Yao, based on the 2017 results of the re-organization meeting of the Board.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• Risk Oversight Committee Members <a href="http://www.chinabank.ph/corgov.aspx?title=Board+Matters">http://www.chinabank.ph/corgov.aspx?title=Board+Matters</a></li> <li>• Directors' Profile <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors">http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors</a></li> <li>• Results of the 2017 Re-organization meeting of the Board of Directors <a href="http://www.chinabank.ph/pdf/2017-05-04-CHIBPSEDisclosure-CHIB-Results-of-the-2017-Stockholders-and-Organizational-Meeting.pdf">http://www.chinabank.ph/pdf/2017-05-04-CHIBPSEDisclosure-CHIB-Results-of-the-2017-Stockholders-and-Organizational-Meeting.pdf</a></li> </ul>
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<p>3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on the Chairman of the BROC</p>	<p>Ms. Margarita L. San Juan is the Chairman of the Risk Oversight Committee. She is not the Chairman of the Board or of any other committee.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>Board Committees and their Members <a href="http://www.chinabank.ph/corgov.aspx?title=Board+Matters">http://www.chinabank.ph/corgov.aspx?title=Board+Matters</a></li> <li>Directors' Profile <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors">http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors</a></li> </ul>
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<p>4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on the background, skills, and/or experience of the members of the BROC.</p>	<p>The members of the Risk Oversight Committee are:</p> <p>Mr. Hans T. Sy Ms. Margarita L. San Juan Ms. Alberto S. Yao</p> <p>Ms. San Juan is a seasoned banker and has thorough knowledge/experience on risk management &amp; governance. Other members of the Committee have attended the relevant seminars to equip themselves of their responsibilities.</p> <p>Link/Reference:</p> <p>Directors' Profile <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors">http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors</a></p>
<p><b>Recommendation 3.5</b></p>			

<p>1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on the Related Party Transactions (RPT) Committee, including its functions.</p>	<p>The Bank has a RPT Committee that is responsible for reviewing all material related party transactions (RPTs) to ensure that they are conducted in accordance with the arm's length principles.</p> <p>Composed entirely of Independent Directors, the committee oversees the proper implementation of the RPT Policy and ensures that corresponding transactions are duly identified, measures, monitored, controlled and reported.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• RPT Committee Members <a href="http://www.chinabank.ph/corgov.aspx?title=Board+Matters">http://www.chinabank.ph/corgov.aspx?title=Board+Matters</a></li> <li>• RPT Committee Charter <a href="http://www.chinabank.ph/pdf/Charter-RPT-Committee.pdf">http://www.chinabank.ph/pdf/Charter-RPT-Committee.pdf</a></li> </ul>
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<p>2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on the members of the RPT Committee, including their qualifications and type of directorship.</p>	<p>The three (3) members of the RPT Committee are all independent directors namely:</p> <p>Mr. Roberto F. Kuan Mr. Alberto S Yao Ms. Margarita L. San Juan</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>RPT Committee Members <a href="http://www.chinabank.ph/corgov.aspx?title=Board+Matters">http://www.chinabank.ph/corgov.aspx?title=Board+Matters</a></li> <li>Directors' Profile <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors">http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors</a></li> </ul>
<p><b>Recommendation 3.6</b></p>			
<p>1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.</p>	<p>Compliant</p>	<p>Provide information on or link/reference to the company's committee charters, containing all the required information, particularly the functions of the Committee that is necessary for performance evaluation purposes.</p>	<p>All committees have their own respective Charters. The charters contain all the required information related to the function of each committee and the specific duties of its members.</p>
<p>2. Committee Charters provide standards for evaluating the performance of the Committees.</p>	<p>Compliant</p>		<p>Link/Reference:</p> <p>Committee Charters <a href="http://chinabank.ph/corgov.aspx?title=Board+Matters">http://chinabank.ph/corgov.aspx?title=Board+Matters</a></p>

3. Committee Charters were fully disclosed on the company's website.	Compliant	Provide link to company's website where the Committee Charters are disclosed.	<p>All committees have their own respective Charters, as made available in the Bank's website.</p> <p>Link/Reference:</p> <p>Committee Charters  <a href="http://chinabank.ph/corgov.aspx?title=Board+Matters">http://chinabank.ph/corgov.aspx?title=Board+Matters</a> </p>
<b>Principle 4:</b> To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.			
<b>Recommendation 4.1</b>			

<p>1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on the process and procedure for tele/videoconferencing board and/or committee meetings.</p> <p>Provide information or link/reference to a document containing information on the attendance and participation of directors to Board, Committee and shareholders' meetings.</p>	<p>The Board actively participated in Board Meetings as required in the Bank's Corporate Governance Manual.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• Corporate Governance Manual: Page 40 (Conduct of Meetings, Attendance and Quorum Requirement) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>• Board Attendance <a href="http://www.chinabank.ph/corgov.aspx?title=Board+Matters">http://www.chinabank.ph/corgov.aspx?title=Board+Matters</a></li> <li>• Minutes of the 2017 Annual Stockholders' Meeting: Page 1 <a href="http://www.chinabank.ph/pdf/Minutes_of_the_2017_Annual_Meeting_of_Stockholders_of_China_Banking_Corporation_.pdf">http://www.chinabank.ph/pdf/Minutes_of_the_2017_Annual_Meeting_of_Stockholders_of_China_Banking_Corporation_.pdf</a></li> </ul>
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2. The directors review meeting materials for all Board and Committee meetings.	Compliant		<p>The members of the Board are provided with materials within five (5) days prior to Board and Committee meeting.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>Corporate Governance Manual: Page 41 (Board Materials) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>2017 Annual Financial and Sustainability Report: Page 65 (Board Meetings) <a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></li> </ul>
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant	Provide information or link/reference to a document containing information on any questions raised or clarification/explanation sought by the directors	<p>The minutes of meetings reflect robust discussions by the Board on issues/proposals/initiatives presented by Management. Whenever necessary, or to arrive at an informed decision, Board members would seek clarification and/or explanation during the meetings.</p> <p>The corresponding minutes of meetings shall be made available upon validation.</p>

#### Recommendation 4.2

<p>1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.</p>	<p>Compliant</p>	<p>Disclose if the company has a policy setting the limit of board seats that a non-executive director can hold simultaneously.</p> <p>Provide information or reference to a document containing information on the directorships of the company's directors in both listed and non-listed companies</p>	<p>The Bank, 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. In relation to the limit on directorship of independent director and non-executive directors, the Bank policy follows the corresponding MORB provision which states that:</p> <p><i>"There shall be no limit in the number of covered companies a person may be elected as non-executive director or independent director, <u>except in conglomerates where an ID can only be elected up to five (5) listed companies within the conglomerate.</u> Each entity where the non-executive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement."</i></p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 4-8  <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
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#### Recommendation 4.3

1. The directors notify the company's board before accepting a directorship in another company.	Compliant	Provide copy of written notification to the board or minutes of board meeting wherein the matter was discussed.	<p>China Bank's directors are required to notify the Board before accepting a directorship in another company. The Bank's policy on multiple Board seats is included in the Corporate Governance Manual.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 31 (Multiple Board Seats / Interlocking / Concurrent Directorship)</p> <p><a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
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#### Optional: Principle 4

1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	Compliant		<p>The Bank's executive directors do not serve in more than two boards of listed companies outside of the group.</p> <p>Link/Reference:</p> <p>Directors' Profile</p> <p><a href="http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors">http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors</a></p>
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2. Company schedules board of directors' meetings before the start of the financial year.	Compliant		<p>Consistent with the provision in the Bank's By-Laws, regular meetings of the Board are set every first Wednesday of the month. This schedule is strictly being observed.</p> <p>Link/Reference:</p> <p>By-Laws  <a href="http://chinabank.ph/pdf/ChinaBank-By-Laws.pdf">http://chinabank.ph/pdf/ChinaBank-By-Laws.pdf</a> </p>
3. Board of directors meet at least six times during the year.	Compliant	Indicate the number of board meetings during the year and provide proof	<p>The Board of Directors had 17 meetings in 2017.</p> <p>Link/Reference:</p> <p>Board Attendance  <a href="http://www.chinabank.ph/corgov.aspx?title=Board+Matters">http://www.chinabank.ph/corgov.aspx?title=Board+Matters</a> </p>

4. Company requires as minimum quorum of at least 2/3 for board decisions.	Compliant	Indicate the required minimum quorum for board decisions	<p>It is the policy of the Bank to encourage all members of the Board to attend board meetings regularly.</p> <p>If a member of the Board cannot attend personally, subject to existing rules, he / she may participate in meetings through teleconference or videoconferencing.</p> <p>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.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 40 (Conduct of Meetings, Attendance and Quorum Requirement)  <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
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**Principle 5:** The board should endeavor to exercise an objective and independent judgment on all corporate affairs

**Recommendation 5.1**

<p>1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on the number of independent directors in the board</p>	<p>China Bank's Board of Directors has three (3) Independent Directors namely:</p> <p>Mr. Roberto F. Kuan Mr. Alberto S Yao Ms. Margarita L. San Juan</p> <p>Link/Reference:</p> <p>Results of the 2017 Re-organization meeting of the Board of Directors <a href="http://www.chinabank.ph/pdf/2017-05-04-CHIBPSEDisclosure-CHIB-Results-of-the-2017-Stockholders-and-Organizational-Meeting.pdf">http://www.chinabank.ph/pdf/2017-05-04-CHIBPSEDisclosure-CHIB-Results-of-the-2017-Stockholders-and-Organizational-Meeting.pdf</a></p> <p>The Bank has sought shareholders' approval last May 3, 2018, to increase the number of directors to 12 for the purpose of electing another Independent Director.</p>
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## Recommendation 5.2

<p>1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on the qualifications of the independent directors.</p>	<p>Each of the Independent Director nominated to the Board in 2017 certified that they possess all the qualifications and none of the disqualifications, as contained in the Bank's 2017 Definitive Information Statement.</p> <p>Link/Reference:</p> <p>2017 Definitive Information Statement (SEC 20-IS): Page 26-29  <a href="http://chinabank.ph/pdf/2017-04-03-CHIBPSEDisclosure-CHIB-definitive-SEC-20-IS-YE-2016-AMENDED.pdf">http://chinabank.ph/pdf/2017-04-03-CHIBPSEDisclosure-CHIB-definitive-SEC-20-IS-YE-2016-AMENDED.pdf</a></p>
<p><b>Supplement to Recommendation 5.2</b></p>			

<p>1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.</p>	<p>Compliant</p>	<p>Provide link/reference to a document containing information that directors are not constrained to vote independently.</p>	<p>The Bank is not aware of any shareholder agreement that constrain a director's ability to vote, but in accordance with the By-laws, and the Corporation Code, any stockholder who is not delinquent in his subscription shall be allowed to vote either in person or by proxy executed in writing by the stockholder.</p> <p>Link/Reference:</p> <p>2017 Definitive Information Statement (SEC 20-IS): Page 7-8  <a href="http://chinabank.ph/pdf/2017-04-03-CHIBPSEDisclosure-CHIB-definitive-SEC-20-IS-YE-2016-AMENDED.pdf">http://chinabank.ph/pdf/2017-04-03-CHIBPSEDisclosure-CHIB-definitive-SEC-20-IS-YE-2016-AMENDED.pdf</a></p>
<p><b>Recommendation 5.3</b></p>			

<p>1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document showing the years IDs have served as such.</p>	<p>In accordance with the Bank's CG Manual, an independent director shall serve for a cumulative term of nine (9) years, reckoned from 2012).</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• Corporate Governance Manual: Page 7 (Term Limits) <a href="http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>• Directors' Profile <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors">http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors</a></li> </ul>
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<p>2. The company bars an independent director from serving in such capacity after the term limit of nine years.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on the company's policy on term limits for its independent director</p>	<p>In accordance with the Bank's CG Manual, an independent director shall serve for a cumulative term of nine (9) years, reckoned from 2012). After the nine (9) years, the independent director shall be perpetually barred from re-election as such in the Bank. However, he may continue to qualify as a regular director of the Bank.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 7 (Term Limits) <a href="http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
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<p>3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.</p>	<p>Compliant</p>	<p>Provide reference to the meritorious justification and proof of shareholders' approval during the annual shareholders' meeting.</p>	<p>In 2017, there is no independent director of the Bank who has served for more than nine (9) years reckoned from 2012.</p> <p>The Independent Directors are:</p> <p>Ms. Margarita San Juan – served for one (1) year only  Mr. Alberto S. Yao – served for 5 (5) years only  Mr. Roberto F. Kuan – served for five (5) years only.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>Directors' Profile  <a href="http://chinabank.ph/about_chinabank.aspx?title=Board+of+Directors">http://chinabank.ph/about_chinabank.aspx?title=Board+of+Directors</a></li> <li>Corporate Governance Manual: Page 7 (Term Limits)  <a href="http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> </ul>
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#### Recommendation 5.4

1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Compliant	Identify the company's Chairman of the Board and Chief Executive Officer	<p>The position of the Chairman and the Chief Executive Officer are held by separate individuals.</p> <p>Mr. Hans T. Sy is the Chairman of the Board, while Mr. William C. Whang is the President.</p>
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<p>2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on the roles and responsibilities of the Chairman of the Board and Chief Executive Officer.</p> <p>Identify the relationship of Chairman and CEO.</p>	<p>The position of Chairman of the Board and President are held by two different people, and their roles are clearly distinct and separate. The Chairman and the President are not related to each other either by consanguinity or affinity.</p> <p>Chairman Hans T. Sy, being a non-executive Director, is not involved in the day-to-day operations of China Bank, but is responsible for the leadership and effective running of the Board, including maintaining a relationship of trust with Board members, promoting a sound decision-making process by encouraging critical discussion of dissenting views and ensure that the performance of the Board is evaluated at least once a year. He chairs Board meetings and makes certain that agenda is focused on strategic matters, including risks, arranges regular and/or separate sessions with the non-executive Directors to review Management's performance.</p> <p>The President, who reports to the Board, is ultimately responsible for managing China Bank's day-to-day operations, as well as the development and execution of the corporate and business strategies as established by the Board of Directors.</p>
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			<p>Links/References:</p> <ul style="list-style-type: none"> <li>• Corporate Governance Manual: Page 11 (Role of the Chairman) and Page 12-13 (Separation of Functions and Role of CEO) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>• 2017 Annual Financial and Sustainability Report: Page 63 (Chairman and Chief Executive Officer) <a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></li> </ul>
<b>Recommendation 5.5</b>			

<p>1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on a lead independent director and his roles and responsibilities, if any.</p> <p>Indicate if Chairman is independent.</p>	<p>Mr. Roberto F. Kuan is the Bank's lead Independent Director. His duties and responsibilities are in the CG Manual.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>Corporate Governance Manual: Page 7 <a href="http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>Results of the 2017 Stockholders' and Organizational Meeting: Page 2 (Appointment of Mr. Kuan as Lead Independent Director) <a href="http://www.chinabank.ph/pdf/2017-05-04-CHIBPSEDisclosure-CHIB-Results-of-the-2017-Stockholders-and-Organizational-Meeting.pdf">http://www.chinabank.ph/pdf/2017-05-04-CHIBPSEDisclosure-CHIB-Results-of-the-2017-Stockholders-and-Organizational-Meeting.pdf</a></li> </ul>
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**Recommendation 5.6**

<p>1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.</p>	<p>Compliant</p>	<p>Provide proof of abstention, if this was the case</p>	<p>Any director of the Bank who has an interest in the transaction shall not participate in the deliberation and shall abstain in the approval of the transaction.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 101 <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
<p><b>Recommendation 5.7</b></p>			

<p>1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.</p>	<p>Substantially Compliant</p>	<p>Provide proof and details of said meeting, if any.</p> <p>Provide information on the frequency and attendees of meetings.</p>	<p>To maintain objectivity and independence, periodic meetings between NEDs/Independent Directors (including the Lead Independent Director) and Heads of Compliance, Internal Audit and Risk are held in accordance with the relevant Committee Charters (i.e., Compliance Audit, Risk &amp; Corporate Governance). These meetings are conducted without the presence of management.</p> <p>The Bank's lead independent director, Mr. Roberto F. Kuan, chairs the Corporate Governance and is a member of the Audit Committee</p> <p>A meeting was likewise convened with the external auditor, IAD and members of the Audit Committee, without the presence of management.</p>
<p>2. The meetings are chaired by the lead independent director.</p>	<p>Substantially Compliant</p>		<p>Please refer to Annex 9 for the corresponding certification from the Corporate Secretary re: the meeting of the Audit Committee with the external auditors.</p>

**Optional: Principle 5**

1. None of the directors is a former CEO of the company in the past 2 years.	Compliant	Provide name/s of company CEO for the past 2 years	None of the directors is a former CEO of the Bank. The former President and CEO, Mr. Ricardo Chua retired last 31 October 2017. He assumed the position of Advisor to the Board last 01 November 2017.
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**Principle 6:** The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

**Recommendation 6.1**

1. Board conducts an annual self-assessment of its performance as a whole.	Compliant	Provide proof of self-assessments conducted for the whole board, the individual members, the Chairman and the Committees	<p>The Board conducts an annual review of the performance of the committees through a self-assessment. The Chairman's assessment is also undertaken together with the Board assessment. The results thereof are reported to the Board through the Corporate Governance Committee. Copies of the self-assessments are with the Corporate Governance Officer, and available for viewing by SEC.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 44 (Performance Evaluation)  <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
2. The Chairman conducts a self-assessment of his performance.	Compliant		
3. The individual members conduct a self-assessment of their performance.	Compliant		
4. Each committee conducts a self-assessment of its performance.	Compliant		



5. Every three years, the assessments are supported by an external facilitator.	Compliant	Identify the external facilitator and provide proof of use of an external facilitator.	Institute for Corporate Directors (ICD) served as the Bank's external facilitator.
Recommendation 6.2			
1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	Compliant	Provide information or link/reference to a document containing information on the system of the company to evaluate the performance of the board, individual directors and committees, including a feedback mechanism from shareholders.	As mentioned above, the performance assessment for the Board is done through self-assessment.  On the other hand, the Bank also welcomes communications on matters pertaining to the management of the Bank, stockholders' rights, or any other bank-related issues of importance. Stockholders who wish to communicate with any or all of the members of the China Bank Board of Directors may send letters to identified units / personnel.  Link/Reference:  Investors Information  <a href="http://www.chinabank.ph/corgov.aspx?title=Investors+Information">http://www.chinabank.ph/corgov.aspx?title=Investors+Information</a>
2. The system allows for a feedback mechanism from the shareholders.	Compliant		
Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			
Recommendation 7.1			

1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	Compliant	Provide information on or link/reference to the company's Code of Business Conduct and Ethics.	The Bank's core values are the foundation of the Bank's Code of Ethics, approved by the Board of Directors. The Bank's Human Resources Division ensures that every China Bank employee is aware of and upholds the Code. In order to promote compliance with the Code, all new employees are given a copy of the Code of Ethics booklet and undergo the New Employees' Orientation Course (NEOC) wherein the Code is comprehensively discussed.
2. The Code is properly disseminated to the Board, senior management and employees.	Compliant	Provide information on or discuss how the company disseminated the Code to its Board, senior management and employees.	<p>Link/Reference:</p> <p>Code of Business Conduct and Ethics  <a href="http://www.chinabank.ph/corgov.aspx?title=Code+of+Business+Conduct+and+Ethics">http://www.chinabank.ph/corgov.aspx?title=Code+of+Business+Conduct+and+Ethics</a></p> <p>The elements of a Code of Ethics are currently incorporated in the Corporate Governance Manual. These includes guiding principles on the performance of their duties in accordance with the fit and proper rules, compliance with the disclosure and insider trading policy, as well as rules on related party transactions.</p>
3. The Code is disclosed and made available to the public through the company website.	Compliant	Provide a link to the company's website where the Code of Business Conduct and Ethics is posted/disclosed.	The foregoing rules will be codified to form part of, or appended to the Corporate Governance Manual.

**Supplement to Recommendation 7.1**

<p>1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.</p>	<p>Compliant</p>	<p>Provide information on or link/reference to a document containing information on the company's policy and procedure on curbing and penalizing bribery</p>	<p>The applicable violations for each provision in the Bank's Code of Ethics are stated below:</p> <p><b>Honesty (Table 6.1, Page 17)</b>  Fraud, soliciting money, gifts, shares, benefits or favors from any person or through mediation of another as a condition for the performance of one's duty</p> <p><b>Proper Conduct and Behavior (Table 6.3, Page 21)</b>  Offering or receiving money or other valuable consideration in exchange for a job, position or better working condition; Offering, soliciting or receiving anything of value to perform any act/activity prejudicial to the interest of the Bank; Borrowing/solicitation of personal business from clients</p> <p><b>Conflict of Interest (Table 6.7, Page 30)</b>  Having direct or indirect financial interests that conflict or appear to conflict with his duties and responsibilities as an employee of the Bank</p> <p>Link/Reference:</p> <p>Code of Ethics  <a href="http://www.chinabank.ph/pdf/CBC-CODE-OF-ETHICS.pdf">http://www.chinabank.ph/pdf/CBC-CODE-OF-ETHICS.pdf</a></p>
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Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Compliant	<p>Provide proof of implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.</p> <p>Indicate who are required to comply with the Code of Business Conduct and Ethics and any findings on non-compliance.</p>	<p>The Board requires full compliance with the Code of Ethics. The Board, through Human Resources Group (HRG), ensures that every employee is aware of and upholds the Code. To promote compliance with the Code, all new employees are given a copy of the Code of Ethics booklet and undergo the New Employees' Orientation Course (NEOC) wherein the Code is comprehensively discussed.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>Code of Business Conduct and Ethics <a href="http://chinabank.ph/corgov.aspx?title=Code+of+Business+Conduct+and+Ethics">http://chinabank.ph/corgov.aspx?title=Code+of+Business+Conduct+and+Ethics</a></li> <li>Annual Financial and Sustainability Report: Page 74 (Code of Ethics) <a href="http://www.chinabank.ph/corgov.aspx?title=Annual+Report">http://www.chinabank.ph/corgov.aspx?title=Annual+Report</a></li> </ul>

<p>2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.</p>	<p>Compliant</p>		<p>The Board, through Management &amp; HRG, ensures proper and efficient implementation &amp; monitoring of compliance with internal policies. The Code of Ethics require employees to comply with all established procedures of the Bank, breach thereof is subject to a disciplinary process / administrative investigation proceedings by HRG.</p> <p>Link/Reference:</p> <p>Code of Ethics: Page 8 (Compliance with Standard Operating Policies and Procedures)  <a href="http://www.chinabank.ph/pdf/CBC-CODE-OF-ETHICS.pdf">http://www.chinabank.ph/pdf/CBC-CODE-OF-ETHICS.pdf</a></p> <p>Moreover, compliance to internal policies forms part of compliance testing &amp; audit by the Compliance Office &amp; Internal Audit, respectively. Test results are reported to the Compliance Committee and Audit Committee of the Board.</p>
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#### Disclosure and Transparency

**Principle 8:** The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

#### Recommendation 8.1

<p>1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.</p>	<p>Compliant</p>	<p>Provide information on or link/reference to the company's disclosure policies and procedures including reports distributed/made available to shareholders and other stockholders</p>	<p>China Bank strongly believes that disclosure of relevant information about the Bank to its shareholders and other stakeholders is crucial for them to make an informed decision. Relevant information are timely disclosed in its website. In accordance with its Corporate Governance Manual, the Bank continuously expands its public disclosure requirements and ensures observance of expectations and requirements prescribed under relevant laws, rules and regulations, and industry standards on disclosure.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• Corporate Governance Manual: Page 98 (Access to Relevant Information) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>• Company Disclosures and Investor Relations <a href="http://www.chinabank.ph/corgov.aspx">http://www.chinabank.ph/corgov.aspx</a></li> </ul>
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**Supplement to Recommendations 8.1**

<p>1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.</p>	<p>Compliant</p>	<p>Indicate the number of days within which the consolidated and interim reports were published, distributed or made available from the end of the fiscal year and end of the reporting period, respectively.</p>	<p>The audited 2017 financial statement was disclosed in PSE Edge on March 1, 2018. Quarterly reports are submitted to PSE and SEC within 45 days from quarter-end.</p> <p>Interim reports are likewise published within 45 days from end of the reporting period.</p> <p>Link/Reference :</p> <p>SEC Form 17-Q <a href="http://www.chinabank.ph/corgov.aspx?title=SEC+Form+17-Q+(Quarterly+Report)">http://www.chinabank.ph/corgov.aspx?title=SEC+Form+17-Q+(Quarterly+Report)</a></p>
<p>2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.</p>	<p>Compliant</p>	<p>Provide link or reference to the company's annual report where the following are disclosed:</p> <ol style="list-style-type: none"> <li>1. principal risks to minority shareholders associated with the identity of the company's controlling shareholders;</li> <li>2. cross-holdings among company affiliates; and</li> <li>3. any imbalances between the controlling shareholders' voting power and overall equity position in the company.</li> </ol>	<p>The Bank's controlling shareholders are disclosed in the Bank's 2017 Annual Report (SEC Form 17-A), under Item no. 11, pages 67-68, including the risk associated with the identity of the Beneficial Owners.</p> <p>Link/Reference:</p> <p>2017 Annual Report (SEC Form 17-A) Page 67-68 (Item 11) <a href="http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf">http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf</a></p>

## Recommendation 8.2



<p>1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.</p>	<p>Compliant</p>	<p>Provide information on or link/reference to the company's policy requiring directors and officers to disclose their dealings in the company's share.</p> <p>Indicate actual dealings of directors involving the corporation's shares including their nature, number/percentage and date of transaction.</p>	<p>In accordance with the Bank's updated Corporate Governance Manual, the directors are required to disclose their dealings in Bank shares within three business days after the transaction.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>Corporate Governance Manual: Page 97 (Dealings of Directors in Bank Shares) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>Statement of Beneficial Ownership <a href="http://www.chinabank.ph/corgov.aspx?title=SEC+Form+23-A/B+(Statement+of+Beneficial+Ownership)">http://www.chinabank.ph/corgov.aspx?title=SEC+Form+23-A/B+(Statement+of+Beneficial+Ownership)</a></li> </ul>
<p>2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.</p>	<p>Non-Compliant</p>		<p>In compliance with PSE requirements, all dealings of Principal Officers are disclosed/reported within three business days.</p> <p>We will enhance our internal policy to include all officers with access to the Bank's material and non-public information, in the disclosure requirement.</p>

**Supplement to Recommendation 8.2**

<p>1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).</p>	<p>Compliant</p>	<p>Provide information on or link/reference to the shareholdings of directors, management and top 100 shareholders.</p> <p>Provide link or reference to the company's Conglomerate Map.</p>	<p>The information regarding record and beneficial owners, and shareholdings of directors and executive officers are contained in the Annual Financial and Sustainability Report.</p> <p>Link/Reference:</p> <p>2017 Annual Financial and Sustainability Report: Page 70 (Conglomerate Map) and Page 79-80 (Information for Stockholders)</p> <p><a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></p>
<p><b>Recommendation 8.3</b></p>			

1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	Provide link or reference to the directors' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended.	<p>All relevant information about the Bank's directors and key officers are available in the website.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>Directors' Profile <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors">http://www.chinabank.ph/about_china_bank.aspx?title=Board+of+Directors</a></li> <li>2017 Annual Financial and Sustainability Report: Page 64 (Board Orientation and Training Program) <a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></li> </ul>
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	Provide link or reference to the key officers' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended.	<ul style="list-style-type: none"> <li>Management Committee <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Management+Committee">http://www.chinabank.ph/about_china_bank.aspx?title=Management+Committee</a></li> <li>Public Ownership Report (as of December 31, 2017) <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Management+Committee">http://www.chinabank.ph/about_china_bank.aspx?title=Management+Committee</a></li> </ul>

#### Recommendation 8.4

<p>1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.</p>	<p>Compliant</p>	<p>Disclose or provide link/reference to the company policy and practice for setting board remuneration</p>	<p>Executive Directors are entitled to a per diem of P500.00 for attendance at each Board/board Committee meeting and to 4% of the Bank's net earnings. Executive Directors are appointed under standard employment terms, which include provisions for basic salary and performance bonus, depending on their performance, banking experience, employment status, position, and rank in the Bank.</p> <p>Non-executive Directors, do not receive any performance-related compensation.</p> <p>Link/Reference:</p> <p>Article 4, Section 11 of the By-Laws (per diem)  <a href="http://www.chinabank.ph/pdf/ChinaBank-By-Laws.pdf">http://www.chinabank.ph/pdf/ChinaBank-By-Laws.pdf</a></p>
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<p>2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.</p>	<p>Compliant</p>	<p>Disclose or provide link/reference to the company policy and practice for determining executive remuneration</p>	<p>A proportion of the executive directors' remuneration, as reviewed by the Compensation &amp; Remuneration Committee, should be structured so as to link reward to corporate and individual performance.</p> <p>No director should be involved in deciding his/her own remuneration.</p> <p>The annual report, information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year.</p> <ul style="list-style-type: none"> <li>• Directors are entitled to a per diem of P500.00 for attendance at each Board/board Committee meeting and to 4% of the Bank's net earnings. Executive Directors are appointed under standard employment terms, which include provisions for basic salary and performance bonus, depending on their performance, banking experience, employment status, position, and rank in the Bank.</li> <li>• Non-executive Directors do not receive any performance-related compensation.</li> </ul>
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			<p>Link/Reference:</p> <p>By-Laws (Article 4, Section 11)  <a href="http://chinabank.ph/pdf/ChinaBank-By-Laws.pdf">http://chinabank.ph/pdf/ChinaBank-By-Laws.pdf</a> </p>
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	Non-compliant	Provide breakdown of director remuneration and executive compensation, particularly the remuneration of the CEO.	<p>Remuneration of Directors are disclosed in aggregate, together with the remuneration of certain senior executives in the Bank's 2017 Definitive Information Statement submitted to the SEC.</p> <p>Link/Reference:</p> <p>2017 Definitive Information Statement: Page 20  <a href="http://chinabank.ph/pdf/2017-04-03-CHIBPSEDisclosure-CHIB-definitive-SEC-20-IS-YE-2016-AMENDED.pdf">http://chinabank.ph/pdf/2017-04-03-CHIBPSEDisclosure-CHIB-definitive-SEC-20-IS-YE-2016-AMENDED.pdf</a> </p>
<b>Recommendation 8.5</b>			

<p>1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.</p>	<p>Compliant</p>	<p>Disclose or provide reference/link to company's RPT policies</p> <p>Indicate if the director with conflict of interest abstained from the board discussion on that particular transaction.</p>	<p>The Bank's Corporate Governance Manual contains relevant policies on related party transactions.</p> <p>In accordance with the said policy, "In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction."</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>Corporate Governance Manual: Page 58 (Item 11.1, Related Party Transaction Committee) and Page 100-101 (Related Party Transactions) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>Related Party Transaction Policy <a href="http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies">http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies</a></li> </ul>
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<p>2. Company discloses material or significant RPTs reviewed and approved during the year.</p>	<p>Compliant</p>	<p>Provide information on all RPTs for the previous year or reference to a document containing the following information on all RPTs:</p> <ol style="list-style-type: none"> <li>1. name of the related counterparty;</li> <li>2. relationship with the party;</li> <li>3. transaction date;</li> <li>4. type/nature of transaction;</li> <li>5. amount or contract price;</li> <li>6. terms of the transaction;</li> <li>7. rationale for entering into the transaction;</li> <li>8. the required approval (i.e., names of the board of directors approving, names and percentage of shareholders who approved) based on the company's policy; and</li> <li>9. other terms and conditions</li> </ol>	<p>The list of the Bank's material RPTs reviewed by the RPT Committee in 2017 are disclosed in the Bank's 2018 Definitive Information Statement.</p> <p>Link/Reference:</p> <p>2017 Definitive Information Statement: Page 21-24 (Material RPTs)  <a href="http://chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf">http://chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf</a></p>
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**Supplement to Recommendation 8.5**



<p>1. Company requires directors to disclose their interests in transactions or any other conflict of interests.</p>	<p>Compliant</p>	<p>Indicate where and when directors disclose their interests in transactions or any other conflict of interests.</p>	<p>Directors are required to fully disclose any personal interest that they may have in credit transactions. Directors with personal interest in a transaction shall not participate in any deliberation, approval, or voting on the matter.</p> <p>RPTs of directors are reported to the BSP and presented for ratification during the annual stockholders meeting. RPTs are also disclosed in the Definitive Information Statement.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>Corporate Governance Manual: Page 100-101 (Related Party Transactions) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>Related Party Transaction Policy <a href="http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies">http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies</a></li> </ul>
<p><b>Optional : Recommendation 8.5</b></p>			

<p>1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.</p>	<p>Compliant</p>	<p>Provide link or reference where this is disclosed, if any</p>	<p>RPTs are thoroughly reviewed and verified as having been entered into in the best interest of the Bank, in the ordinary course of business and on substantially same terms as those prevailing at the time for comparable transactions with other parties, as required under the RPT policy.</p> <p>Material RPTs are reported to the BSP, disclosed in the DIS and presented for ratification during the Annual Shareholders meeting.</p> <p>Link/Reference:</p> <ul style="list-style-type: none"> <li>• Corporate Governance Manual: Page 100-101 (Related Party Transactions) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>• Related Party Transaction Policy <a href="http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies">http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies</a></li> </ul>
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#### Recommendation 8.6

<p>1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.</p>	<p>Compliant</p>	<p>Provide link or reference where this is disclosed</p>	<p>Material transactions, particularly on the acquisitions or disposal of significant assets, are timely disclosed in accordance with PSE &amp; SEC rules on disclosures. All disclosures are posted in the website. Additionally, material acquisitions / disposals are included in the Definitive Information Statement.</p> <p>Link/References:</p> <ul style="list-style-type: none"> <li>• 2017 Definitive Information Statement <a href="http://chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf">http://chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf</a></li> <li>• Corporate Disclosures <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Corporate+Disclosures">http://www.chinabank.ph/about_china_bank.aspx?title=Corporate+Disclosures</a></li> </ul>
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<p>2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.</p>	<p>Compliant</p>	<p>Identify independent party appointed to evaluate the fairness of the transaction price</p> <p>Disclose the rules and procedures for evaluating the fairness of the transaction price, if any.</p>	<p>The Bank's Corporate Governance Manual requires the Board to appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets. If the acquisition or disposal is a RPT, the rules &amp; procedures under the RPT policy shall apply.</p> <p>The fair values of the transaction price are determined by independent external (those with book value of P5 million and above) or in-house appraisers.</p> <p>In 2017, Professional Asset Valuers Inc. (PAVI) has been engaged to assist the Bank in valuation.</p>
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#### Supplement to Recommendation 8.6

<p>1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.</p>	<p>Compliant</p>	<p>Provide link or reference where these are disclosed.</p>	<p>These information are disclosed in the Bank's Definitive Information Statement.</p> <p>Link/Reference:</p> <p>2017 Definitive Information Statement (SEC 20-IS): Page 9 (Item B.4.d, Security Ownership of Certain Record and Beneficial Owners and Management)  <a href="http://www.chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf">http://www.chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf</a></p>
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#### Recommendation 8.7

1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	Provide link to the company's website where the Manual on Corporate Governance is posted.	<p>China Bank's Corporate Governance Manual aims to institutionalize the principles of good corporate governance in the organization.</p> <p>The latest revised version has been duly submitted to SEC and PSE, and posted accordingly in the website.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual  <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a> </p>
2. Company's MCG is submitted to the SEC and PSE.	Compliant		
3. Company's MCG is posted on its company website.	Compliant		

#### Supplement to Recommendation 8.7

1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	Compliant	Provide proof of submission.	<p>The corresponding memo addressed to PSE and the proof of receipt from SEC are found on the first two pages of the manual.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual  <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a> </p>
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#### Optional: Principle 8

1. Does the company's Annual Report disclose the following information:	Compliant	Provide link or reference to the company's Annual Report containing the said information.	The required information are disclosed in the Bank's 2017 Annual Report (SEC 17-A) and/or Annual Financial and Sustainability Report. The corresponding links/references are as follows:
a. Corporate Objectives	Compliant		2017 Annual Financial and Sustainability Report: Page 15 (Our Plans) <a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a>
b. Financial performance indicators	Compliant		<ul style="list-style-type: none"> <li>2017 Annual Report (SEC 17-A): Page 219 (Financial Performance) and Page 240 (Schedule I – Financial Soundness Indicators) <a href="http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf">http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf</a></li> <li>2017 Annual Financial and Sustainability Report: Page 4-5 (Financial Performance) <a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></li> </ul>
c. Non-financial performance indicators	Compliant		2017 Annual Financial and Sustainability Report: Page 6-7 (Non-Financial Highlights) <a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a>

d. Dividend Policy	Compliant		2017 Annual Report (SEC 17-A): Page 77-78 (Dividend Policy) <a href="http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf">http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf</a>
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	Compliant		2017 Annual Report (SEC 17-A): Page 59-61 (Incumbent Directors and Advisors) <a href="http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf">http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf</a>
f. Attendance details of each director in all directors meetings held during the year	Compliant		2017 Annual Report (SEC 17-A): Page 61 (Board Attendance and Page 73-75 (Board Committee Attendance) <a href="http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf">http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf</a>
g. Total remuneration of each member of the board of directors	Compliant		2017 Annual Report (SEC 17-A): Page 67 (Executive Compensation) <a href="http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf">http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf</a>

<p>2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.</p>	<p>Compliant</p>	<p>Provide link or reference to where this is contained in the Annual Report</p>	<p>"Based on the results of the 2017 evaluation, there are no significant deviations and in general, the Bank has fully complied with the provisions and requirements of the Corporate Governance Manual."</p> <p>Link/Reference:</p> <p>2017 Annual Financial and Sustainability Report: Page 68 (Board Evaluation System)</p> <p><a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></p>
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<p>3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.</p>	<p>Compliant</p>	<p>Provide link or reference to where this is contained in the Annual Report</p>	<p>The Board is responsible for the establishment and review of the Bank's system of internal controls. China Bank's internal control system is comprised of a robust compliance system, an enterprise risk management function and an internal audit function. It follows a well-defined organizational structure with clear authorities, responsibilities and operating procedures.</p> <p>Link/Reference:</p> <p>2017 Annual Financial and Sustainability Report: Page 71 (Internal Controls)  <a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></p>
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<p>4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.</p>	<p>Compliant</p>	<p>Provide link or reference to where this is contained in the Annual Report</p>	<p>"Based on the Audit Committee's continuing review and monitoring of the Bank's internal control system, in 2017, material controls, risk management systems and framework remain adequate and effective to the Bank's size and complexity of transactions."</p> <p>Link/Reference:</p> <p>2017 Annual Financial and Sustainability Report: Page 71 (Internal Controls)  <a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></p>
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<p>5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, and economic).</p>	<p>Compliant</p>	<p>Provide link or reference to where these are contained in the Annual Report</p>	<p>China Bank recognizes that the business of banking entails risk and the key to long-term success is proper risk mitigation. The Bank's corporate governance structure keeps pace with these changing risks thru a risk management program that calls for a continuing reassessment of risks and controls and timely reporting to the Board.</p> <p>The risks to which the Bank is exposed are discussed in its Financial and Sustainability Report.</p> <p>Link/Reference:</p> <p>2017 Annual Financial and Sustainability Report: Page 71-73 (Risk Management)  <a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></p>
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**Principle 9:** The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

**Recommendation 9.1**

<p>1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.</p>	<p>Compliant</p>	<p>Provide information or link/reference to a document containing information on the process for approving and recommending the appointment, reappointment, removal and fees of the company's external auditor.</p>	<p>The Audit Committee exercises oversight of external auditors. It is primarily responsible for the selection and appointment of these auditors, subject to stockholder ratification.</p> <p>The Committee also facilitates the approval / disapproval of the corresponding service fees. Moreover, they handle the performance evaluation and if necessary, the dismissal of the external auditors.</p> <p>The related provisions are stipulated under the Audit Committee Charter.</p> <p>Link/Reference:</p> <p>Audit Committee Charter  <a href="http://www.chinabank.ph/pdf/Audit-Committee-Charter-2017.pdf">http://www.chinabank.ph/pdf/Audit-Committee-Charter-2017.pdf</a></p>
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<p>2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.</p>	<p>Compliant</p>	<p>Indicate the percentage of shareholders that ratified the appointment, reappointment, removal and fees of the external auditor.</p>	<p>As indicated in the Audit Committee Charter, the appointment of the Bank's incumbent external auditor, SGV &amp; Co. has been presented to, and duly ratified by the stockholders.</p> <p>100% of the stockholders in attendance voted for the appointment of SGV &amp; Co. and its partner-in-charge Mr. Ray Francis C. Balagtas, last May 4, 2017.</p> <p>Link/Reference:</p> <p>Minutes of the 2017 Annual Stockholders Meeting  <a href="http://www.chinabank.ph/pdf/Minutes_of_the_2017_Annual_Meeting_of_Stockholders_of_China_Banking_Corporation.pdf">http://www.chinabank.ph/pdf/Minutes_of_the_2017_Annual_Meeting_of_Stockholders_of_China_Banking_Corporation.pdf</a></p>
<p>3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.</p>	<p>Not applicable</p>	<p>Provide information on or link/reference to a document containing the company's reason for removal or change of external auditor.</p>	<p>The incumbent external auditor of the Bank, SGV and Co. was re-elected in 2017.</p> <p>Link/Reference:</p> <p>Minutes of the 2017 Annual Stockholders' Meeting: Page 8 (Appointment of External and Internal Auditors)  <a href="http://www.chinabank.ph/pdf/Minutes_of_the_2017_Annual_Meeting_of_Stockholders_of_China_Banking_Corporation.pdf">http://www.chinabank.ph/pdf/Minutes_of_the_2017_Annual_Meeting_of_Stockholders_of_China_Banking_Corporation .pdf</a></p>

Supplement to Recommendation 9.1			
1. Company has a policy of rotating the lead audit partner every five years.	Compliant	Provide information on or link/reference to a document containing the policy of rotating the lead audit partner every five years.	<p>The Bank's external auditor shall be rotated or the signing partner shall be changed every five years or earlier.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 86 (Rotation of the External Auditor)  <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
Recommendation 9.2			
<p>1. Audit Committee Charter includes the Audit Committee's responsibility on:</p> <ul style="list-style-type: none"> <li>i. assessing the integrity and independence of external auditors;</li> <li>ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and</li> <li>iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</li> </ul>	Compliant	Provide link/reference to the company's Audit Committee Charter	<p>The responsibilities of the Audit Committee are discussed in the Charter.</p> <p>Link/Reference:</p> <p>Audit Committee Charter: Page 2-4 (Duties and Responsibilities)  <a href="http://www.chinabank.ph/pdf/Audit-Committee-Charter-2017.pdf">http://www.chinabank.ph/pdf/Audit-Committee-Charter-2017.pdf</a></p>

2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	Compliant	Provide link/reference to the company's Audit Committee Charter	<p>As specified in the Audit Committee Charter, the Committee has the responsibility to oversee the external auditors.</p> <p>Link/Reference:</p> <p>Audit Committee Charter: Page 4 (Oversight of External Auditors)  <a href="http://www.chinabank.ph/pdf/Audit-Committee-Charter-2017.pdf">http://www.chinabank.ph/pdf/Audit-Committee-Charter-2017.pdf</a></p>
<b>Supplement to Recommendations 9.2</b>			
1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	Compliant	Provide link/reference to the company's Audit Committee Charter	<p>The Audit Committee is tasked to evaluate the qualifications, performance, competence and independence of the external auditors.</p> <p>Link/Reference:</p> <p>Audit Committee Charter: Page 4 (Oversight of External Auditors)  <a href="http://www.chinabank.ph/pdf/Audit-Committee-Charter-2017.pdf">http://www.chinabank.ph/pdf/Audit-Committee-Charter-2017.pdf</a></p>

<p>2. Audit Committee ensures that the external auditor has adequate quality control procedures.</p>	<p>Compliant</p>	<p>Provide link/reference to the company's Audit Committee Charter</p>	<p>The Audit Committee is likewise responsible in reviewing and discussing the scope and plan of the annual audit, including coordination of audit effort with internal audit and rotation process of the external auditor/firm.</p> <p>Link/Reference:</p> <p>Audit Committee Charter: Page 4 (Oversight of External Auditors) <a href="http://www.chinabank.ph/pdf/Audit-Committee-Charter-2017.pdf">http://www.chinabank.ph/pdf/Audit-Committee-Charter-2017.pdf</a></p>
<p><b>Recommendation 9.3</b></p>			



<p>1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.</p>	<p>Compliant</p>	<p>Disclose the nature of non-audit services performed by the external auditor, if any.</p>	<p>The non-audit services rendered by SGV &amp; Co. / Ernst &amp; Young cover the independent validation of votes in the annual stockholders' meeting and the compliance certificate issued to the international bank lenders.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• 2017 Annual Report (SEC-17-A): Page 58 (Item 7. Financial Statements) <a href="http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf">http://www.chinabank.ph/pdf/2018-04-16-CHIBPSEDisclosure-2017-SEC-17-A-Annual-Report.pdf</a></li> <li>• 2017 Annual Financial and Sustainability Report: Page 74 (External Audit) <a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></li> </ul>
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<p>2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.</p>	<p>Compliant</p>	<p>Provide link or reference to guidelines or policies on non-audit services</p>	<p>The Bank's Audit Committee is responsible for the review and confirmation of the independence of external auditors by obtaining statements regarding the relationship between the auditors and Bank, including non-audit services, and discussing the relationships with the auditors.</p> <p>Relative to this, the Audit Committee discussed, approved, and authorized to engage the services of SGV &amp; Co. / Ernst &amp; Young in non-audit work for the independent validation of votes in the annual stockholders' meeting and for the compliance certificate issued to the international bank lenders.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 49-51 (Audit Committee's Responsibilities on Internal and External Audits)  <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
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**Supplement to Recommendation 9.3**

<p>1. Fees paid for non-audit services do not outweigh the fees paid for audit services.</p>	<p>Compliant</p>	<p>Provide information on audit and non-audit fees paid.</p>	<p>In 2017, the Banks independent accountant, SGV &amp; Co. was paid the following fees:</p> <p>Audit and other related fees – P 8,192,800 All other fees – P 254,240</p> <p>It is evident that the non-audit fees did not outweigh the fees for audit services.</p> <p>Link/Reference:</p> <p>2017 Definitive Information Statement: Page 25 (Independent Public Accountants) <a href="http://www.chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf">http://www.chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf</a></p>
<p><b>Additional Recommendation to Principle 9</b></p>			

<p>1. Company's external auditor is duly accredited by the SEC under Group A category.</p>	<p>Compliant</p>	<p>Provide information on company's external auditor, such as:</p> <ol style="list-style-type: none"> <li>1. Name of the audit engagement partner;</li> <li>2. Accreditation number;</li> <li>3. Date Accredited;</li> <li>4. Expiry date of accreditation; and</li> <li>5. Name, address, contact number of the audit firm.</li> </ol>	<p>The corresponding details are as follows:</p> <p>Ray Francis C. Balagtas SEC Accreditation No. 1510-A (Group A), October 1, 2015, valid until September 30, 2018</p> <p>Sycip, Gorres, Velayo &amp; Co. 6760 Ayala Avenue Makati City/1226, Philippines 891 0307</p> <p>Link/Reference:</p> <p>2017 Definitive Information Statement: Page 25 (Independent Public Accountants) <a href="http://www.chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf">http://www.chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf</a></p>
<p>2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).</p>	<p>Compliant</p>	<p>Provide information on the following:</p> <ol style="list-style-type: none"> <li>1. Date it was subjected to SOAR inspection, if subjected;</li> <li>2. Name of the Audit firm; and</li> <li>3. Members of the engagement team inspected by the SEC.</li> </ol>	<p>SGV has not yet been subjected to SOAR inspection. Per SEC Memo Circular 9 on the Rules &amp; Regulation on the implementation of the SEC Oversight Assurance Review Inspection Program dated Aug 18, 2017, the selection of accredited firms and engagement partners for SOAR review is risk-based, so dependent on SEC.</p>

**Principle 10:** The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.

**Recommendation 10.1**

<p>1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.</p>	<p>Compliant</p>	<p>Disclose or provide link on the company's policies and practices on the disclosure of non-financial information, including EESG issues.</p>	<p>China Bank believes that the best barometer for success is the fulfillment of its responsibilities not just to its shareholders, but to its customers, employees, communities, and the environment as well.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 103-104 (Sustainability, Environment, Social and Non-Financial Information)  <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
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<p>2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.</p>	<p>Compliance</p>	<p>Provide link to Sustainability Report, if any. Disclose the standards used.</p>	<p>Bank's disclosure of its EESG policies and practices in the Annual Report is its testimony on adherence to sustainability best practices.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• Corporate Governance Manual: Page 103-104 (Sustainability, Environment, Social and Non-Financial Information) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>• 2017 Annual Financial and Sustainability Report: Page 44-81 (Environmental, Social and Governance section) <a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></li> <li>• Environmental, Social and Governance <a href="http://www.chinabank.ph/corgov.aspx?title=Environmental,+Social+and+Governance+(ESG)">http://www.chinabank.ph/corgov.aspx?title=Environmental,+Social+and+Governance+(ESG)</a></li> </ul>
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**Principle 11:** The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

**Recommendation 11.1**

<p>1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.</p>	<p>Compliant</p>	<p>Disclose and identify the communication channels used by the company (i.e., website, Analyst's briefing, Media briefings /press conferences, Quarterly reporting, Current reporting, etc.). Provide links, if any.</p>	<p>The Bank is committed to a high standard of disclosure and transparency to facilitate understanding of the Bank's true financial condition and the quality of our corporate governance. All material information about China Bank is adequately and punctually disclosed, in accordance with SEC and PSE's disclosure policy.</p> <p>The Investor Relations Office briefs industry and credit analysts on the Bank's operational and financial results, current developments, prospects and projections. Press releases and updates are also available under News and Happenings in the website.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>Analyst Briefing and Presentation for Investors <a href="http://www.chinabank.ph/corgov.aspx?title=Analyst+Briefing+and+Presentation+for+Investors">http://www.chinabank.ph/corgov.aspx?title=Analyst+Briefing+and+Presentation+for+Investors</a></li> <li>News and Happenings <a href="http://www.chinabank.ph/news.aspx">http://www.chinabank.ph/news.aspx</a></li> </ul>
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**Supplemental to Principle 11**

1. Company has a website disclosing up-to-date information on the following:	Compliant	Provide link to company website	The Bank's website contains the mentioned items. The links/references are as follows:
a. Financial statements/reports (latest quarterly)	Compliant		SEC Form 17Q (Quarterly Report) <a href="http://www.chinabank.ph/corgov.aspx?title=SEC+Form+17-Q+(Quarterly+Report)">http://www.chinabank.ph/corgov.aspx?title=SEC+Form+17-Q+(Quarterly+Report)</a>
b. Materials provided in briefings to analysts and media	Compliant		Analyst Briefing and Presentation for Investors <a href="http://www.chinabank.ph/corgov.aspx?title=Analyst+Briefing+and+Presentation+for+Investors">http://www.chinabank.ph/corgov.aspx?title=Analyst+Briefing+and+Presentation+for+Investors</a>
c. Downloadable annual report	Compliant		Annual Report <a href="http://www.chinabank.ph/corgov.aspx?title=Annual+Report">http://www.chinabank.ph/corgov.aspx?title=Annual+Report</a>
d. Notice of ASM and/or SSM	Compliant		Annual Stockholders' Meeting (Notice) <a href="http://www.chinabank.ph/corgov.aspx?title=Annual+Stockholders+Meetings">http://www.chinabank.ph/corgov.aspx?title=Annual+Stockholders+Meetings</a>
e. Minutes of ASM and/or SSM	Compliant		Annual Stockholders' Meeting (Minutes) <a href="http://www.chinabank.ph/corgov.aspx?title=Annual+Stockholders+Meetings">http://www.chinabank.ph/corgov.aspx?title=Annual+Stockholders+Meetings</a>
f. Company's Articles of Incorporation and By-Laws	Compliant		Our Company (Amended Articles of Incorporation and By-Laws) <a href="http://www.chinabank.ph/corgov.aspx?title=Our+Company">http://www.chinabank.ph/corgov.aspx?title=Our+Company</a>

**Additional Recommendation to Principle 11**



1. Company complies with SEC-prescribed website template.	Compliant		The Bank's website contains the required items / sections as prescribed under SEC Memo Circular No. 11, Series of 2014.
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#### Internal Control System and Risk Management Framework

**Principle 12:** To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.

#### Recommendation 12.1

1. Company has an adequate and effective internal control system in the conduct of its business.	Compliant	<p>List quality service programs for the internal audit functions.</p> <p>Indicate frequency of review of the internal control system</p>	<p>A Quality Assurance Department within the Internal Audit Division has been set up since 2012. Likewise, a Quality Assurance Improvement Program has been developed &amp; maintained for the internal audit functions/activities. Internal Audit also underwent External Quality Assessment Review in 2015 by P &amp; A, and received a "Generally Conforms" certificate.</p> <p>Please refer to Annex 10 for a copy of the certificate.</p> <p>The review of internal control systems is performed annually. The Annual Audit Plan is prepared using the risk-based audit methodology.</p>
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<p>2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.</p>	<p>Compliant</p>	<p>Identify international framework used for Enterprise Risk Management</p> <p>Provide information or reference to a document containing information on:</p> <ol style="list-style-type: none"> <li>1. Company's risk management procedures and processes</li> <li>2. Key risks the company is currently facing</li> <li>3. How the company manages the key risks</li> </ol> <p>Indicate frequency of review of the enterprise risk management framework.</p>	<p>The Bank's Enterprise Risk Management Program is derived from and adheres to a number of regulatory and industry standards such as the Basel Capital Accord, Information System's Audit &amp; Control Association (ISACA's)-COBIT &amp; Risk IT Frameworks, ISO 22301-Business Continuity Management Systems Requirements, United Nations International Strategy for Disaster Reduction (UNISDR/ARISE) - Sendai Framework for Disaster Risk Reduction and BSP regulations on Corporate Governance and Risk Management Guidelines.</p> <p>These information are contained in the Risk Management Manual which is uploaded to the Bank's internal public folder.</p> <p>The review is done on a quarterly basis.</p>
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**Supplement to Recommendations 12.1**

<p>1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.</p>	<p>Compliance</p>	<p>Provide information on or link/reference to a document containing the company's compliance program covering compliance with laws and relevant regulations.</p> <p>Indicate frequency of review.</p>	<p>The Bank's Compliance Program was <b>developed</b> to put in place a culture of compliance, anticipate, reinforce and strengthen the Bank's compliance with existing laws, rules and regulations. It aims to implement a compliance system which will provide reasonable assurance that the Bank and its employees are duly informed and/or trained in order to comply with relevant banking and corporate laws, regulations, rules and standards in order to promote safe and sound banking operations.</p> <p>The Bank has in place a Compliance System designed to specifically identify and mitigate business risks which may erode the franchise value of the Bank. In compliance with BSP's requirements under Circular No. 747, the Board has approved the Compliance Manual on 04 July 2012 and updated regularly to keep aligned with recent regulatory requirements.</p> <p>Link/Reference:</p> <p>Compliance System  <a href="http://www.chinabank.ph/corgov.aspx?title=Internal+Control+and+Risk+Management">http://www.chinabank.ph/corgov.aspx?title=Internal+Control+and+Risk+Management</a></p>
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**Optional: Recommendation 12.1**

1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.	Compliant	Provide information on IT governance process	<p>The Bank adopts a governance process on IT risks to ensure that issues are identified and addressed accordingly.</p> <p>The corresponding provisions are contained under Risk Governance in the IT Risk Management Framework (page10-11). The document is uploaded to the Bank's internal public folder.</p>
<b>Recommendation 12.2</b>			
1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	Compliant	Disclose if the internal audit is in-house or outsourced. If outsourced, identify external firm.	<p>The Bank's Internal Audit Division provides independent, objective assurance and consulting services designed to add value and improve the Bank's operations.</p> <p>It assesses the Bank's system of risk management, control, and governance processes, as designed and represented by management, to determine whether it is adequate and functioning to ensure that Quality and continuous improvement are fostered in the organization's control process, among others.</p> <p>Please refer to Annex 8 for a copy of the Internal Audit Charter.</p>
<b>Recommendation 12.3</b>			

<p>1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.</p>	<p>Compliant</p>	<p>Identify the company's Chief Audit Executive (CAE) and provide information on or reference to a document containing his/her responsibilities.</p>	<p>Ms. Marilyn G. Yuchenkang is the Bank's Chief Audit Executive. She is responsible for ensuring that the internal audit function complies with sound internal auditing standards and relevant code of ethics. She is also tasked to develop a risk-based-audit plan, including policies and procedures based on robust risk assessment to determine the priorities of the internal audit activity, consistent with the organization's goals, including inputs from the Board of Directors, Audit Committee and senior management and ensure that such plan is comprehensive and adequately covers regulatory matters.</p> <p>Her other duties and responsibilities are discussed in the Bank's Corporate Governance Manual.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 76-77 (Duties and Responsibilities of the CAE)  <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p> <p>Please refer to Annex 8 for a copy of the Internal Audit Charter.</p>
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2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	Compliant		<p>The CAE, being the Head of the Bank's internal audit function is responsible for ensuring that the knowledge or inputs from the outsourced experts is assimilated into the Bank, to the greatest extent possible. It is also the CAE's task to make sure that the internal audit activity is not outsourced to the external provider / auditor.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 84 (Outsourcing of Internal Audit Activities)  <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	Compliant	Identify qualified independent executive or senior management personnel, if applicable.	<p>The Bank's internal audit function is not outsourced. It is handled by the Internal Audit Division.</p> <p>Please refer to Annex 11 for the division's table of organization.</p>
<b>Recommendation 12.4</b>			

<p>1. Company has a separate risk management function to identify, assess and monitor key risk exposures.</p>	<p>Compliant</p>	<p>Provide information on company's risk management function.</p>	<p>The risk management function is one of the Bank's second line of defense, apart from Compliance. This function is responsible for overseeing the risk-taking activities across the Bank as well as in evaluating whether these remain consistent with the Bank's risk appetite and strategic decision. Moreover, Ensuring that the risk governance framework remains appropriate relative to the complexity of risk taking activities of the Bank.</p> <p>Additional related provisions are contained in the Risk Management Manual (page 1-16). The document is uploaded to the Bank's internal public folder.</p> <p>Links/References:</p> <p>Corporate Governance Manual: Page 86-89 (Risk Management Function) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
<p><b>Supplement to Recommendation 12.4</b></p>			
<p>1. Company seeks external technical support in risk management when such competence is not available internally.</p>	<p>Not Applicable</p>	<p>Identify source of external technical support, if any.</p>	<p>The Bank does not seek external risk management technical support.</p>

#### Recommendation 12.5

<p>1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).</p>	<p>Compliant</p>	<p>Identify the company's Chief Risk Officer (CRO) and provide information on or reference to a document containing his/her responsibilities and qualifications/background.</p>	<p>The Bank's CRO is Mr. Ananias S. Cornelio III. He is responsible for overseeing the risk management function and shall support the Board in the development of the risk appetite and risk appetite statement of the Bank and for translating the risk appetite into risk limits structure. He is also tasked to supervise the ERM process and spearhead the development, implementation, maintenance and continuous improvement of ERM processes and documentation.</p> <p>His responsibilities are also discussed in the Risk Management Manual (page 10-14, Responsibilities, which is uploaded to the Bank's internal public folder.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page87-88 (Chief Risk Officer) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
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2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Compliant		<p>The Bank's CRO has sufficient stature, authority and seniority within the bank. This will be assessed based on the ability of the CRO to influence decisions that affect the Bank's exposure to risk.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 88 (Status and Authority of the Chief Risk Officer)</p> <p><a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
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#### Additional Recommendation to Principle 12

1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	Compliant	Provide link to CEO and CAE's attestation	<p>The annual attestation of the CAE was presented to the Audit Committee last February 21, 2018. Attached is the 2017 Attestation by the CAE on the Bank's Control Processes.</p> <p>Please refer to Annex 12 for the attestation on control processes.</p>
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#### Cultivating a Synergic Relationship with Shareholders

**Principle 13:** The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

#### Recommendation 13.1

<p>1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.</p>	<p>Compliant</p>	<p>Provide link or reference to the company's Manual on Corporate Governance where shareholders' rights are disclosed.</p>	<p>The fundamental rights of shareholders, amongst them, voting right, appraisal right, preemptive &amp; right of information are contained in the Corporate Governance Manual.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 93-95 (Investors' Right and Protection; PSE's Revised Disclosure Rules) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
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<p>2. Board ensures that basic shareholder rights are disclosed on the company's website.</p>	<p>Compliant</p>	<p>Provide link to company's website</p>	<p>The Bank's Corporate Governance Manual where the basic shareholding rights is also uploaded to the Bank's website. Moreover, provisions related to the meeting of stockholders are contained in the By-laws.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>Corporate Governance Manual: Page 93-95 (Investors' Right and Protection; PSE's Revised Disclosure Rules) <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></li> <li>By-Laws <a href="http://www.chinabank.ph/pdf/ChinaBank-By-Laws.pdf">http://www.chinabank.ph/pdf/ChinaBank-By-Laws.pdf</a></li> </ul>
<p><b>Supplement to Recommendation 13.1</b></p>			

1. Company's common share has one vote for one share.	Compliant		<p>Each common share entitles the holder to one vote.</p> <p>Link/Reference:</p> <p>2017 Definitive Information Statement (SEC 20-IS): Page 26 (Voting)  <a href="http://www.chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf">http://www.chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf</a></p>
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<p>2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.</p>	<p>Compliant</p>	<p>Provide information on all classes of shares, including their voting rights if any.</p>	<p>The Bank is committed in treating its stakeholders fairly and ensures their protection thru the following:</p> <p><b>Policy on Fair Treatment to Stakeholders</b></p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 93-98 <a href="http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p> <p><b>Voting in the By-Laws</b></p> <p>In accordance with the Bank's By-laws as to manner of voting, Article III, Section 7, any stockholder who is not delinquent in his subscription shall be allowed to vote either in person or by proxy executed in writing.</p> <p>Link/Reference:</p> <p>By-Laws <a href="http://chinabank.ph/pdf/ChinaBank-By-Laws.pdf">http://chinabank.ph/pdf/ChinaBank-By-Laws.pdf</a></p>
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3. Board has an effective, secure, and efficient voting system.	Compliant	Provide link to voting procedure. Indicate if voting is by poll or show of hands.	<p>In accordance with the Bank's By-laws as to manner of voting, Article III, Section 7, any stockholder who is not delinquent in his subscription shall be allowed to vote either in person or by proxy executed in writing.</p> <p>Link/Reference:</p> <p>By-Laws  <a href="http://chinabank.ph/pdf/ChinaBank-By-Laws.pdf">http://chinabank.ph/pdf/ChinaBank-By-Laws.pdf</a> </p>
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<p>4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.</p>	<p>Compliant</p>	<p>Provide information on shareholder voting mechanisms such as supermajority or "majority of minority", if any.</p>	<p>In accordance with Article III, Section 6 of the Bank's Amended By-Laws, no meeting of stockholders shall be competent to transact business unless a majority of the outstanding capital stock is represented. Unless the Corporation Code of the Philippines requires otherwise, the majority vote of the shares present or represented at the stockholders' meeting, provided there is a quorum, shall be required to carry a stockholders' action on any matter taken up during the meeting.</p> <p>Link/Reference:</p> <p>2017 Definitive Information Statement (SEC 20-IS): Page 28 (Voting Procedures)  <a href="http://www.chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf">http://www.chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf</a></p>
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<p>5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the ASM or special meeting.</p>	<p>Compliant</p>	<p>Provide information on how this was allowed by board (i.e., minutes of meeting, board resolution)</p>	<p>No special shareholders' meeting was called in 2017.</p> <p>As specified under the Bank's Corporate Governance Manual, the shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 94 (Right to Information)  <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
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<p>6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.</p>	<p>Compliant</p>	<p>Provide information or link/reference to the policies on treatment of minority shareholders</p>	<p>The Board is committed to protecting the rights of the minority shareholders. In fact, it is covered in the first training of each director and included in the subsequent trainings, as appropriate.</p> <p>In addition, there are related provisions in the Bank's Corporate Governance Manual which serves as the Board Charter.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 91 (Mandated Topics), Page 93 (Investors' Rights and Protection) and Page 94-95 (PSE's Revised Disclosure Rules)</p> <p><a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
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7. Company has a transparent and specific dividend policy.	Compliant	<p>Provide information on or link/reference to the company's dividend Policy.</p> <p>Indicate if company declared dividends. If yes, indicate the number of days within which the dividends were paid after declaration. In case the company has offered scrip-dividends, indicate if the company paid the dividends within 60 days from declaration</p>	<p>The Bank's dividend policy is posted on its website.</p> <p>Link/Reference:</p> <p>Dividend Policy  <a href="http://www.chinabank.ph/corgov.aspx?title=Dividend+Policy">http://www.chinabank.ph/corgov.aspx?title=Dividend+Policy</a> </p>
<b>Optional: Recommendation 13.1</b>			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.	Compliant	Identify the independent party that counted/validated the votes at the ASM, if any.	<p>Mr. Allan W. Ocho - SGV Risk Advisory Services Partner, was engaged by the Bank as the Independent Validator of Votes.</p> <p>Link/Reference:</p> <p>2017 Annual Stockholders' Meeting: Page 1-2 (Minutes and Certification of Quorum)  <a href="http://chinabank.ph/pdf/Minutes_of_the_2017_Annual_Meeting_of_Stockholders_of_China_Banking_Corporation_.pdf">http://chinabank.ph/pdf/Minutes_of_the_2017_Annual_Meeting_of_Stockholders_of_China_Banking_Corporation_.pdf</a> </p>
<b>Recommendation 13.2</b>			

<p>1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.</p>	<p>Compliant</p>	<p>Indicate the number of days before the annual stockholders' meeting or special stockholders' meeting when the notice and agenda were sent out</p> <p>Indicate whether shareholders' approval of remuneration or any changes therein were included in the agenda of the meeting.</p> <p>Provide link to the Agenda included in the company's Information Statement (SEC Form 20-IS)</p>	<p>The Notice for the 2017 Annual Stockholders' Meeting and the Definitive Information Statement was sent out /posted on the Bank's Website on 03 April 2018, 29 days prior to the ASM (which is 1 day earlier than the required number of days).</p>  <p>Link/Reference:</p> <p>2017 Definitive Information Statement: Annex A (Explanation of Agenda Items)  <a href="http://www.chinabank.ph/pdf/2017-04-03-CHIBPSEDisclosure-CHIB-definitive-SEC-20-IS-YE-2016-AMENDED.pdf">http://www.chinabank.ph/pdf/2017-04-03-CHIBPSEDisclosure-CHIB-definitive-SEC-20-IS-YE-2016-AMENDED.pdf</a></p>
<p><b>Supplemental to Recommendation 13.2</b></p>			
<p>1. Company's Notice of Annual Stockholders' Meeting contains the following information:</p>	<p>Compliant</p>	<p>Provide link or reference to the company's notice of Annual Shareholders' Meeting</p>	<p>Link/Reference:</p> <p>Notice of the Annual Stockholders' Meeting  <a href="http://chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf">http://chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf</a></p> <p>Other applicable links/references are as follows:</p>

a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	Compliant		2017 Definitive Information Statement: Page 10-13 (Directors and Management) <a href="http://chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf">http://chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf</a>
b. Auditors seeking appointment/re-appointment	Compliant		SGV & Co. is recommended for re-appointment as the Bank's External Auditor.  Link/Reference:  2017 Definitive Information Statement: Page 25 (paragraph 1) <a href="http://chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf">http://chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf</a>

c. Proxy documents	Compliant		<p>The Proxy Form is available as follows.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>2017 Definitive Information Statement: Page 6 <a href="http://chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf">http://chinabank.ph/pdf/2018-03-23-CHIBPSEDisclosure-CHIB-Definitive-20-IS-YE2017-PSE-PDEX.pdf</a></li> <li>Bank Website <a href="http://chinabank.ph/pdf/2018-Proxy-Form.pdf">http://chinabank.ph/pdf/2018-Proxy-Form.pdf</a></li> </ul>
<b>Optional: Recommendation 13.2</b>			
1. Company provides rationale for the agenda items for the annual stockholders meeting	Compliant	Provide link or reference to the rationale for the agenda items	<p>For each item in the agenda, a rationale or explanation is given.</p> <p>Link/Reference:</p> <p>2017 Annual Stockholders' Meeting <a href="http://www.chinabank.ph/pdf/2017-04-03-CHIBPSEDisclosure-CHIB-definitive-SEC-20-IS-YE-2016-AMENDED.pdf">http://www.chinabank.ph/pdf/2017-04-03-CHIBPSEDisclosure-CHIB-definitive-SEC-20-IS-YE-2016-AMENDED.pdf</a></p>
<b>Recommendation 13.3</b>			

<p>1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.</p>	<p>Compliant</p>	<p>Provide information or reference to a document containing information on all relevant questions raised and answers during the ASM and special meeting and the results of the vote taken during the most recent ASM/SSM.</p>	<p>The 2017 Annual Stockholders Meeting was held on 04 May 2017. Voting results during the ASM was disclosed within the same day.</p>  <p>Link/Reference:</p> <p>Results of the 2017 Stockholders' and Organizational Meeting  <a href="http://chinabank.ph/pdf/2017-05-05-CHIBPSEDisclosure-ANNUAL-STOCKHOLDERS-MEETING-2017-Votes.pdf">http://chinabank.ph/pdf/2017-05-05-CHIBPSEDisclosure-ANNUAL-STOCKHOLDERS-MEETING-2017-Votes.pdf</a></p>
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<p>2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.</p>	<p>Compliant</p>	<p>Provide link to minutes of meeting in the company website.</p> <p>Indicate voting results for all agenda items, including the approving, dissenting and abstaining votes.</p> <p>Indicate also if the voting on resolutions was by poll.</p> <p>Include whether there was opportunity to ask question and the answers given, if any</p>	<p>The 2017 Annual Stockholders Meeting was held on 04 May 2017.</p> <p>The minutes of the ASM was posted on the Bank's website on 10 May 2017, four (4) days after the 2017 ASM.</p>  <p>Link/Reference:</p> <p>Minutes of the 2017 Annual Stockholders' Meeting  <a href="http://chinabank.ph/pdf/Minutes_of_the_2017_Annual_Meeting_of_Stockholders_of_China_Banking_Corporation_.pdf">http://chinabank.ph/pdf/Minutes_of_the_2017_Annual_Meeting_of_Stockholders_of_China_Banking_Corporation_.pdf</a></p>
<p><b>Supplement to Recommendation 13.3</b></p>			

1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	Compliant	Indicate if the external auditor and other relevant individuals were present during the ASM and/or special meeting	<p>The Board ensures that the Bank's External Auditor, SGV &amp; Co. with Partner Mr. Ray Francis C. Balagtas are present during ASM. The Bank's President, Head of Investor Relations, Corporate Secretary, Head of Compliance, etc. are also present to answer any shareholder question during ASM.</p> <p>Link/Reference:</p> <p>Minutes of the 2017 Annual Stockholders' Meeting: Page 1  <a href="http://www.chinabank.ph/pdf/Minutes_of_the_2017_Annual_Meeting_of_Stockholders_of_China_Banking_Corporation_.pdf">http://www.chinabank.ph/pdf/Minutes_of_the_2017_Annual_Meeting_of_Stockholders_of_China_Banking_Corporation_.pdf</a></p>
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#### Recommendation 13.4

1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	Compliant	Provide details of the alternative dispute resolution made available to resolve intra-corporate disputes	<p>The Bank has an alternative dispute resolution system in place, and is duly documented in the Corporate Governance Manual.</p> <p>Link/Reference:</p>
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	Compliant	Provide link/reference to where it is found in the Manual on Corporate Governance	<p>Corporate Governance Manual: Page 97 (Alternative Dispute Resolution System)  <a href="http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>

#### Recommendation 13.5



1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Compliant	<p>Disclose the contact details of the officer/office responsible for investor relations, such as:</p> <ol style="list-style-type: none"> <li>1. Name of the person</li> <li>2. Telephone number</li> <li>3. Fax number</li> <li>4. E-mail address</li> </ol>	<p>The contact information are posted in the Bank website.</p> <p>Link/Reference:</p> <p>Investors Information  <a href="http://www.chinabank.ph/about_china_bank.aspx?title=Investors+Information">http://www.chinabank.ph/about_china_bank.aspx?title=Investors+Information</a> </p>
2. IRO is present at every shareholder's meeting.	Compliant	<p>Indicate if the IRO was present during the ASM.</p>	<p>The Head of the Bank's Investor and Corporate Relations Group is SVP Alexander C. Escucha. He was present in the 2017 ASM as indicated in the corresponding Minutes.</p> <p>Link/Reference:</p> <p>Minutes of the 2017 Annual Stockholders' Meeting  <a href="http://www.chinabank.ph/pdf/Minutes_of_the_2017_Annual_Meeting_of_Stockholders_of_China_Banking_Corporation_.pdf">http://www.chinabank.ph/pdf/Minutes_of_the_2017_Annual_Meeting_of_Stockholders_of_China_Banking_Corporation_.pdf</a> </p>
<b>Supplemental Recommendations to Principle 13</b>			

1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	Compliant	Provide information on how anti-takeover measures or similar devices were avoided by the board, if any.	<p>The Bank adheres to the rules on voting in accordance with the Corporation Code and in accordance with the Bank's By-laws as to manner of voting, Article III, Section 7, any stockholder who is not delinquent in his subscription shall be allowed to vote either in person or by proxy executed in writing.</p> <p>Link/Reference:</p> <p>By-Laws  <a href="http://chinabank.ph/pdf/ChinaBank-By-Laws.pdf">http://chinabank.ph/pdf/ChinaBank-By-Laws.pdf</a> </p>
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	Compliant	Indicate the company's public float.	<p>As of December 31, the Bank's public float is 58.257%.</p> <p>Link/Reference:</p> <p>Public Ownership Report (as of December 31)  <a href="http://chinabank.ph/pdf/2018-01-15-CHIBPSEDisclosure-CHIB-Public-Ownership-Report-as-of-December-31-2017.pdf">http://chinabank.ph/pdf/2018-01-15-CHIBPSEDisclosure-CHIB-Public-Ownership-Report-as-of-December-31-2017.pdf</a> </p>

**Optional: Principle 13**

1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting	Compliant	Disclose or provide link/reference to policies and practices to encourage shareholders' participation beyond ASM	<p>The Bank goes beyond the Annual Stockholders' Meeting in its practices to engage its shareholders and conducts regular analyst/media briefings, and conducts investors' meeting.</p> <p>Link/Reference:</p> <p>Analyst Briefing and Presentation for Investors  <a href="http://www.chinabank.ph/corgov.aspx?title=Analyst+Briefing+and+Presentation+for+Investors">http://www.chinabank.ph/corgov.aspx?title=Analyst+Briefing+and+Presentation+for+Investors</a> </p>
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.	Non-Compliant	Disclose the process and procedure for secure electronic voting in absentia, if any.	<p>The Bank does not practice electronic voting in absentia in its ASM.</p> <p>The Bank practices a manual voting system which is subject to a third party independent validation.</p>

#### Duties to Stakeholders

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

#### Recommendation 14.1

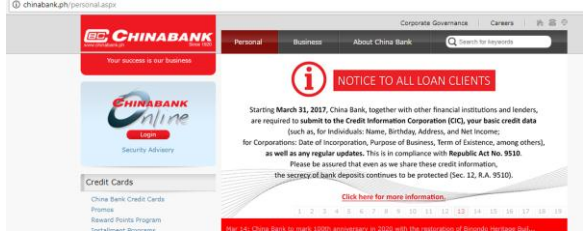
<p>1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.</p>	<p>Compliant</p>	<p>Identify the company's shareholder and provide information or reference to a document containing information on the company's policies and programs for its stakeholders.</p>	<p>In 2017, we engaged Philippine Business for the Environment (PBE), a non-profit organization, to help us identify topics/issues that are highly significant to our stakeholders. The material topics are listed on page 48 of the 2017 Annual and Sustainability Report. By understanding our stakeholders' needs, concerns, and expectations, and more importantly, embedding their feedback into our strategy and our daily business, we are able to develop long term-solutions, make responsible business decisions, and perform better.</p> <p>Link/Reference:</p> <p>2017 Annual Financial and Sustainability Report  <a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></p>
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**Recommendation 14.2**

<p>1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.</p>	<p>Compliant</p>	<p>Identify policies and programs for the protection and fair treatment of company's stakeholders</p>	<p>The Bank is committed in treating its stakeholders fairly and ensures their protection.</p> <p><b>Policy on Fair Treatment to Stakeholders</b> The policies are in pages 93-98 of the Bank's Corporate Governance Manual <a href="http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p> <p><b>Up-to-date Disclosures</b> The Bank also provides up to date disclosures in its Bank's Website, about the news and happenings in the Bank. <a href="http://chinabank.ph/about_china_bank.aspx?title=Corporate+Disclosures">http://chinabank.ph/about_china_bank.aspx?title=Corporate+Disclosures</a></p> <p>China Bank is committed to a high standard of disclosure and transparency to facilitate understanding of the Bank's true financial condition and the quality of our corporate governance. All material information about China Bank is adequately and punctually disclosed, in accordance with SEC and PSE's disclosure policy. In addition to compliance with the reportorial requirements, we promptly disclose major and market-sensitive information like dividend declarations, joint ventures and acquisitions, sale and disposition of</p>
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			<p>significant assets, as well as financial and non-financial information that may affect the investment decision of the investing public, in the form of press releases in newspapers and reports in our internal publication. We also electronically file our disclosures through the Electronic Disclosure Generation Technology (Edge) of PSE which are then posted on the PSE website. Our corporate website is likewise regularly updated to include the latest news and current information about the Bank.</p> <p>Link/Reference:</p> <p>Analyst Briefing and Presentation for Investors  <a href="http://www.chinabank.ph/corgov.aspx?title=Analyst+Briefing+and+Presentation+for+Investors">http://www.chinabank.ph/corgov.aspx?title=Analyst+Briefing+and+Presentation+for+Investors</a></p>
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#### Recommendation 14.3

<p>1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.</p>	<p>Compliant</p>	<p>Provide the contact details (i.e., name of contact person, dedicated phone number or e-mail address, etc.) which stakeholders can use to voice their concerns and/or complaints for possible violation of their rights.</p> <p>Provide information on whistleblowing policy, practices and procedures for stakeholders</p>	<p>The Bank provides transparent framework for stakeholders where they can raise their concern and the Bank ensures that their rights are protected.</p> <p>Links/References:</p> <p>Investor Relations <a href="http://chinabank.ph/about_china_bank.aspx?title=Investors+Information">http://chinabank.ph/about_china_bank.aspx?title=Investors+Information</a></p> <p>Contact Center <a href="http://chinabank.ph/contact_us.aspx">http://chinabank.ph/contact_us.aspx</a></p> <p>Whistleblowing <a href="http://chinabank.ph/corgov.aspx?title=Other+Governance+Policies">http://chinabank.ph/corgov.aspx?title=Other+Governance+Policies</a></p> <p>Borrowers <a href="http://chinabank.ph/personal.aspx?title=Notice+to+Loan+Clients">http://chinabank.ph/personal.aspx?title=Notice+to+Loan+Clients</a></p> 
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**Supplement to Recommendation 14.3**

<p>1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.</p>	<p>Compliant</p>	<p>Provide information on the alternative dispute resolution system established by the company.</p>	<p>In line with its dedication to effectively resolve disputes, China Bank maintains close coordination with stockholders, third parties, regulatory authorities and other stakeholders to discuss the issues and concerns, and ultimately address conflicts. Provisions related to the Bank's alternative dispute resolution system can be found the Corporate Governance Manual.</p> <p>Link/Reference:</p> <p>Corporate Governance Manual: Page 97 (Alternative Dispute Resolution System)  <a href="http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf">http://www.chinabank.ph/pdf/Revised-Corporate-Governance-Manual-March-2018.pdf</a></p>
<p><b>Additional Recommendations to Principle 14</b></p>			
<p>1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.</p>	<p>Compliant</p>	<p>Disclose any requests for exemption by the company and the reason for the request.</p>	<p>In 2017, the Bank did not seek any application for exemption on the application of corporate governance law, rules or regulations.</p>



2. Company respects intellectual property rights.	Compliant	Provide specific instances, if any.	The Bank respects intellectual property and observes practices in relation thereto, which among others is the registration of its logo for use by the Bank.
<b>Optional: Principle 14</b>			
1. Company discloses its policies and practices that address customers' welfare	Compliant	Identify policies, programs and practices that address customers' welfare or provide link/reference to a document containing the same.	<p>The Bank has a Consumer Protection Framework in place. China Bank also has a contact center, where customers may raise their concerns.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>Consumer Protection <a href="http://www.chinabank.ph/corgov.aspx?title=Consumer+Protection">http://www.chinabank.ph/corgov.aspx?title=Consumer+Protection</a></li> <li>Contact Center <a href="http://www.chinabank.ph/contact_us.aspx">http://www.chinabank.ph/contact_us.aspx</a></li> </ul>

2. Company discloses its policies and practices that address supplier/contractor selection procedures	Compliant	Identify policies, programs and practices that address supplier/contractor selection procedures or provide link/reference to a document containing the same.	<p>China Bank practices utmost professionalism in managing its resources. The Bank processes all matters with due diligence and compliance to ensure that any service or goods procurement will pose the greatest benefit to the company, while posing little to no negative impact on stakeholders. Applicable policies are posted to the Bank's website.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• 2017 Annual Financial and Sustainability Report: Page 77 (Supplier/Contractor Selection) <a href="http://www.chinabank.ph/pdf/2017%20Annual%20Report.pdf">http://www.chinabank.ph/pdf/2017 Annual Report.pdf</a></li> <li>• Other Governance Policies <a href="http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies">http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies</a></li> </ul>
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**Principle 15:** A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.

**Recommendation 15.1**

<p>1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.</p>	<p>Compliant</p>	<p>Provide information on or link/reference to company policies, programs and procedures that encourage employee participation.</p>	<p>Part of the activities of the Bank is the commitment to continually strengthen compliance culture through education and training. Compliance Office regular conducts briefing to Compliance Coordinators in branches and head office to raise the level of awareness and understanding of principles, concepts, and elements of good corporate governance and compliance.</p> <p>The Compliance Coordinators are required to cascade their learning to their respective areas.</p> <p>All new employees of the Bank undergo a basic orientation on Compliance System, Anti-Money Laundering and Governance, among others. As part of the continuing education program, Compliance Office conducts lectures in Officers Development Program of the Bank and in Supervisory Development Program.</p>
<p><b>Supplement to Recommendation 15.1</b></p>			

<p>1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.</p>	<p>Non-compliant</p>	<p>Disclose if company has in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders.</p>	<p>The Bank has a "Performance Bonus/Profit Sharing" Program that recognizes the Officers performance in support of the Bank's Performance.</p> <p>The terms of the aforesaid profit sharing program is set forth in the Bank's By-laws.</p> <p>Link/Reference:</p> <p>By-Laws  <a href="http://www.chinabank.ph/pdf/ChinaBank-By-Laws.pdf">http://www.chinabank.ph/pdf/ChinaBank-By-Laws.pdf</a></p>
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<p>2. Company has policies and practices on health, safety and welfare of its employees.</p>	<p>Compliant</p>	<p>Disclose and provide information on policies and practices on health, safety and welfare of employees. Include statistics and data, if any.</p>	<p>China Bank employs its own Safety and Health Policy to safeguard our employees against injury, sickness or death, and to ensure that the workplace retains a certain standard of safety, security, and health to promote productivity. This policy is supported by the Corporate Safety and Health Committee (CSHC) and the Unit Safety and Health Committee (USHC).</p> <p>To ensure and strengthen Bank-wide implementation and observance of Occupational Safety and Health Standards, each branch or department has its own USHC. In case of disasters, the CSHC and the USHC will coordinate with our Operational Risk Department for disaster contingency planning and the mobilization of the Crisis Management Team.</p> <p>A more detailed discussion on the employee health and safety is available in the Bank's website.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• 2017 Annual Financial and Sustainability Report: Page 54 (Health and Safety) <a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></li> <li>• Employee Health, Safety and Welfare Policy (Employee Safety and Health) <a href="http://chinabank.ph/corgov.aspx?title=Other+Governance+Policies">http://chinabank.ph/corgov.aspx?title=Other+Governance+Policies</a></li> </ul>
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<p>3. Company has policies and practices on training and development of its employees</p>  <p>SEC Form – I-ACGR * Updated 21Dec2017</p>	<p>Compliant</p>	<p>Disclose and provide information on policies and practices on training and development of employees. Include information on any training conducted or attended.</p>	<p>China Bank is committed to developing the potential of its employees and offering them opportunities to advance in their careers. Our diverse and thorough training programs are designed to equip our officers and staff with the skills and competencies they need to meet and exceed our strategic objectives—preparing them for higher responsibilities and to adapt to changes in the business environment, banking regulations, and new technology, methods, and procedures. These Employee Development Programs have been formulated to provide focused, relevant, and timely content that will nurture and fortify the skills and knowledge they need as they fulfill their tasks and duties.</p> <p>The Bank likewise invests heavily on job-specific training for its employees to ensure employees are equipped with the right competencies to perform their roles effectively. This includes both Technical and Behavioral Skills.</p> <p>A more detailed discussion on training and development is available in the Bank's website.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• 2017 Annual Financial and Sustainability Report: Page 53 (Talent Development) <a href="http://www.chinabank.ph/pdf/2017%20Annual%20Report.pdf">http://www.chinabank.ph/pdf/2017 Annual Report.pdf</a></li> <li>• Employee Health, Safety and Welfare Policy (Training) <a href="http://chinabank.ph/corgov.aspx?title=Other+Governance+Policies">http://chinabank.ph/corgov.aspx?title=Other+Governance+Policies</a></li> </ul>
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### Recommendation 15.2

<p>1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.</p>	<p>Compliant</p>	<p>Identify or provide link/reference to the company's policies, programs and practices on anti-corruption</p>	<p>China Bank is committed to honest and ethical business practices and does not tolerate any form of bribery and corruption. We take our legal responsibilities very seriously and expect our directors and employees at all levels and grades to do the same. China Bank directors and employees are expected to act professionally, fairly, and with integrity in all our business dealings and relationships wherever we operate; thus, they 1) must never offer, promise, or give a financial or other advantage to any person or party, including public officials, with the intention of inducing or rewarding improper performance by them of their duties or to facilitate the transaction of the Bank, and 2) must never directly or indirectly accept or agree to receive a financial or other advantage as a reward for performing any act prejudicial to the Bank, the director/employee himself, or a third party.</p> <p>Link/Reference:</p> <p>Anti-Bribery and Corruption Policy  <a href="http://chinabank.ph/corgov.aspx?title=Other+Governance+Policies">http://chinabank.ph/corgov.aspx?title=Other+Governance+Policies</a></p>
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<p>2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.</p>	<p>Compliant</p>	<p>Identify how the board disseminated the policy and program to employees across the organization</p>	<p>The Board has imposed a policy of full compliance with the Code of Ethics and other policies. Our HRG ensures that every China Bank employee is aware of and upholds the Code.</p> <p>Given the mandate of the Board, HRG ensures that the training programs present the pertinent Bank policies governing their respective functions. As an example, in 2017, a total of 5,209 employees underwent anti-corruption training.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>• 2017 Annual Financial and Sustainability Report: Page 76 (Anti-Bribery and Corruption) <a href="http://www.chinabank.ph/pdf/2017%20Annual%20Report.pdf">http://www.chinabank.ph/pdf/2017 Annual Report.pdf</a></li> <li>• Code of Business Conduct and Ethics <a href="http://www.chinabank.ph/corgov.aspx?title=Code+of+Business+Conduct+and+Ethics">http://www.chinabank.ph/corgov.aspx?title=Code+of+Business+Conduct+and+Ethics</a></li> </ul>
<p><b>Supplement to Recommendation 15.2</b></p>			



1. Company has clear and stringent policies and procedures in curbing and penalizing employee involvement in offering, paying and receiving bribes.



Compliant

Identify or provide link/reference to the company policy and procedures on penalizing employees involved in corrupt practices.

Include any finding of violations of the company policy.

China Bank is committed to honest and ethical business practices and does not tolerate any form of bribery and corruption. China Bank directors and employees are to act professionally, fairly, and with integrity in all our business dealings and relationships wherever we operate; thus, they 1) must never offer, promise, or give a financial or other advantage to any person or party, including public officials, with the intention of inducing or rewarding improper performance by them of their duties or to facilitate the transaction of the Bank, and 2) must never directly or indirectly accept or agree to receive a financial or other advantage as a reward for performing any act prejudicial to the Bank, the director/employee himself, or a third party.

Under the Bank's Code of Ethics, on Proper Conduct and Behavior, "offering or receiving money or other valuable consideration in exchange for a job or offering, soliciting or receiving anything of value to perform any act/activity prejudicial to the interest of the Bank" is subjected to a disciplinary process and if found guilty then may be meted out with a suspension and or dismissal on the 1st offense.

Links/References:

Other Governance Policies

<http://chinabank.ph/corgov.aspx?title=Other+Governance+Policies>

Code of Ethics

<http://chinabank.ph/pdf/CBC-CODE-OF-ETHICS.pdf>

### Recommendation 15.3

<p>1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation</p>	<p>Compliant</p>	<p>Disclose or provide link/reference to the company whistle-blowing policy and procedure for employees.</p> <p>Indicate if the framework includes procedures to protect the employees from retaliation.</p> <p>Provide contact details to report any illegal or unethical behavior.</p>	<p>The Bank does not and will not tolerate unethical conduct, thus a Whistleblowing mechanism was established to ensure that employees, customers, shareholders, and third party service providers will have a way to report questionable activity, unethical conduct, fraud or any other malpractice by mail, phone or e-mail, under the strictest measures of confidentiality and anonymity to allay fears of reprisal or retaliation.</p> <p>Link/Reference:</p> <p>Whistleblowing <a href="http://chinabank.ph/corgov.aspx?title=Other+Governance+Policies">http://chinabank.ph/corgov.aspx?title=Other+Governance+Policies</a></p>
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<p>2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.</p>	<p>Compliant</p>		<p>The Bank's Chief Compliance Officer (CCO) will determine the substance and validity of all whistle-blower reports. Reports can also be disclosed to any officer of the bank, the Risk Management Group, Internal Audit and the HRD.</p> <p>If the report is deemed well-substantiated, the CCO shall turn over the disclosure to the Audit Division and/or HRD for further investigation. Should the report be deemed baseless, within 24 hours from receipt thereof, the CCO shall inform the whistleblower of its status without prejudice to its re-submission.</p> <p>Any meritorious disclosures will be given due recognition and may be eligible for a reward as determined by the HRD or the Investigation Committee. All disclosures, their statuses, and resolutions are regularly reported to the Compliance and Corporate Governance Committees then to the Board.</p> <p>Link/Reference:</p> <p>Whistleblowing  <a href="http://chinabank.ph/corgov.aspx?title=Other+Governance+Policies">http://chinabank.ph/corgov.aspx?title=Other+Governance+Policies</a></p>
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3. Board supervises and ensures the enforcement of the whistleblowing framework.	Compliant	Provide information on how the board supervised and ensured enforcement of the whistleblowing framework, including any incident of whistleblowing.	<p>All the disclosures, and their corresponding status and resolution are regularly reported to the Board, thru the Compliance and Corporate Governance committees.</p> <p>Link/Reference:</p> <p>Policy on Whistleblowing  <a href="http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies">http://www.chinabank.ph/corgov.aspx?title=Other+Governance+Policies</a> </p>
<p><b>Principle 16:</b> The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.</p>			
<p><b>Recommendation 16.1</b></p>			

<p>1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.</p>	<p>Compliant</p>	<p>Provide information or reference to a document containing information on the company's community involvement and environment-related programs.</p>	<p>The Bank is committed to managing its operations responsibly and running the business in a way that supports the protection of the environment. China Bank recognizes that the stakeholders increasingly view environmental performance to be an essential part of business performance and thus strive to reduce our carbon footprint while we grow our business.</p> <p>Through the years, we have been digitizing customer services and communications, investing in energy-efficient technology in our offices and branches, and promoting the practice of reducing, reusing, and recycling bank-wide through our Going Green Campaign. We are seeking ways to become more eco-efficient in the coming years to further reduce our environmental impact.</p> <p>In 2017, we have adopted the Global Reporting Initiative (GRI) standards and came up with our first Annual and Sustainability Report.</p> <p>Link/Reference:</p> <p>2017 Annual Financial and Sustainability Report: Page 44-81 (Environmental, Social and Governance)  <a href="http://www.chinabank.ph/pdf/2017%20Annual%20Report.pdf">http://www.chinabank.ph/pdf/2017%20Annual%20Report.pdf</a></p>
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**Optional: Principle 16**

<p>1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development</p>	<p>Compliant</p>	<p>Identify or provide link/reference to policies, programs and practices to ensure that its value chain is environmentally friendly or is consistent with promoting sustainable development.</p>	<p>As mentioned above, China Bank is committed to ensure that its branches are environmentally friendly and is aligned with the Bank's adoption of a sustainable business environment framework.</p> <p>Link/Reference:</p> <p>2017 Annual Financial and Sustainability Report: Page 44-81 (Environmental, Social and Governance)</p> <p><a href="http://www.chinabank.ph/pdf/2017_Annual_Report.pdf">http://www.chinabank.ph/pdf/2017_Annual_Report.pdf</a></p>
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<p>2. Company exerts effort to interact positively with the communities in which it operates</p>	<p>Compliant</p>	<p>Identify or provide link/reference to policies, programs and practices to interact positively with the communities in which it operates.</p>	<p>China Bank for the last 97 years of its journey served as a partner in the wealth creation of its customers while helping the nation as well in building a strong and sustainable banking industry. As China Bank seeks to create a more adaptive banking landscape for its customers that generate shareholder's value while protection the stakeholders, we are utilizing a sustainable reporting model taking the ESG framework as a guide. Towards this commitment, highlighted in our Annual Report are our key performance indicators on environment and social activities and our good governance policies and practices.</p> <p>Link/Reference:</p> <p>Environmental, Social and Governance  <a href="http://chinabank.ph/corgov.aspx?title=Environmental,+Social+and+Governance+(ESG)">http://chinabank.ph/corgov.aspx?title=Environmental,+Social+and+Governance+(ESG)</a></p>
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Pursuant to the requirement of the Securities and Exchange Commission, this Integrated Annual Corporate Governance Report (I-ACGR) is signed on behalf of the registrant by the undersigned.

SIGNATURES



(Signature over Printed Name)

Chairman of the Board



WILLIAM C. WHANG

(Signature over Printed Name)

President



(Signature over Printed Name)

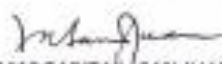
Independent Director



ALBERTO S. YAO

(Signature over Printed Name)

Independent Director



MARGARITA L. SAN JUAN

(Signature over Printed Name)

Independent Director



ATTY. CORAZON I. MORANDO

(Signature over Printed Name)

Corporate Secretary



ATTY. AILEEN PAULETTE S. DE JESUS

(Signature over Printed Name)

Chief Compliance Officer

29 MAY 2018

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of May 2018, affiant(s) exhibiting to me their identification documents, as follows:

NAME

IDENTIFICATION DOCUMENT

Hans T. Sy

Passport No. EC6825868 valid until February 21, 2021

William C. Whang

SSS ID No. 03-2416389-8

Alberto S. Yao

SSS ID No. 03-1301449-2

Robert F. Kuan

Passport No. EC0637710 issued in Manila valid until March 20, 2019

Atty. Corazon I. Morando

SSS ID No. 33-0678316-7

Atty. Aileen Paulette S. De Jesus

IBP ID - Lifetime Member No. 01667

ALVIN A. QUINTANILLA

Notary Public for Makati City

Appl. No. M-205 until December 2019

4/F Philcom Building

8755 Paseo de Roxas, Makati City

PTR No. 6814411, 01-10-14; Makati City

IBP No. 021022; 01-04-10; Cavite

Roll of Attorney's No. 40925

Doc No. 129  
Page No. 36  
Book No. 35  
Series of 2018



Corporate Secretary's Certificate of Attendance in Corporate Governance Training



Sample e-mail with Attached Board Meeting Agenda and Materials Sent to the Directors



**{In Archive} Agenda and Materials for BOD Meeting on July 5, 2017 (Part 1)**

Hans T. Sy, Gilbert U. Dee, Ricardo R. Chua,  
**Julius L. Danas** to: Peter S. Dee, [suntree.tower](#), [stanfieldto](#), 06/28/2017 07:37 PM  
[hats](#), [yao.alberto](#), [rfkuan](#), Jose T. Sio,  
 "Maria Eleanor D. Enrile", Linda Susan T. Mendoza, Zenaida C.  
 Cc: Milan, Juliana U. Desengañó, [suntree\\_building](#), [smaca\\_sf](#),  
[officeofthceo](#), Leilani B. Elarmo, OCS - Minutes & Agenda, "I.  
 This message is being viewed in an archive.

Archive:

Gentlemen,

Relative to SEC Memorandum Circular No. 19, Series of 2016 and ASEAN Corporate Governance Scorecard recommending that relevant information need to be provided to the directors at least 5 business days in advance of the meetings, we are forwarding to you the attached agenda and materials for the BOD Meeting on July 5, 2017.



IBG Accounts.zip

**ATTY. JULIUS L. DANAS**  
 Office of the Corporate Secretary  
 China Banking Corporation (China Bank)  
 Contact Number: 885-5133  
 Fax Number: 885-5135  
[jjldanas@chinabank.ph](mailto:jjldanas@chinabank.ph)



Your Success Is Our Business

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CCO's Certificate of Attendance in Corporate Governance Training



**BANKERS INSTITUTE OF THE PHILIPPINES, INC.**  
Manila, Philippines

*presents this*

*Certificate of Attendance*

*to*

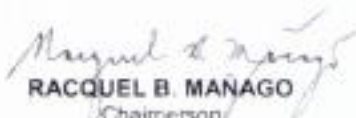
**Atty. Aileen Paulette S. De Jesus**

*for having attended the seminar on*

**BSP Compliance, Trust and  
Governance Rating Systems**

*Conducted by the Institute on  
November 7, 2014*

*At Hotel Intercontinental Manila,  
Ayala Center, Makati City*

  
**RACQUEL B. MANAGO**  
Chairperson

BAIPHIL Education & Training Institute

  
**TERESITA S. GALVADORES**  
President

Certification from the Corporate Secretary re: the Bank's 2017-2021 Business Plans



## CERTIFICATION

This is to certify that the Bank's 2017 Budget, as well as the 2017 – 2021 financial targets/business plans, were among those presented to, discussed, and approved by the Board of Directors during its meeting on 01 February 2017.

Issued this 23<sup>rd</sup> day of May 2018 in Makati City.

  
**ATTY. CORAZON I. MORANDO**  
Vice President & Corporate Secretary



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Certification from the Corporate Secretary re: Performance Report



## CERTIFICATION

This is to certify that the 2016 Performance Reports were among those presented to, discussed, and noted by the Board of Directors during its meeting on 01 February 2017.

Issued this 23<sup>rd</sup> day of May 2018 in Makati City.

  
**ATTY. CORAZON I. MORANDO**  
Vice President & Corporate Secretary 

## Engagement of Search firm in sourcing out candidates for the Board of Directors



## Revised Materiality Threshold

Summary of Materiality Threshold on a per Transaction Basis

Updated as of August 2017

Units Concerned	Material Transaction	Transaction (as may be applicable, but not limited to)
Accounting Division(Reconciliation and Control, General Accounting)	Php 2M	Consulting, professional, agency and other service arrangements/contracts;
Administrative Division	Php 50M	Construction arrangements / contracts
	Php 50M	Consulting, professional, agency and other service arrangements/contracts;
	Php 50M	Sale , purchase or supply of any goods or materials
	Php 50M	Lease Arrangements / contracts (including extension of lease) – <i>whether or not the bank is the lessor or lessee.</i>
	Php 50M	Sale , purchase or supply of any goods or materials
Consumer Banking	Php 10M - Housing Loan;	Borrowings, commitments, fund transfers and guarantees
	Php 4M - Auto Loan	
Corporate Secretary	Php 500k	Service arrangements/contracts
Human Resources	Php10M	Research and development
	Php 10M	Consulting, professional, agency and other service arrangements
IBG	Php 50M	Borrowings, commitments, fund transfers and guarantees
IBG - Credit Card Division (Card Accounting)	Php 2M	Credit card transactions, claims and write-offs
Retail Banking Business	Php50M	Borrowings, commitments, fund transfers and guarantees
	Php 50M	Lease Arrangements / contracts (including extension of lease) – <i>whether or not the bank is the lessor or lessee.</i>

Units Concerned	Material Transaction	Transaction (as may be applicable, but not limited to)
Treasury Group	Php 500 M or its equivalent in other currencies	Borrowings, commitments, fund transfers and guarantees
	Php 500 M	Investments and/or subscriptions for debt/equity issuances
	Php 50 M (local securities)	Trading and derivative transactions
	\$10 M (foreign currency securities)	
	\$10 M FX spot transactions;	
	\$25million FX swap transactions;	
	\$10million USD derivative transactions (other than FX swaps);	
	Php 100 M (Interest Rate Swap)	
Trust Group	Php 10M	Trust Transactions - Investments and fiduciary services
CMG - Credit Quality Management Division	Php 2.0M	Sale of Other Acquired Assets (Vehicles and other non real estate assets)
	Php 50.0 M	Sale of Real estate Acquired Assets
CMG - Credit Process Management Division	P 2.0 M	Insourcing arrangement with CBSI (title verification) and other CMG related party transactions (such as but not limited to services)
IBG - Factoring	P 50.0 M	Insourcing arrangement with CBSI (title verification) and other CMG related party transactions (such as but not limited to services)
China Bank Capital Corp.	Php 10 M	Investments and/or subscriptions for debt/equity issuances
	Php 10M	Establishment of Joint Venture Entities



China Banking Corporation  
Audit Division

Internal Audit Charter

A. PURPOSE

The Internal Audit Charter aims to accomplish the following objectives:

- Defines and establishes the Audit Division's mission statement, authority, scope of work, accountability, organizational independence, responsibility and the standard of audit practice
- Serves as a guide to the Audit Division in the performance of their mandated duties by the Board of Directors through the Audit Committee
- Provides a basis for the Audit Committee in evaluating the effectiveness and efficiency of the Bank's Internal Audit function
- Adheres to the pronouncements of regulators [i.e., Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC)] and standard-setting organizations [i.e., Institute of Internal Auditors (IIA), Information Systems Audit and Control Association (ISACA)]

B. MISSION STATEMENT & SCOPE OF WORK

The mission of the Audit Division is to provide independent, objective assurance and consulting services designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

In order to fulfill its mission, the Audit Division's scope of work covers the assessment of Bank's system of risk management, control, and governance processes, as designed and represented by management, to determine whether it is adequate and functioning in a manner to ensure that:

1. Risks are appropriately identified and managed.
2. Interaction with the various Bank's groups and regulatory authorities occurs as needed.
3. Bank's operations are performed with sufficient and adequate controls.
4. Significant financial, managerial, and operating information is accurate, reliable, and timely.
5. Employees' actions are in compliance with Bank's code of conduct, policies, standards, procedures, and applicable laws and regulations.
6. Significant legislative or regulatory issues impacting the Bank are recognized and addressed properly.
7. Bank's programs, plans and objectives are achieved.

8. Bank's resources are acquired economically, used efficiently, and adequately protected.
9. Quality and continuous improvement are fostered in the organization's control process.

The Audit Division also provides advisory services to assist Board of Directors and management in meeting their objectives. Examples of such services may include facilitation, training, and research services on prospective issues affecting the Bank or on external developments with regard to governance, risk management, internal control & accountability processes and efficient use of resources.

Opportunities for improving management control, profitability, and the Bank's image may be identified during audits. These shall be communicated to the appropriate level of management.

### C. AUTHORITY

The authority of Audit Division is established by the Board of Directors, and its responsibilities are defined by the Audit Committee as part of its oversight function. The Audit Committee and Management shall take all the necessary measures to provide the appropriate resources (e.g. personnel, information, tools, trainings) and assistance that would enable Internal Audit Division to effectively and efficiently perform its mission and objectives. This authority extends also to the audit of Bank's subsidiaries.

The Chief Audit Executive (CAE), officers and staff of the Internal Audit Division are authorized to:

1. Have unrestricted access to all functions, records/documents, files, accounts, property, and personnel during the course of their examination with strict accountability for confidentiality and safeguarding of information obtained.
2. Have full and free access to the Audit Committee.
3. Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the procedures and techniques required to accomplish audit objectives.
4. Obtain necessary assistance of personnel in other Units of the Bank where they perform audits, as well as other specialized services from within or outside the Bank.
5. Require all members of staff and Management to supply on a timely manner, needed information and explanation necessary for the performance of its functions, especially those concerning security and compliance issues.

The CAE, officers and staff of the Audit Division are not authorized to:

1. Perform any operational duties and responsibilities for the Bank and its subsidiaries or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any

other activity that may impair auditor's judgment. Their involvement in these activities is limited to advisory only.

2. Initiate or approve accounting transactions external to the internal auditing functions.
3. Direct the activities of any Bank employee not under the Audit Division, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.
4. Disclose information obtained during the course of audits to unauthorized parties but rather use such information strictly for audit purposes only.

#### **D. INDEPENDENCE AND OBJECTIVITY**

To ensure independence of the Audit Division, its personnel report to the CAE who in turn reports functionally to the Board of Directors through the Audit Committee, and administratively to the President and Chief Executive Officer. The CAE shall annually confirm to the Board the organizational independence of the internal audit activity. To further reinforce its independence and objectivity the following shall be observed:

1. The internal audit activity shall remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to exhibit necessary independent and objective mental attitude.
2. Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, 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.
3. The CAE should have an open and direct access to the Chairman of the Audit Committee at all times.
4. At least once a year, the CAE should meet privately with the Audit Committee without management's presence.
5. The Audit Committee should have the final authority to review and approve the annual audit plan and all major changes therein.
6. The appointment and removal of the CAE, including his/her compensation package, should be under the responsibility of the Board of Directors through the Audit Committee.
7. The Audit Committee should solicit internal audit's view on the responsiveness of Management to internal audit findings and concerns.

## **E. ACCOUNTABILITY**

The CAE, in the discharge of his/her duties, shall be accountable to the Audit Committee for:

1. Providing annual assessment and opinion on the overall adequacy and effectiveness of the Bank's processes for controlling its operations and managing its significant risks;
2. Reporting significant issues related to Bank's risk management and internal control processes, including potential improvements of these processes, and provide information on the status of their implementation;
3. Reporting the results of advisory services provided to the Bank;
4. Providing information periodically on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan and sufficiency of the Audit Division's resources;
5. Coordinating with other control and monitoring Units (e.g. Risk Management Group, Compliance Unit, Legal Division, Human Resources Division, Information Security Office) on activities and issues that are considered important and pose potential risks to the Bank;
6. Obtaining competent advice and assistance from external service providers if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.
7. Communicating the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

## **F. RESPONSIBILITY**

The CAE, officers and staff of the Audit Division shall be responsible for:

1. Developing an annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by Management, and submitting the plan to the Audit Committee for review and approval. The CAE will communicate the impact of resource limitations and significant interim changes to the Audit Committee.
2. Implementing the annual audit plan, as approved, including as appropriate any special tasks or projects requested by Management and the Audit Committee. Major revision of the plan should be discussed with Management and agreed with the Audit Committee.
3. Maintaining professional audit officers and staff which collectively have sufficient knowledge, skills, experience, and professional qualifications/certifications to meet the requirements of regulations and this Charter.
4. Establishing a quality assurance program by which the CAE assures the effectiveness and efficiency of the internal auditing activities and identifies opportunities for improvement.

5. Evaluating significant new or changing Bank's operations, functions, processes, services and systems coincident with their development, implementation and expansion to ensure adequacy and effectiveness of security and control.
6. Issuing periodic reports to the Management and Audit Committee summarizing the results of audit activities and status of unresolved exceptions/findings.
7. Keeping the Audit Committee informed and educated of the emerging trends and successful practices in internal auditing. Also, identifying external seminars/trainings or conferences of possible interest to the committee members.
8. Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned. This is accomplished by providing Audit Committee with a list of significant measurement goals and results.
9. Assisting the Bank in the investigation and evaluation of significant suspected fraudulent activities within the organization and notify management and the Audit Committee of the results. This involves the exercise of due professional care in the conduct of every engagement which implies reasonable care and competence not infallibility. Auditors should be alert to the possibility of fraud, intentional wrongdoing, errors and omissions, inefficiency, waste, ineffectiveness, and conflict of interest, as well as being alert to those conditions and activities where irregularity are most likely to occur.
10. Considering the scope of work of the external auditors/service providers and regulators, as appropriate, for the purpose of providing optimal audit coverage to the Bank at a reasonable cost.
11. Establishing 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 risk of not taking action.
12. Reporting significant risk exposures, control and governance issues, and other matters needed or requested by the Board through the Audit Committee.

#### **G. STANDARDS OF AUDIT PRACTICE**

The Audit Division shall ensure compliance with Bank's policy statements (including the Code of Conduct), professional and ethical standards, standards issued by the regulatory/government agencies and the international standards for the professional practices of internal auditing issued by the Institute of Internal Auditors (IIA) and the Information Systems Audit and Control Association (ISACA).



The internal audit activity will adhere to the IIA's mandatory guidance including the definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance. The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to, as applicable, to guide operations.

In relation to Information Technology (IT) management and governance, ISACA's Control Objectives for Information and related Technology (COBIT) will be followed. This framework allows the organization to bridge the gap between control requirements, technical issues and business risks through clear policy development and best practices for IT control. The framework also supports governance of IT by defining and aligning business goals with IT goals and IT processes.

Certification from the Corporate Secretary re: Audit Committee meeting with External Auditor



## CERTIFICATION

This is to certify that the Audit Committee of the Bank, together with the external auditors (SGV), held a meeting on 20 September 2017, without anyone from the Bank Management present, to discuss SGV's 2017 Audit Plan, covering the following matters, among others:

1. Preliminary Key Audit Matters (adequacy of allowance for credit losses on loans and receivables, recoverability of goodwill, realizability of deferred tax assets)
2. Other Areas of Emphasis; and,
3. Regulatory Updates (PFRS 9, Financial Instruments; PFRS 16, Leases; Tax Updates).

Issued this 23<sup>rd</sup> day of May 2018 in Makati City.

  
**ATTY. CORAZON I. MORANDO**  
Vice President & Corporate Secretary

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"Generally Conforms" Certificate



**Internal Audit Division**

of China Banking Corporation

*headed by Marilyn G. Yuchenkang, Chief Audit Executive*

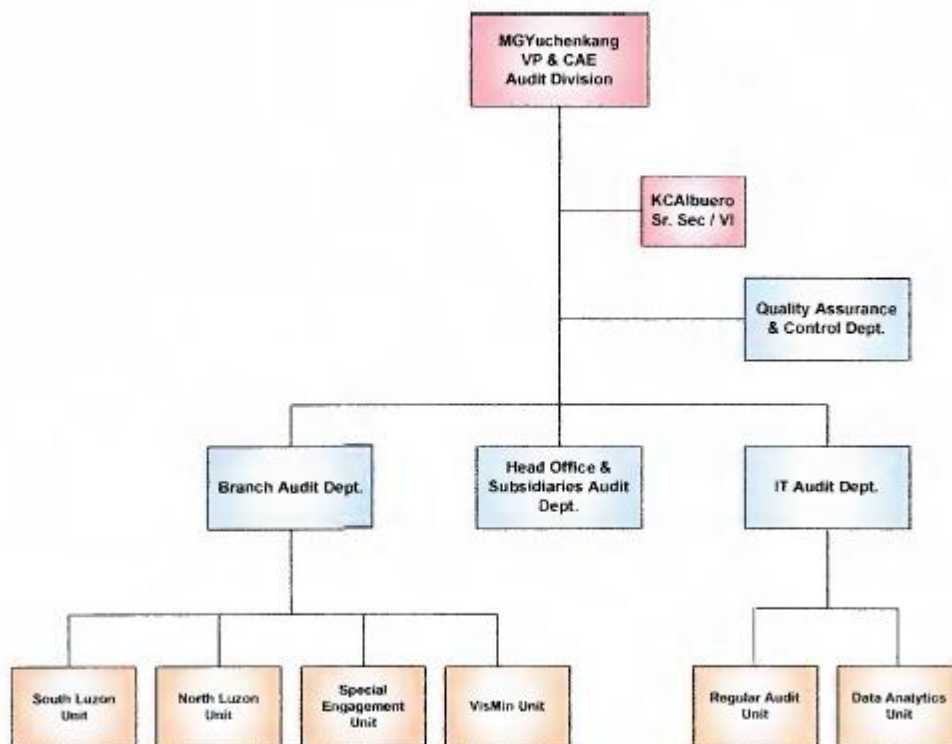
**Generally Conforms**

to the definition of internal auditing, the code of ethics, and the international standards for the professional practice of internal auditing. We express this opinion based on the results of the **external quality assessment review** conducted in accordance with the standards for the quality assessment of internal audit activities.

**Michael C. Galledo**  
CPA, CIA, CCSA, CRISC, MPM, CMC, CRMA  
Partner and Validation Team Leader



## Internal Audit Division Table of Organization





### CERTIFICATION

This is to certify that in the Joint Audit, Compliance, and Corporate Governance Committees meeting on 15 February 2017, the Chief Audit Executive of the Bank issued an attestation that "the Bank's control processes, operating across the organization, are in place, adequate and working effectively to mitigate risks that could adversely affect the achievement of the Bank's objectives."

Issued this 23<sup>rd</sup> day of May 2018 in Makati City.

  
**ATTY. CORAZON I. MORANDO**  
Vice President & Corporate Secretary

14 8