

**EASTWEST INSURANCE BROKERAGE, INC.
MANUAL ON CORPORATE GOVERNANCE**

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I. OBJECTIVE AND COMMITMENT

EAST WEST INSURANCE BROKERAGE, INC. (the Company) understands that it is paramount to set the kind of corporate governance needed in the attainment of the Company's corporate goals.

The **Corporate Governance Manual** (the Manual) was designed to define the framework of rules, systems and processes that governs the performance of the Board of Directors (the "Board") and Management. It establishes the structure by which the Company executes and carries out its Corporate Governance. This serves as reference by all the members of the Board as well as its Management in the conduct of their duties and responsibilities.

The Board of Directors and Senior Management of the Company hereby commit themselves to the principles and best practices contained in this Manual.

II. BOARD GOVERNANCE

1. Definition of Corporate Governance

Corporate Governance is the system of stewardship and control that guides the Company in fulfilling its long-term economic, moral, legal and social obligations towards its stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates. Its purpose is to maximize the Company's long-term success, creating sustainable value for its shareholders, stakeholders and the country.

2. Board of Directors

2.1 Definition

The Board is the highest governing body of the Company, elected from and among the stockholders of the Company who exercises corporate powers of the Company, conducts all its businesses and controls and holds all its properties. It provides stewardship, sets the Company's over-all direction and approves and oversees the implementation of its strategic objectives, risk strategy, corporate governance and compliance, corporate values and the code of conduct.

Compliance with the principles of good corporate governance shall start with the Board.

2.2 Composition

The Board is composed of five (5) directors, majority of whom are non-executive directors. Two (2) Board members are independent directors whose role is to provide impartial judgement, outside experience and objectivity to the Board. Nominated and voted by shareholders every year, each director serves a one-year term until the election of another set of directors.

The Company recognizes increasing diversity at the Board level as an essential element in maintaining a competitive advantage and achieving long-term growth and profitability. In determining the appropriate Board composition, Board diversity shall consider professional experience, skills, knowledge, background, moral standing in the community and other distinctions between Directors. The Company does not discriminate against gender, age, and ethnic, political, religious, or cultural backgrounds.

Through the Board's Corporate Governance Committee, the Company ensures that all directors are qualified for election. All Board appointments are made on merit, taking into account the following which the Board, as a whole, requires to be effective: integrity/probity, physical/mental fitness; relevant education, financial literacy and training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; and sufficiency of time to fully carry out responsibilities.

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

Non-Filipino citizens may become members of the Board of Directors to the extent of the foreign participation the equity the Company, provided that a majority of the directors shall be residents of the Philippines.

Members of the Board of Directors shall not be appointed as Corporate Secretary or Chief Compliance Officer.

2.3 Board Nomination and Election

All nominations for Directors and Independent Directors shall be submitted to the Corporate Governance Committee (CGC) through any of their Members or to the Corporate Secretary of the Company as indicated in the year's Rules Governing the Nomination and Election of Directors.

All nominations shall be in writing, duly signed by the nominating stockholders or their duly authorized (in writing) representatives, with the written acceptance and conformity of their nominee. The nomination must indicate whether the nominees are intended to be independent directors and shall contain the nominee's age, educational attainment, full disclosure of work and/or business experience and/or affiliations.

The CGC shall pre-screen the qualifications of the nominees on the basis of the nominations and/or supporting papers and prepare a final list of candidates containing all relevant information about the nominees and indicate the nominees for independent directors. In the unlikely event that no one among the stockholders who made the nominations indicated any particular nominee as

nominee for independent director, the Committee shall endorse by majority vote of their members the nominees for independent directors who meet the guidelines/criteria set by the regulatory agencies/offices of companies.

If there are not enough nominees from shareholders for directors and/or independent directors, the CGC members, jointly or separately, as may be agreed upon among themselves, may, by majority vote, vet and nominate such number of nominees to complete the list for the said position/s and include them in the final list of nominees to be submitted at the stockholders' meeting.

The Directors and Independent Directors shall be elected from among the Company's stockholders.

2.4 Board Meetings

The Board shall hold a meeting for organizational purposes immediately after their election, of which no notice shall be required. Thereafter, the Board shall hold its regular meetings at least once every quarter of each calendar year on such dates as may be fixed by the Board at the principal office of the Company or at such other place within the Philippines as may be fixed by the Board.

Special meetings of the Board of Directors may be called at any time by the Chairman or in his absence, the President or on written request of at least the majority of the Directors. Only one-day notice shall be required for any meeting of the Board and can be made either orally or in writing.

In all meetings wherein there are participants who cannot be physically present because they are located at different local or international places, the meeting may be held through teleconferencing or videoconferencing conducted in accordance with the rules and regulations of the SEC and subject to compliance with the requirements provided for in Article III, Section 4 of the Company's By-Laws.

Every member of the Board shall participate in at least fifty percent (50%) and shall physically attend at least twenty-five percent (25%) of all meetings of the board of directors every year: Provided, further that the absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his/her incumbency is a ground for disqualification in the succeeding election.

As may be deemed necessary, the non-executive directors (NEDs) shall have separate periodic meetings with the external auditor and heads of the governance units, namely Internal Audit, Compliance and Risk Management, without any executive director or senior management present to ensure that proper checks and balances are in place within the Company. The meeting shall be led by the Chairman of the Governance Committee who called the meeting.

2.5 Quorum Requirements

A majority of the Directors shall constitute a quorum to do business and every decision of the majority of the quorum duly assembled as a Board shall be valid as an act of the entire Board. A director who participates through remote communication, shall be deemed present for the purpose of attaining quorum.

2.6 General Responsibilities

The Board is committed to conduct itself with utmost honesty, integrity, and transparency in the discharge of its duties, functions, and responsibilities. It shall foster the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Company, its shareholders and other stakeholders, namely, its clients, its management and employees, the regulators and government, the community where it operates and the public in general.

The Board is primarily responsible for approving and overseeing the implementation of the Company's strategic objectives and business plans, risk strategy, corporate governance and corporate values. It shall hold regular and special meetings to discuss senior management's performance vis-a-vis the Company's strategic plan and annual budget, as well as policies and developments in the areas of risk management, corporate governance, compliance, and relevant operational functions.

2.7 Specific Duties and Functions

To ensure a high standard of best practice for the Company, its stockholders and other stakeholders, the Board shall:

- a. Define the Company's corporate culture and values, establishing a Code of Conduct and ethical standards and institutionalizing a reporting system to handle concerns and violations.
- b. Consistently conduct the affairs of the institution with a high degree of integrity and oversee the integrity, independence, and effectiveness of the Company's policies and procedures for whistleblowing.
- c. Approve and monitor the implementation of business objectives, strategies and programs and assessing the performance of Senior Management vis-à-vis such strategic plans;
- d. Approve and oversee the implementation of policies governing major areas of operations and regularly review these policies, as well as evaluate control functions (internal audit, risk management and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues;

- e. Define the Company's risk appetite and approve and oversee the implementation of a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks;
- f. Appoint key members of Senior Management and Heads of control functions in accordance with fit and proper standards and approve a sound remuneration and other incentives policy for all personnel.
- g. Adopt an effective succession planning program for its directors, the President and CEO, and key senior officers;
- h. Define, approve and oversee the implementation of the Company's corporate governance framework, policies and practices and establish means to ensure that such are followed and periodically reviewed for ongoing improvement;
- i. Constitute Board committees to increase efficiency and allow deeper focus in specific areas and approve all Board Committee Charters;
- j. Assess at least annually its performance and effectiveness as a body, as well as its various committees, the CEO, the individual directors, and the Company;
- k. Effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors;
- l. Regularly meet with Senior Management to engage in discussions, question, and critically review the reports and information provided by the latter.
- m. Establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities;
- n. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Company. The Company's CEO or Chief Finance Officer shall exercise oversight responsibility over this program;
- o. Formulate and implement group-wide policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Company and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their close family members as defined in the Company's Related Party Transactions (RPT) Policy and of interlocking director's relationships by members of the Board;

- p. When deemed necessary, appoint an independent party to evaluate the fairness of the transaction price on any acquisition or disposal of significant/material assets.
- q. Ensure the consistent adoption of corporate governance policies and systems across the group and disclose to the IC and other regulators all entities in the group as well as all significant transactions between entities in the group involving any IC-regulated entity.
- r. Identify the Company's stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely and effective communication with them.

2.8 Internal Control Responsibilities of the Board

The Board of Directors shall be ultimately responsible for ensuring that Senior Management establishes and maintains an adequate, effective and efficient internal control framework commensurate with the size, risk profile and complexity of operations of the Company. The Board shall also ensure that the internal audit function has an appropriate stature and authority within the Company and is provided with adequate resources to enable it to effectively carry out its assignments with objectivity.

Further, the Board shall, on a periodic basis:

- a. Conduct discussions with management on the effectiveness of the internal control system;
- b. Review evaluations made by the Audit Committee on the assessment of effectiveness of internal control made by management, internal auditors and external auditors;
- c. Ensure that management has promptly followed up on recommendations and concerns expressed by auditors and supervisory authorities on internal control weaknesses; and
- d. Review and approve the remuneration of the head and personnel of the internal audit function. Said remuneration shall be in accordance with the Company's remuneration policies and practices and shall be structured in such a way that these do not create conflicts of interest or compromise independence and objectivity.

The internal control mechanisms for the performance of the Board's oversight responsibility include:

- a. Definition of the duties and responsibilities of the President and CEO who is ultimately accountable for the Company's organizational and operational controls.

- b. Selection of the person who possesses the ability, integrity and expertise essential for the position of President and CEO.
- c. Evaluation of proposed senior management appointees. Senior management refers to Company officers who directly report to the President and CEO and heads of governance units, regardless of rank.
- d. Selection and appointment of qualified and competent management officers.
- e. Review of the Company's human resource policies, conflict of interest situations, compensation program for employees and management succession plan.
- f. Establishment of an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board shall appoint a Chief Audit Executive to perform the audit function who shall report to the Audit Committee of the Board. The Chief Audit Executive shall be guided by the International Standards on Professional Practice of Internal Auditing.

The following factors contribute to the scope and particulars of an effective organizational and operational controls of the Company: nature and complexity of business and business culture; volume, size and complexity of transactions, degree of risks involved, degree of centralization and delegation of authority, extent and effectiveness of information technology and extent of regulatory compliance.

2.9 Chairperson of the Board of Directors

To promote checks and balances, the Chairperson of the Board of Directors shall be a non-executive director or an independent director and must not have served as CEO of the Company within the past three (3) years.

The roles of the Chairman of the Board and of the President and Chief Executive Officer (CEO) shall as much as practicable, be separate to foster an independent decision-making by the Board. A clear delineation of functions shall be made between the Chairman and CEO upon their election. Proper checks and balances including the appointment of each independent director shall be laid down to ensure that the Board gets the benefit of independent views and perspectives.

2.10 Duties and Responsibilities of the Chairman of the Board

The Chairman shall preside at all the meetings of the stockholders and the Board of the Directors. He may also call special meetings of the stockholders and Board of Directors. The President and CEO shall preside at all meetings in the absence of the Chairman.

The duties and responsibilities of the Chairman includes, among others, the following:

- a. Provides leadership in the Board and ensures its effective functioning, including maintaining a relationship of trust with and among board members;
- b. Ensures that the Board makes an informed decision based on a sound decision making process. The Chairman shall encourage and promote critical discussions and make certain that dissenting views can be expressed and discussed within the decision-making process.
- c. Ensures that the meetings of the Board are held in accordance with the Company's By-laws or as he may deem necessary;
- d. Supervises the preparation of the agenda of the meeting in coordination with Corporate Secretary, taking into consideration the suggestions of the President and CEO, Senior Management and the Directors. The Chairman shall ensure that the meeting agenda focuses on strategic matters, including the over-all risk appetite of the Company, developments in the business and regulatory environments, key governance concerns and issues that may significantly affect company operations; and
- e. Maintains qualitative and timely lines of communication and information between the Board and Management.
- f. Ensures that members of the Board receive accurate, timely, and relevant information;
- g. Ensures the conduct of proper orientation for first time directors and provides training opportunities for all directors; and
- h. Ensures conduct of performance evaluation of the Board of Directors at least once a year.

2.11 Duties and Responsibilities of the President and Chief Executive Officer

The President and CEO shall be elected by the Board from among its members. He shall, subject to the control of the Board, be overall-in-charge for the management of the business and affairs of the Company governed by the strategic direction and risk appetite approved by the Board of Directors. He shall be primarily accountable to the Board in championing the desired conduct and behavior, implementing strategies, and in promoting the long-term interest of the Company.

The President and CEO shall execute and administer the administrative and operational policies approved by the Board and shall exercise such powers as may be vested upon him by the Board not incompatible with law or the Company's By-laws. He may, at his discretion, delegate to the Deputy CEO, the Chief Operating Officer (COO) or any equivalent rank some of his responsibilities subject to such rules and limitations as the Board may prescribe.

The duties and responsibilities of the President and CEO , includes among others, the following:

- a. Determines the Company's strategic direction and formulates and implements the Board-approved strategic plan;
- b. Communicates and implements the Company's vision, mission, corporate values and over-all strategy and promotes any organization or stakeholder change in relation to the same;
- c. Oversees the operations of the Company and manages human and financial resources in accordance with the strategic plan;
- d. Keeps abreast of developments which may significantly impact on the Company's core business;
- e. Directs, evaluates and guides the work of Senior Management;
- f. Manages the Company's resources prudently and ensures their proper balance;
- g. Provides the Board with timely information and interfaces between the Board and management; and
- h. Builds the Company's culture that shall lead and motivate the Company's employees.

2.12 Adequate and Timely Reporting

To enable the members of the Board to properly fulfill their duties and responsibilities, Management shall provide them with accurate, timely relevant, insightful, concise and clear information about the matters to be taken in their meetings.

The members of the Board shall have independent access to Management and the Corporate Secretary, particularly when it comes to financial, operational and management information. This right of access to information may only be exercised within reasonable hours during business days.

The information may include the background or explanation of transactions and other matters brought before the Board, such as but not limited to disclosures, budgets, forecasts and internal financial documents.

The members, either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice at the Company's expense, subject to further evaluation and approval by the Board.

3. Board of Directors

To support the effective performance of the Board's function and fulfill the principles of good corporate governance, the following Committees shall be established. All Committees shall have Committee Charters stating their respective purposes, memberships, duties and responsibilities, conduct of meetings and other relevant information.

- Corporate Governance Committee
- Board Risk Oversight Committee (BROC)
- Audit Committee
- Related Party Transactions (RPT) Committee

3.1 Corporate Governance Committee

The Corporate Governance Committee shall assist the Board of Directors (the Board) in fulfilling its corporate governance responsibilities and in providing oversight in the implementation of the Company's Compliance Program, including its Money Laundering and Terrorist Financing Prevention Program (MLPP).

The Committee shall be composed at least three (3) members of the Board of Directors who shall all be non-executive directors, majority of whom shall be independent directors, including the chairperson. The Compliance Division shall serve as the Committee Secretariat.

The CGC shall serve as the Nomination Committee of the Company. It shall review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board and assess the effectiveness of the Board's process and procedures in the election or replacement of directors.

General Responsibilities

Corporate Governance:

1. Review and evaluate the qualifications of all persons nominated to the Board, all direct reports of the President and CEO regardless of rank, heads of Governance Units and other positions of the Company.
2. Ensure the Board's effectiveness and due observance of corporate governance principles and guidelines.
3. Establish and ensure the effective implementation of policy for on-boarding and the orientation program for first time directors and the annual continuing education for all directors.
4. Ensure that there is an appropriate succession plan for Board members and the Company's Senior Officers.

5. Decide whether or not a Director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation).
6. Adopt internal guidelines that address the competing time commitments that are faced when directors serve on multiple boards.
7. Decide how the Board's performance may be evaluated and propose objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long term shareholders' value.
8. Review and assess the adequacy of its Charter, the Corporate Governance Manual and recommend changes for the approval of the Board at least annually.
9. In collaboration with the Board Risk Oversight Committee, evaluate the incentives created by the Company's remuneration system.

Compliance:

1. Oversee the implementation of the Company's Compliance Program, including its MLPP, ensuring that the Company complies with all applicable laws, regulations, codes of conduct and standards of good practice. The Committee shall also ensure that compliance issues are resolved expeditiously.
2. Ensure the regular review and updating, at least annually, of the Compliance Program and the MLPP to incorporate changes in laws, rules and regulations for approval by the Board.
3. Endorse the appointment of a Chief Compliance Officer to the Board with a rank of at least Vice President and who a) directly reports to the Board, through the CGC, and b) be responsible for coordinating, monitoring and facilitating compliance with applicable laws, rules and regulations.
4. Vest the Compliance Officer with the appropriate authority and provide the necessary support and resources to effectively perform his or her responsibilities.
5. Assist the Board in making an informed assessment on how the Company is managing its compliance risk. The Committee shall review with senior management and the Chief Compliance Officer the actions taken by the Company to address any findings/directives in report of examinations by regulatory agencies.
6. Evaluate the performance of the Chief Compliance Officer at least on an annual basis.

3.2 Board Risk Oversight Committee

The Board Risk Oversight Committee (BROC) shall assist the Board in fulfilling its responsibilities in managing the Company's risk-taking activities. The nature of the Committee's responsibilities is one of development and oversight while the responsibility for executing the Company's risk management policy and framework lies with Senior Management led by the Chief Risk Officer (CRO).

The Committee shall have no less than three (3) members, majority of whom shall be independent directors, including the chairperson. The BROC's chairperson shall not be the Chairperson of the Board of Directors, or any other board-level committee. BROC's members must possess adequate knowledge and understanding of the Company's risk exposures as well as the expertise to develop appropriate risk policy and strategy.

Duties and Responsibilities

1. Identifies and evaluates the Company's risk exposures. The Committee assesses the likelihood of each risk identified and estimates its impact to the Company. Further attention shall be given to those risks that are more likely to happen and bear costlier impact to the Company.
2. Ensures that all risk management strategies and policies for all types of risks are developed, properly documented, and effectively communicated to the organization. The Committee also ensures that the concerned units follow the loss mitigating strategies and procedures laid out in the risk management policies.
3. Ensures that relevant risks are measured and monitored for all portfolios and business activities.
4. Evaluates the magnitude, direction and distribution of risks across the Company. Provides direction to the Company on how to control or mitigate these risks through its developed risk management strategies and policies.
5. Evaluates and reports to the Board the Company's over-all risk exposures and the effectiveness of its over-all risk management practices and processes and recommends further action or policy revisions, if necessary.
6. Ensures that timely corrective actions are carried out whenever limits are breached.
7. Recommends the allocation of capital in order to manage risk and corresponding earnings.
8. On Internal Audit –
 1. Ensures that the Company's risk management framework is evaluated regularly by Internal Audit.

2. Reviews issues raised by Internal and External Auditors regarding the Company's risk management framework.
3. Relays to the Audit Committee any issues that the Committee sees as relevant.
9. Examines other matters referred by the Board.
10. Evaluates the performance of the Chief Risk Officer, at least, on an annual basis.
11. Conduct performance self-assessment as prescribed under and in accordance with the Corporate Governance Manual.
12. Reviews, at least annually, the Committee's charter and recommend any proposed changes to the Board for approval.

3.3 Audit Committee

The Audit Committee shall be composed of at least three (3) of the Board of Directors who shall all be non-executive directors, majority of whom shall be independent directors including the Chairperson. The Committee's members, including its chair, shall have accounting, auditing or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Company. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.

General Responsibilities:

The Committee will carry out the following responsibilities:

Financial reporting, including disclosures

1. Monitor the financial reporting process and its output;
2. Oversee the establishment of accounting policies and practices by the Company and review the significant qualitative aspects of the Company's accounting practices, including accounting estimates and financial disclosures;
3. Monitor the integrity of the Company's financial statements and any formal announcements relating to the Company's financial performance;
4. Review significant financial reporting judgments contained in the financial statements;
5. Review with management and the external auditors, recent accounting, tax and regulatory pronouncements, and understand their impact on the financial statements;

6. Discuss with the external auditor the report that the auditor is required to make to the committee regarding:
 - All accounting policies and practices to be used that the independent auditor identifies as critical.
 - All alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed among management and the independent auditor, including the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor.
 - Other material written communications between the independent auditor and management of the Company, such as any management letter, management representation letter, reports on observations and recommendations on internal controls, independent auditor's engagement and independence letters, schedule of unadjusted audit differences and any listing of adjustments and reclassifications not recorded.
7. Review and discuss with management and the external auditor the annual audited financial statements, including the Company's specific disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Annual Report.
8. Review with management and the independent auditor: (1) major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles; and (2) major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies and the adequacy of disclosures about changes in internal control over financial reporting; and (3) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
9. Discuss with management the Company's major risk exposures and the steps management has taken to monitor and control such exposures including the Company's risk assessment and risk management policies.
10. Review disclosures made to the Audit Committee by the Company's President and CEO about any significant deficiencies in the design or operations of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.
11. Review procedures by which Company employees and other concerned parties may confidentially raise concerns or complaints about possible improprieties in matters of financial reporting.

Internal Control

1. Ensure that senior management establishes and maintains an adequate and effective internal control system and processes. The system and processes should be designed to provide assurance in areas including reporting (financial, operational, Risk), monitoring compliance to laws, regulations and internal policies, efficiency and effectiveness of operations and safeguarding of assets.
2. Consider the effectiveness of the Company's internal control system, including information technology security and control.
3. Understand the scope of internal and external auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendation.

Internal Audit

1. Monitor and review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.
2. Review and approve the charter, plans, activities, staffing, budget and organizational structure of the internal audit function annually.
3. Report to the board of directors on the status of accomplishments of the outsourced internal audit activities, including significant findings noted during the conduct of the internal audit;
4. Review significant findings contained in reports prepared by the internal audit together with management's response and follow-up for corrective action.
5. Ensure that the internal audit function maintains open communication with senior management, external auditors, the supervisory authority, and the audit committee.
6. Ensure there are no unjustified restrictions or limitations in the performance of the internal audit function.
7. On a regular basis, meet separately with the chief executive to discuss any matters that the committee or internal audit believes warrant audit committee attention that should be discussed privately.
8. Review all reports concerning significant fraud or regulatory noncompliance that occurred at the Company considering internal controls that should be strengthened to reduce the risk of a similar event in the future;

9. Assess and report to the board the annual performance appraisal of the Chief Audit Executive (CAE);
10. Approve, or recommend to the board for its approval, the annual remuneration of the Chief Audit Executive (CAE) and personnel of internal audit function;
11. Review and approve the appointment, reappointment and replacement of the Chief Audit Executive (CAE) and key internal auditors.

External Audit

1. Approve a set of appropriate objective criteria for approving the external audit firm of the Company;
2. Approve, or recommend to the board or stockholders for their approval, the appointment, re-appointment and removal of external audit firm;
3. Approve the remuneration and terms of engagement of the external audit firm;
4. Review the independent auditors audit plan – discuss scope, staffing, reliance upon management and the internal audit, general audit approach, and coverage provided to any significant areas of concern that the Committee may have.
5. Ensure that senior management is taking necessary corrective actions to address the findings and recommendations of external auditors and regulatory authority in a timely manner.
6. Review and confirm the independence of the external auditors on relationships by obtaining statements from the auditors on the relationships between the auditors and the Company, including non-audit services, and discussing the relationships with the auditors.
7. Prior to publishing the year-end earnings, discuss the results of the audit with the external auditors.
8. On an annual basis, the audit committee should review and discuss with the external auditors all significant relationships they have with the Company that could impair the auditors' independence.
9. On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

Compliance

1. On at least an annual basis, review with the Company's counsel, any legal/regulatory matters that could have a significant impact on the

Company's financial statements, compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.

Remedial Actions

1. Ensure the senior management is taking necessary corrective actions to address the findings and recommendations of internal auditors and external auditors in a timely manner.
2. Addressing control weaknesses, non-compliance with policies, laws and regulations and other problems identified by internal auditors and external auditors, and;
3. Ensuring the deficiencies identified by supervisory authorities related to the internal audit function are remedied within appropriate time frame and that progress of necessary corrective actions are reported to the board of directors.

Reporting Responsibilities

1. Regularly report to the board of directors about committee activities, issues, and related recommendations.
2. Provide an open avenue of communication between internal audit, the external auditors, and the board of directors.
3. Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
4. Review any other reports the company issues that relate to committee responsibilities.

3.4 Related Party Transactions (RPT) Committee

The RPT Committee shall assist the Board in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders and RPTs are conducted on an arm's length basis and that no stakeholder is unduly disadvantaged.

The Committee shall be composed of at least three (3) members of the Board of Directors, two (2) of whom shall be independent directors and one of the independent directors is the Committee Chairman. The Committee shall at all times be entirely composed of independent and non-executive directors, with independent directors comprising majority of the members.

The Chief Audit Executive shall sit as non-voting member of the Committee while the Chief Compliance Officer shall serve as the Secretary of the Committee.

Duties and Responsibilities:

1. Evaluate on an ongoing basis, existing relations between and among the Company's businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships shall be reflected in the relevant reports to the Board and regulators/supervisors.
2. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee shall take into account, among others, the following:
 - a. The related party's relationship to the Company and interest in the transaction;
 - b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - c. The benefits to the Company of the proposed RPT;
 - d. The availability of other sources of comparable products or services; and
 - e. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances.

Based on its assessment, the RPT Committee shall endorse acceptable material RPTs as defined in the Company's Policy on Related Party Transactions to the Board of Directors for approval.

3. Review and endorses to the Board for confirmation non-material RPTs approved by the Board-delegated approving officer or Management Committee.
4. Ensure that appropriate public disclosure is made, and/or information is provided to supervisors, relating to the Company's RPT exposures, policies on conflicts of interest and potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Company's affiliation or transactions with other related parties.

5. Report to the Board of Directors on bimonthly (every other month) the status and aggregate exposures to each related party and the total amount of exposures to all related parties.
6. Evaluate any breach in the internal limits set for RPTs and recommends actions to be taken on the breach to the Board of Directors.
7. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
8. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs.
9. Conduct a periodic review of RPT policies and procedures, including materiality thresholds and internal limits for individual and aggregate exposures and endorse revisions for Board approval, if necessary, based on updates in Companying laws and regulations, recommendations of Senior Management and actions taken by the Board of Directors.
10. Review and assess, at least annually, the adequacy of this Charter and recommend any changes to the Board for approval.
11. Conduct a self-assessment of its performance, at least once a year, as prescribed and in accordance with the Corporate Governance Manual.

4. Directors

4.1 Definition of a Director

Directors shall include:

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

4.2 Types of Director

- a. **Executive Director** – a director who is part of the day-to-day management of Companying operations.
- b. **Non-executive Director** – a director who has no executive responsibility and does not perform any work related to Companying operations.
- c. **Independent Director** – a person who is independent of management and the controlling shareholder and is free from any business or other relationship which could or could reasonably be perceived to, materially

interfere with his exercise of independent judgement in carrying out his responsibilities as a director. He is ---

1. Not or was not a regular director, officer or employee of the Company, its subsidiaries, affiliates or related interests during the past three (3) years counted from the date of his election/appointment;
2. Not or was not a regular director, officer, or employee of the Company's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;
3. Not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the Company, or in any of its related companies or of its majority corporate shareholders;
4. Not a relative, legitimate or common-law of any director, officer or stockholder holding shares of stock sufficient to elect one (1) seat in the Company's board or any of its related companies or of any of its substantial stockholders. For this purpose, *relatives* refer to the spouse, parent, child, brother, sister, parent-in-law, son-/daughter-in-law, and brother-/sister-in-law;
5. Not acting as a nominee or representative of any director or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders;
6. Not or was not retained as professional adviser, consultant, agent or counsel of the Company, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election;
7. Independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the Company or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;
8. Not appointed in the Company, its subsidiaries, affiliates or related interests as Chairman "Emeritus", "Ex-Officio", Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and

responsibilities during the past three (3) years counted from the date of his appointment; and

9. Not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders.
10. Is not employed as an executive officer of another company where any of the Company's executives serve as regular directors.
11. Not a securities broker-dealer of listed companies and registered issuers of securities.

4.3 Qualifications of a Director

- a. Holder of at least one (1) share of stock of East West Insurance Brokerage, Inc.;
- b. He shall be at least a college graduate or have at least five (5) years' experience in business;
- c. At least twenty-five (25) years of age at the time of his election or appointment;
- d. Has proven to be fit and proper for the position and possessing integrity/probity, physical/mental fitness, relevant education/ financial literacy / training possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind and sufficiency of time to fully carry out responsibilities.
- e. Possesses all the qualifications and none of the disqualifications of a Director at the time of his election or re-election as required under pertinent regulations;
- f. A member in good standing in relevant industry, business or professional organizations;
- g. Must have attended a seminar on corporate governance for Board of Directors conducted by an accredited SEC training provider;

4.4 Disqualifications of a Director

- a. **Permanent disqualifications:** Directors/officers/employees permanently disqualified from holding a director position are:
 1. Those who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling and theft

2. Those who have been convicted by final judgment of the court for violation of insurance laws;
 3. Those who have been judicially declared with finality as insolvent, spendthrift or incapacitated to contract;
 4. Any person found liable by any government agency/corporation, including government financial institution for violation of any law, rule and regulation involving dishonesty, misconduct or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution has become final and executory; and
 5. Any person earlier elected as independent director who becomes an officer, employee or consultant of the Company.
 6. Directors, officers, or employees of closed insurance companies or any insurance intermediaries who were responsible for such institution's closure as determined by the Insurance Commission.
- b. **Temporary disqualifications:** Directors/officers/employees from holding a director position for a specific/indefinite period of time are:
1. Those who refuse to fully disclose the extent of their business interest when required pursuant to a probation of law or of a circular, memorandum or rule or regulation of the Insurance Commission. This disqualification shall be in effect as long as the refusal persists;
 2. Those who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during their incumbency, and directors who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except when a) a notarized certification executed by the corporate secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting said directors shall be considered present in the board meeting or b) absence is due to illness, death in the immediate family or serious accident. This disqualification applies only for purposes of the immediately succeeding election.
 3. Directors and officers of closed insurance companies and insurance intermediaries pending their clearance from the Insurance Commission;

4. Those found to have been involved in any irregularity/violation which constitutes a just cause for dismissal/termination as defined under the Labor Code of the Philippines, as amended, regardless of any action taken by the Company;
5. Those under preventive suspension;
6. Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
7. Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification by the Insurance Commission;
8. Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned has attended such seminar;
9. Persons with derogatory records with NBI, court, police, Interpol and insurance authorities of other countries (for foreign directors) involving violation of other law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of an insurance director. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity;
10. Persons who are delinquent in the payment of their obligations as defined hereunder:
 - a. Delinquency in the payment of obligation means that obligations of a person with the insurance company, its related companies or any insurance intermediaries where he/she is a director or officer; or at least two obligations with other insurance companies, under credit lines or loan contracts;
 - b. Obligations shall include all borrowings from an insurance company, its related companies or any insurance intermediaries by:
 1. A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorsers, or surety for loans from such institutions;
 2. The spouse or child under the parental authority of the director or officer;

3. Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a director or officer;
4. A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
5. A corporation, association or firm wholly owned, or majority of the capital is contributed by any or a group of persons mentioned in the foregoing items 1, 2, and 4.

Resignation or retirement from his/her office shall not exempt the person from being permanently or temporarily disqualified.

4.5 Disqualification Procedures

- a. The Board of Directors shall be responsible for determining the existence of the ground for disqualification of the Company's director and for reporting the same to Insurance Commission. Grounds for disqualification made known to the institution, shall be reported to the appropriate department within seventy-two (72) hours from knowledge thereof.
- b. The Board of Directors shall be immediately informed of cases of disqualification and shall be directed to act thereon not later than the following Board meeting. Within seventy-two (72) hours thereafter, the Corporate Secretary shall report the action taken by the Board on the director involved.

4.6 Tenure of Directors

Except for the term limits of independent directors, the Board shall set the term limits for directors based on their contribution to the overall Board's performance.

For as long as a board director is able to effectively perform his/her functions, the Company considers them eligible to stay as a board director. In line with this, the Company's retirement policy for its Board of Directors is not based on age but one that is based on their capabilities to carry out their function. The Corporate Governance Committee evaluates the fitness of the nominees for the Board of Directors. Upon election, a director serves for a term of one (1) year subject to re-election the following year.

The Corporate Governance Committee therefore shall review each Director's continuation on the Board annually. This will allow each director the opportunity to confirm his or her desire to continue as a member of the Board and also allow the CGC to review the director's performance and suitability.

Independent Directors shall serve up for a maximum of the cumulative term of nine (9) years, after which he can no longer be re-elected as such in the Company.

However, he shall continue to qualify for nomination and election as a regular director.

An Independent Director who served the maximum period shall be perpetually barred from any re-election but may continue therein as a non-independent director. However, if the organization desires to continue the services of an Independent Director who had already served his/her maximum term limit, said Independent Director, as an exception, may still continue to act as such provided that the company submits to the Insurance Commission a formal written justification and must, in addition thereto, acquire the majority of the shareholder's approval during its annual meeting.

4.7 Duties and Responsibilities of a Director

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

A director shall have the following duties and responsibilities:

- a. Remain fit and proper for the position for the duration of his term;
- b. Conduct fair business transactions with the Company and to ensure that personal interest does not conflict with Board decisions;
- c. Act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders, other clients and the general public;
- d. Devote time and attention necessary to properly discharge their duties and responsibilities;
- e. Act judiciously and exercise independent judgment;
- f. Contribute significantly to the decision-making process of the Board.
- g. Have a working knowledge of the statutory and regulatory requirements affecting the Company, including the content of its Articles of Incorporation and By-laws, the requirements of the IC, SEC and where applicable, the requirements of other regulatory agencies;
- h. Keep himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness; and
- i. Observe confidentiality.

4.8 Interlocking Directorship

In order to safeguard against the excessive concentration of economic power, unfair competitive advantage or conflict of interest situations to the detriment of others through the exercise by the same person or group of persons of undue influence over the policy-making and/or management function of similar Institutions while at the same time allowed them to benefit from organizational synergy or economies of scale and effective sharing of managerial and technical expertise, any interlocking directorship shall be governed by provisions in the SEC's Code of Corporate Governance.

A director shall notify the Board where he/she is an incumbent director before accepting a directorship in another company.

As a Conglomerate, an independent director shall not be a director or officer of the Company's majority stockholder and its related companies.

A non-executive director may concurrently serve as director in a maximum of five (5) publicly listed companies. For concurrent directorship within the FDC conglomerate, each entity where the nonexecutive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement.

Membership of non-executive Directors of the Board in more than 5 publicly listed companies shall be assessed by the Corporate Governance and Committee, considering time allotted by the director to regularly attend Board meetings.

4.9 Remuneration of Directors

The levels of remuneration of the Company, subject to the limitations as provided in its By-Laws, should be sufficient to be able to attract and retain the services of qualified and competent directors. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

The Company shall establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors depending on the particular needs of the Company. No director should participate in deciding on his remuneration.

5. Senior Management

5.1 Definition

Senior Management, as defined in this Manual, is the body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Company. These are the Chief Executive Officer, Deputy CEO, the President, COO or any equivalent rank, all direct reports of the CEO and the President, Heads of Governance Units regardless of rank, and all officers with the rank of Senior Vice President and up.

6. Corporate Secretary

6.1 Definition

The Corporate Secretary shall be a Filipino citizen and a resident of the Philippines. He shall have a working knowledge of the Company's operations and the appropriate administrative and interpersonal skills required of the position. Primarily responsible to the Company and its shareholders, he shall be loyal to the vision, mission and objectives of the Company.

6.2 Duties and Responsibilities

The Corporate Secretary shall have the following duties and responsibilities:

- a. Assists the Board in the conduct of their meetings, including preparing an annual schedule of the Board and the annual Board calendar and assisting the Chairman of the Board to set agenda;
- b. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Company;
- c. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, advises the Board and the Chairman on all relevant issues as they arise;
- d. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- e. Advises on the establishment of Board Committees and their terms of reference;
- f. Informs the Board, in accordance with the by-laws, of the agenda of their meetings at least three (3) working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- g. Gathers and analyzes all documents, records and other information essential to the conduct of his duties and responsibilities to the Company;
- h. Ensures that all Board procedures, rules and regulations are strictly followed by the Directors;
- i. Attends all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- j. Performs required administrative functions;

- k. Oversees the drafting of the Company's by-laws and ensures that they conform with regulatory requirements;
- l. Submits to the Securities and Exchange Commission (SEC), at the end of every fiscal year, an annual sworn certification on the directors' record of attendance in Board meetings; and
- m. Performs such other duties and responsibilities as are incident to his office and those which may be required of him by the Board, the CEO or provided in the Article IV, Section 5 of the By-Laws or by the SEC.

7. Chief Compliance Officer

7.1 Definition

The Chief Compliance Officer (CCO) is the lead senior officer appointed by the Company's Board whose principal function is to oversee and coordinate the implementation of the Compliance Program on a full-time basis and whose responsibility includes the identification, monitoring and controlling of Compliance Risks. The CCO functionally reports to the Board of Directors through the Corporate Governance and Committee.

The appointment/designation of the Chief Compliance Officer shall be subject to the confirmation of the Insurance Commission. The appointment of the Compliance Officer shall be immediately disclosed to the Insurance Commission. All correspondences relative to his functions as such shall be addressed to said Officer.

7.2 Duties and Responsibilities

He shall perform the following duties:

- a. Advises the Board of Directors and Senior Management on relevant laws, rules and standards, including keeping them informed on developments in governance and compliance risk management;
- b. Apprises Company personnel on compliance issues and advises them on compliance queries;
- c. Establishes written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines;
- d. Identifies, documents and assesses the compliance risks associated with the Company's business activities, including new products and business units;

- e. Designs the Company's Compliance Program, oversees its effective implementation and recommends appropriate courses of action to address breaches that may arise;
- f. Assesses the appropriateness of the Company's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments;
- g. Validates and monitors compliance in Company units by performing sufficient and representative compliance testing;
- h. On a bi-monthly basis, reports to CGC the status of the Compliance Program and activities and any business or compliance risk issues which require the Committee's attention, approval and/or endorsement to the Board;
- i. Ensures the integrity and accuracy of all documentary submissions to IC, SEC and other regulators; and
- j. Maintains a constructive working relationship with the IC, AMLC and SEC;
- k. Appears before the IC, SEC and other regulators upon summon on relevant matters that need to be clarified by the same; and
- l. Determines violation/s of the Manual, Code of Corporate Governance and rules and regulations issued by the IC, AMLC and SEC, and recommend penalty for violation thereof for further review and approval of the Board; and
- m. Performs such other duties and responsibilities as may be provided by the regulators.

8. Chief Risk Officer

8.1 Definition

The Chief Risk Officer (CRO) leads Senior Management in executing the Company's risk management policy and framework. He shall be responsible for overseeing the risk management function and shall support the Board of Directors in the development of the risk appetite and the risk appetite statement (RAS) of the Company and for translating the risk appetite into a risk limits structure. The CRO functionally reports to the Board of Directors through the Risk Management Committee. As the champion of Enterprise Risk Management (ERM), the position has adequate authority, stature, resources and support to fulfill his responsibilities, subject to the Company's size, risk profile and complexity of operations.

The appointment, dismissal and other changes to the CRO or its equivalent position shall have prior approval of the Board of Directors.

8.2 Duties and Responsibilities

He shall have the following functions:

- a. Supervise the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- b. Communicates the top risks and status of implementation of risk management strategies and action plans to the Risk Management Committee;
- c. Collaborates with the CEO in updating and making recommendations to the Risk Management Committee;
- d. Recommends ERM policies, processes and systems, their enhancements and provides related guidance, as may be needed to ensure that the Company's risk management capabilities are sufficiently robust and effective to fully support strategic objectives and risk-taking activities; and
- e. Provides insights on the following:
 1. Risk management processes are performing as intended;
 2. Risk measures reported are continuously reviewed by risk owners for effectiveness; and
 3. Established risk policies and procedures are being complied with.

9. External Auditor

9.1 Definition and Function

An External Auditor duly accredited by the Insurance Commission and Securities and Exchange Commission shall undertake an independent audit of the Company and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to stockholders.

9.2 Guiding Principles

- a. The Company's external auditor shall be changed, or the lead and concurring partner shall be rotated every 5 years or earlier. That the rotation of the lead and concurrent partner shall have an interval of at least 2 years;

- b. That the external auditor shall be included in the list of IC selected external auditors;
- c. The external auditor, partners, associates, auditor-in-charge of the engagement and the members of their immediate family shall not acquire any direct or indirect financial interest with the Company, its subsidiaries and affiliates. Their independence is not considered impaired under the circumstances specified in the Code of Professional Ethics for Certified Public Accountants;
- d. The external auditor does not have nor shall apply for loans or any credit accommodations (except normal credit card obligations and full secured auto and housing loans which are not past due);
- e. The external auditor was not engaged during the preceding year in providing the following services:
 - 1. Internal audit functions;
 - 2. Information systems design, implementation and assessment; and
 - 3. Such other services which could affect his independence as may be determined by the Insurance Commission from time to time.
- f. The external auditor shall have the following track record in conducting external audits:
 - 1. Must have at least 20 existing corporate clients with resources of at least P50million each; and
 - 2. At least 1 existing client in insurance brokerage in the regular audit; or
 - 3. The external auditor or the auditor-in-charge of the engagement must have at least 5 years of experience in the regular audit of insurance brokers.
- g. The external auditor adheres to the highest standard of professional conduct and shall carry out their services in accordance with relevant ethical and technical standards of the accounting profession;
- h. The lead or concurring partner and auditor-in-charge shall not accept employment with the Company, its subsidiaries and affiliates being audited during the engagement period and within a period of 1 year after the audit engagement;
- i. The external auditor shall not accept an audit engagement with a Company, its subsidiaries and affiliates where an officer (i.e., CEO, CFO, Controller, Chief Accounting Officer or other senior officer of equivalent rank) had been a partner of the external auditor or had worked for the

audit firm and had been the auditor-in-charge of the audit engagement during the year immediately preceding the engagement;

- j. The external auditor shall keep all audit or review working papers for at least 5 years in sufficient detail to support the conclusions in the audit report;
- k. The audit work shall include assessment of the Company's compliance with IC rules and regulations, such as, but not limited to capital adequacy ratio and other risk assets review and classification.
- l. The accountability of an external auditor is based on matters within the normal coverage of an audit conducted in accordance with generally accepted auditing standards.

10. Chief Audit Executive

10.1 Definition and Function

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

The Chief Audit Executive (CAE) is the highest position in the Company responsible for internal audit activities while the Internal Audit Division is the unit of the Company that provides independent and objective assurance services in order to add value to and improve the Company's operations.

The CAE shall have such powers and duties as are incident to his office and as the Board of Directors may prescribe. He shall report and be accountable directly to the Board of Directors through the Audit Committee

10.2 Status

The internal audit function must be independent of the activities audited and from day-to-day internal control process. It must be free to report audit results, findings, opinions, appraisals and other information to the appropriate level of management. It shall have authority to directly access and communicate with any officer or employee, to examine any activity or entity of the institution, as well as to access any records, files or data whenever relevant to the exercise of its assignment. The Audit Committee or Senior Management shall take all necessary measures to provide the appropriate resources and staffing that would enable internal audit to achieve its objectives.

10.3 Scope

The scope of internal audit shall include:

- a. Examination and evaluation of the adequacy and effectiveness of the internal control systems;

- b. Review of the application and effectiveness of risk management procedures and risk assessment methodologies;
- c. Review of the management and financial information systems, including the electronic information system and electronic services;
- d. Assessment of the accuracy and reliability of the accounting system and of the resulting financial reports;
- e. Review of the systems and procedures of safeguarding assets;
- f. Review of the system of assessing capital in relation to the estimate of organization risk;
- g. Transaction testing and assessment of specific internal control procedures; and
- h. Review of the compliance program and the implementation of established compliance policies and procedures.

10.4 Qualification Standards of the Chief Audit Executive

- a. The Chief Audit Executive of the Company must be a Certified Public Accountant (CPA) or a Certified Internal Auditor (CIA).
- b. He must have at least five (5) years' experience in the regular audit (internal or external) in any Insurance Commission regulated companies as auditor-in-charge, senior auditor or audit manager.
- c. He must possess the knowledge, skills and other competencies to examine all areas in which the institution operates.
- d. Professional competence as well as continuing training and education shall be required to face up to the increasing complexity and diversity of the institution's operations.

10.5 Code of Ethics and Internal Audit Standards

The Chief Audit Executive shall conform with the Code of Professional Ethics for Certified Public Accountants and ensure compliance with sound internal auditing standards, such as the Institute of Internal Auditors' Internal Standards for the Professional Practice of Internal Auditing and other supplemental standards issued by regulatory authorities/government agencies. The Standards address independence and objectivity, professional proficiency, scope of work, performance of audit work, management of internal audit, quality assurance reviews, communication and monitoring results.

11. Officers

11.1 Definition of Officers

Officers shall include the President and CEO, Senior Executive Vice President, Executive Vice President, Senior Vice President, First Vice President, Vice President and others mentioned as officers of the Company, or those whose duties as such are defined in the by-laws, or are generally known to be the officers of the Company (or any of its branches and offices other than the head office) either through announcement, representation, publication or any kind of communication made by the Company: Provided, That a person holding the position of Chairman or Vice Chairman of the Board or another position in the Board shall not be considered as an officer unless the duties of his position in the Board include functions of management such as those ordinarily performed by regular officers: Provided, further, that members of a group or committee, including sub-groups or sub-committees, whose duties include functions of management such as those ordinarily performed by regular officers, and are not purely recommendatory or advisory, shall likewise be considered as officers.

11.2 Qualifications of an Officer

An officer shall have the following minimum qualifications:

- a. He shall be at least twenty-one (21) years of age;
- b. He shall be at least a college graduate, or have at least five (5) years of experience in insurance industry or related activities or in a field related to his position and responsibilities, or have undergone training.
- c. He must be fit and proper for the position he is being proposed/appointed to. In determining whether a person is fit and proper for a particular position, the following matters must be considered: integrity/probity, competence, education, diligence and experience/training.

11.3 Disqualifications of an Officer

- a. The disqualifications for directors mentioned in Section 4.4 this Manual shall likewise apply to officers.
- b. The spouses or relatives within the second degree of consanguinity or affinity are prohibited from holding officership positions across the following functional categories within a similar entity:
 1. Decision making and senior management function, e.g., Chairman, President and Chief Executive Officer (CEO), General Manager, and Chief Finance Officer (CFO) other than the Treasurer or Controller;
 2. Recordkeeping and financial reporting functions

3. Safekeeping of assets
 4. Risk management function
 5. Compliance function
 6. Internal audit function
- c. Any appointive or elective official, whether full time or part time, except in cases where such service is incident to financial assistance provided by the government or government owned or -controlled corporations (GOCCs) or in cases allowed under existing law.

11.4 Duties and Responsibilities of Officers

- a. To set the tone of good governance from the top.
- b. To oversee the day-to-day management of the Company.
- c. To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency.
- d. To promote and strengthen checks and balances systems in the Company.

III. KEY GOVERNANCE POLICIES

1. Related Party Transactions (RPT) Policy

The Related Party Transaction (RPT) policy of Company aims to ensure that all RPTs are conducted at arm's length and managed in a manner that will protect the Company, its depositors, creditors and other stakeholders from conflicts of interest and possible material risks arising from exposures to such transactions; and

All RPTs are appropriately reviewed, approved, ratified and disclosed as required in compliance with legal and regulatory requirements.

All material RPTs shall be vetted by the RPT Committee, who in turns endorse the same to the Board for approval. The materiality criteria take into consideration the nature of the transaction and the degree of risk associated with it and allows the Company to undertake RPTs in a timely manner while ensuring that the review mandate of the RPT Committee shall be carried out judiciously and in accordance with the Company's size, risk profile and risk management framework.

Members of the Board of Directors, Stockholders or Management of the Company shall immediately disclose to the Board of Directors if they or their close family members directly, indirectly or on behalf of third parties, have a financial interest or potential conflict of interest in any transaction, arrangement or relationship affecting the Company. The duty to disclose shall include disclosure of relationships with clients, prospects, service providers, suppliers and vendors.

The Company shall ensure that its Annual Report and website appropriately disclose the policies and procedures for managing RPTs, including managing of conflicts of interest or potential conflicts of interest; responsibilities of the RPT Committee; nature, terms and conditions of material RPTs as well as their outstanding individual and aggregate balances.

2. Conflict of Interest

Directors must never allow themselves to be placed in a position where their personal interests are in conflict (or could be in conflict) with the interests or business of the Company. They must avoid any situation or activity that compromises, or may compromise, their judgment or ability to act in the best interest of the Company. The Company's policy on Conflict of Interest is stated as follows:

- a. It is the duty of a Director to fully disclose to the Board of any conflict of interest or presumption thereof involving him/her which could materially impair his/her judgment, exercise of duties and responsibilities and loyalty to the Company.
- b. It is the duty of a Director to report to the Board any conflict of interest or presumption thereof involving a Director which could materially impair the latter's judgment, exercise of duties and responsibilities and loyalty to the Company.
- c. The director, who is in conflict of interest, should not vote and be counted in determining the existence of a quorum at the Board of Directors' meeting at which the matter is voted upon.
- d. If the conflict of interest is significant, ongoing and competing with the Company's interest and if it impedes the ability of the director to carry out his/her duties, the Company has the right to remove the director from his/her position.
- e. The Board of Directors shall be governed by the Company's policy on acceptance of gifts to avoid conflict of interest contained in OMS Personnel-10-000 Policy Manual.

Any transaction with conflict of interest requires prior approval of the members of the Board.

3. Whistle-Blowing Policy

Employees, directors, stakeholders, clients, service providers and other third parties are encouraged to report, in good faith, knowledge of any misconduct, irregularity or act detrimental to the interests of the Company and its stakeholders.

The reporting party or otherwise referred to as the "whistleblower" has choice of communication channels to report any knowledge of misconduct or irregularity. The report may be through the normal channel of reporting Company concerns which is through the

direct supervisor/manager of the personnel or officer involved in the reportable behavior. However, if the reported misconduct or irregularity is not acted upon by the direct supervisor or in the judgment of the whistleblower, the direct supervisor is not in a position to address his report, the whistleblower may email his/her report to: #WhistleBlowingCommittee@eastwestCompany.com or call any of the following Designated Officers: Human Resources Group Head, Chief Audit Executive, Chief Risk Officer or Chief Compliance Officer.

If the issue to be reported is serious and sensitive, the whistleblower may directly approach the President, CEO or the Chairman of the Board of Directors. A member of the Board of Directors reporting an activity under this policy may raise his concerns to the Chairman of the Audit Committee, Chairman of the Corporate Governance Committee or the Chairman of the Board of Directors.

The whistleblower may disclose his/her identity or opt to remain anonymous. However, sufficient information must be provided to aid in the investigation of the reported misconduct, irregularity or improper activity. The whistleblower should refrain from obtaining evidence for which he/she does not have right of access but his/her cooperation in the investigation, if needed, is expected.

Ample protection is accorded to a whistleblower which includes, among others: (i) Confidentiality of identity and of the information reported; (ii) Non-retaliation against the whistleblower; (iii) Protection and security of his/her person and his/her family; (iv) Transfer to another unit; and/or, (v) Reinstatement to the same or comparable position and back benefits and pay, if warranted by the circumstances.

On the other hand, any person implicated in the reported act is accorded the right to be informed of the act he/she is alleged to have committed, its penalties or consequences, the right to counsel of his own choice, the right to be heard and present evidence on his/her defense, and the right to be informed of the resolution of the investigation or action taken.

This policy sets forth a reporting process beyond the normal reporting line to provide an alternative venue for reporting any irregularity, misconduct or suspicious activities to the Management, but this is without prejudice to established procedures of the Company in handling disciplinary cases under its Code of Ethics and Discipline.

4. Empowering and Engaging Employees

The Company ensures that its people are empowered, highly competent, engaged and collaborative and is well-invested in their personal and professional growth. It promotes competency-based career progression which recognizes employee value and their potential for stepping up their professional development and increasing their contribution to the Company.

Through East West's Learning Academy, the Company creates a learning environment that gives its people opportunities to gain knowledge, continuously hone their skills and sharpen their competencies. Training programs include Foundational Courses in Officers' and Business Development Programs, Leadership and Personal Effectiveness.

Eastwest Bank has an Employee Relations Council (ERC) composed of representatives from various units which ensures that the interests and concerns of its employees are heard and properly addressed. Through its corporate social responsibility (CSR) initiatives, the ERC also helps employees participate in meaningful work that can make a difference in the communities where the Company's offices operate.

The Company believes that caring for the health and well-being and the safety and security of our employees is important to having sound corporate governance. It strives to create a healthy workplace that encourages people to stay well. The Company has a wide range of programs and initiatives to help promote workplace wellness, focusing on worksite safety and injury prevention.

IV. RISK MANAGEMENT FUNCTIONS

1. Function

Risk Management is generally responsible for:

- a. Defining risk management strategy;
- b. Identifying the key risk exposures and assessing and measuring the extent of risk exposures of the Company operations;
- c. Evaluating and categorizing each identified risk using the company's predefined risk categories and parameters;
- d. Establishing a risk register with clearly defined, prioritized and residual risks;
- e. Developing a risk mitigation plan for the most important risks to the company, as defined by the risk management strategy;
- f. Monitoring the risk exposures and determining the corresponding capital requirement in accordance with Insurance Commission capital adequacy requirement and based on the Company's internal capital adequacy assessment on an on-going basis;
- g. Monitoring and assessing decisions to accept particular risks whether these are consistent with board approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures;
- h. Reporting on a regular basis to Senior Management and to the Board of Directors of the results of assessment and monitoring.

2. Qualification Standards

Risk management personnel shall possess sufficient experience and qualifications, including knowledge on the Companying business, the developments in the market, industry and product lines, as well as mastery of risk disciplines. They shall have the ability

and willingness to challenge business lines regarding all aspects of risk arising from the Company's activities.

V. COMMUNICATION PROCESS

1. This Manual shall be available for inspection by any stockholder of the Company at reasonable hours on business days.
2. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
3. The copy of this Manual will be posted and be made available in the Company's intranet.
4. The Board and Senior Management shall ensure that stakeholders are kept informed through the annual meeting of shareholders, annual report, general information sheet, quarterly financial reports, news releases, and other meetings. The Company's website provides extensive information about the Board, its mandate, the Board committees and their charters, Directors and other relevant information.

VI. TRAINING ON CORPORATE GOVERNANCE

1. A new Director of the Company shall attend a seminar on corporate governance conducted by IC and/or SEC accredited training provider.
2. All members of the current Board and the Company's key officers shall attend, at least once a year, a refresher program on relevant corporate governance and compliance topics conducted by training providers duly accredited by the IC and/or SEC.

VII. REPORTORIAL AND DISCLOSURE SYSTEM

1. The reports or disclosures required under this Manual shall be prepared and submitted to the IC by the Office of the Corporate Secretary or responsible officer designated by the Company.
2. All material information about the Company that could potentially affect its viability or the interest of its stockholders and other stakeholders, shall be publicly and timely disclosed. Such information shall include corporate strategy, earnings results, material acquisition or disposal of assets, off balance sheet transactions, Board changes, material related party transactions, shareholdings of directors, changes to ownership and direct and indirect remuneration of members of the Board and Senior Management.

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

3. Other information that shall be disclosed includes ---
 - a. Remuneration (including stock options) of all directors and senior management; and
 - b. Experience and qualification of individual Board members and key executives as well as any potential conflicts of interest which may affect their judgement.
4. All disclosed information shall be released via the approved stock exchange procedure for Company announcements as well as through the annual report.
5. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

VIII. STAKEHOLDERS' BENEFITS

The Company recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors, particularly minority shareholders. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as the governance covenant between the Company and all its investors.

Investors' Rights and Protection

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

1. Voting Right

- a. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Company Code.
- b. Cumulative voting shall be used in the election of directors.
- c. A Director shall not be removed without cause if it will deny minority shareholders representation in the Board.

2. Pre-emptive Right

No stockholder of the Company shall, because of his ownership of stock, have preemptive right or right to purchase, subscribed for, or take any stock or any part of the notes, debentures, bonds or other securities convertible into a carrying option or warrant to purchase stock of the Company issued, optioned or sold by it after its incorporation. Any part of the capital stock and any part of the notes, debentures, bonds or other securities convertible into carrying option or warrant to purchase stock of the Company may be issued, optioned for sale and sold or dispose of by the Company pursuant to the resolution of its Board of Directors for

such person and upon terms as may to such Board seems proper without first offering such stock or securities or any part thereof to existing stockholders.

No transfer of stock or interest which reduces the ownership of Filipino citizens to less than the required percentage of capital stock shall be allowed or permitted to be recorded in the books of the Company. The foregoing restrictions shall be printed in all the articles of stock to be issued by the corporation. Any violation of the foregoing restrictions shall be treated as null and void.

3. Power of Inspection

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Revised Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

4. Right to Information

- a. The Shareholders shall be provided with, upon request, periodic reports which disclose personal and professional information about the directors and officers, as may be determined by the Board as relevant in the exercise of functions as such directors and officers, and certain other matters such as their holdings of the Company's shares dealings, dealings with the Company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- b. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
- c. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".
- d. Result of the votes taken during the most recent Annual or Special Shareholder's Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholder' Meeting shall be available to the company website within five business days from the end of the meeting.

5. Right to Dividends

- a. Shareholders shall have the right to receive dividends subject to the discretion of the Board.
- b. The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a)

when justified by definite corporate expansion projects or programs approved by the Board or b) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

6. Appraisal Right

The shareholder shall have appraisal rights or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 81 of the Revised Corporation Code of the Philippines, under any of the following circumstances:

- a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- c. In case of merger or consolidation.

Any stockholder who votes against a proposed corporate action may avail himself of the right of appraisal by making a written demand on the Company within thirty (30) days after the meeting for the payment of the fair value of his shares. In order to perfect such right, the stockholder shall follow the procedures as described under Sections 80 to 85 of the Revised Corporation Code.

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

IX. MONITORING ASSESSMENT

1. Each Committee shall report regularly to the Board.

2. The Corporate Governance Committee, with the assistance of the Chief Compliance Officer, shall establish an evaluation system to determine and measure compliance with this Manual and the IC Code of Corporate Governance.
3. Any violation thereof shall subject the responsible officer or employee to the penalty under Part X of this Manual.
4. This Manual shall be subject to annual review unless amendments are required by regulatory announcements or by the Board.
5. All business processes and practices being performed within any business unit of the Company that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

X. GOVERNANCE AND SELF-RATING SYSTEM

An annual governance and performance self-rating exercise shall be undertaken by the Board of Directors, its members and all Board Committees in April of every year. The results shall be consolidated and presented by the Chief Compliance Officer to the Board through the Corporate Governance and Compliance Committee prior to the Annual Stockholders' Meeting.

Each assessment form shall have a series of statements that describe the desired composition, functions and responsibilities of the Board, each Committee and individual director in accordance with this Manual. The member of the Board shall rate each statement using a number scale of 1 to 5⁶. The over-all self-assessment score shall be computed using the simple average method for all statements rated by the Board member.

The self-assessment results shall provide an overall view of the performance of the Board and its committees which can aid in leveraging on the strengths of individual and collective efforts and working on areas of improvement in the conduct of oversight and governance. A decrease of at least 10% from the previous year's over-all assessment score or an individual rating of 3 or below on any of the statements in the self-assessment form shall warrant further evaluation and recommendations and/or action plan, if any, for the Board to address issues raised.

If deemed needed by the Board, an external facilitator may be engaged to assist the Board in assessing its performance, individual directors, and Committees.

XI. REGULAR REVIEW OF THE CODE

To monitor the compliance by covered corporations either Revised Code of Corporate Governance, IC and/or SEC may require the Company to accomplish annually a

scorecard in the scope, nature and extent of the actions they have taken to meet the objectives of the Code.