



UNIONBANK FINANCIAL SERVICES
AND INSURANCE BROKERAGE INC.

REVISED CORPORATE GOVERNANCE MANUAL

Version 3.0

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UNIONBANK FINANCIAL SERVICES
AND INSURANCE BROKERAGE INC.
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(Amended May 2023 Version)

ARTICLE I
OBJECTIVE AND COMMITMENT

The Board of Directors and Management of **UnionBank Financial Services and Insurance Brokerage Inc.** (formerly Citicorp Financial Services and Insurance Brokerage Philippines, Inc.) (“**UFSI**” or the “**Corporation**”)¹ hereby commit themselves to the principles and best practices contained in this Manual of Corporate Governance (the “Manual”), and acknowledge that the same shall guide the attainment of UFSI’s corporate goals.

This Manual incorporates the corporate governance requirements of the Securities and Exchange Commission (SEC) and the Insurance Commission (IC), and shall institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors and Management, employees, and shareholders of the Corporation believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization.

ARTICLE II
DEFINITION OF TERMS

1. **Corporate Governance** – the framework of rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the shareholders and other stakeholders which include, among other, customers, employees, suppliers, financiers, government and community in which it operates;
2. **Board of Directors** – the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties;
3. **Management** – 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 corporation;
4. **Independent Director** – a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director;
5. **Executive Director** – a director who is also the head of a department or unit of the corporation or performs any work related to its operation;
6. **Non-executive Director** – a director who is not the head of a department or unit of the corporation nor performs any work related to its operation;

¹ UFSI is a direct subsidiary of Union Bank of the Philippines (“UnionBank” or the “Bank”)

7. **Non-audit Work** – the other services offered by an external auditor to a corporation that are not directly related and relevant to its statutory audit functions, such as, accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor;
8. **Internal Control** – the system established by the Board of Directors and Management for the accomplishment of the corporation's objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules;
9. **Internal Control System** – the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed;
10. **Internal Audit** – an independent and objective assurance activity designed to add value to and improve the corporation's operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes;
11. **Internal Audit Department** – a department or unit of the corporation and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the corporation's operations;
12. **Internal Auditor** – the highest position in the corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.

ARTICLE III BOARD GOVERNANCE

A. GENERAL RESPONSIBILITY

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

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders (which include, among others, customers, employees, suppliers, financiers, the government and the community in which the Corporation operates). The Board of Directors shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

The Board is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

The Board shall formulate the Corporation's vision, mission, strategic objective, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

B. COMPOSITION OF THE BOARD

1. The Board shall be composed of seven (7) members elected annually by the shareholders, at least two (2) or twenty percent (20%) of the members of the board, whichever is higher, shall be independent directors.

2. The Board shall be composed of majority of non-executive directors who have no executive responsibility and does not perform any work related to the operations of the Corporation.
3. The Corporation recognizes the value of board diversity and as such strives to promote the same by non-discrimination on the basis of age, gender, religion, socio-political affiliation and status. Diversity in the composition of the members of the board is upheld on a year-on-year basis in alignment with the fit and proper rule of local regulations.

C. DIRECTORSHIPS IN OTHER COMPANIES

1. All nominees to a board seat are required to disclose to the Corporate Secretary their current directorships with other companies (listed and non-listed) as soon as he/she becomes aware of his/her nomination.
2. The non-executive directors of the Board can concurrently serve as directors to a maximum of five (5) Insurance Commission Regulated Entities and Publicly Listed Companies to ensure they have sufficient time in performing its duties and responsibilities to the Board.
3. A Director should notify the Board before accepting a directorship in another company.

D. INDEPENDENT DIRECTOR

1. An Independent Director refers to a person who:
 - a. is not or was not a regular director, officer or employee of the covered entity, its subsidiaries, affiliates or related companies* during the past three (3) years counted from the date of his election/appointment;
 - b. is not or was not a regular director, officer, or employee of the covered entity's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;
 - c. is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the covered entity, or in any of its related companies or of its majority corporate shareholders;
 - d. is not a relative by affinity or consanguinity within the fourth (4th) degree of a director, officer, or stockholder holding shares of stock sufficient to elect one (1) seat in the board of the covered entity or any of its related companies or of any of its substantial stockholders;
 - e. is not acting as a nominee or representative of any director or substantial shareholder of the covered entity, any of its related companies or any of its substantial shareholders;
 - f. is not or was not retained as professional adviser, auditor, consultant, agent or counsel of the covered entity, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election/appointment;
 - g. is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the covered entity or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence

the exercise of his judgment;

- h. was not appointed in the covered entity, its subsidiaries, affiliates or related companies as Chairman "Emeritus", "Ex-Officio", Regular Directors, Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his election/appointment;
- i. is not affiliated with any non-profit organization that receives significant funding from the covered entity or any of its related companies or substantial shareholders; and,
- j. is not employed as an executive officer of another company where any of the covered entity's executives serve as regular directors.

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

2. Term Limit of Independent Directors²

- a. An independent Director shall serve for a maximum cumulative term of nine (9) years.
- b. An Independent Director who served the maximum period shall be perpetually barred from any re-election in UFSI but may continue as a non-independent director.
- c. In the instance that the Corporation wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting. Additionally, the extension of the service is subject to approval by the Insurance Commission.

E. QUALIFICATIONS OF DIRECTORS

In addition to the qualifications for membership in the Board provided in the Corporation Code, the Securities Regulation Code ("SRC") and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:

- 1. College education or equivalent academic degree;
- 2. Practical understanding of the business of the Corporation;
- 3. Membership in good standing in the relevant industry, business or professional organization; and
- 4. Previous business experience.

F. DISQUALIFICATIONS OF DIRECTORS

1. Permanent Disqualification

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

- (i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the SRC; (b) arises out

² Insurance Commission Circular Letter No. 2018-36 Rules on Number of Seats, Qualifications and Term Limits of Independent Directors. All previous terms served by existing Independent Directors prior to effectivity of this Circular (i.e., June 26, 2018) shall not be included in the application of the term limit prescribed therein.

of a person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

- (ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities;

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, SRC or any other law administered by the Commission or Bangko Sentral ng Pilipinas ("BSP"), or under any rule or regulation issued by the Commission or BSP or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- (iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- (iv) Any person who has been adjudged by final judgment or order of the Commission, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law administered by the Commission or the BSP or Insurance Commission or any of its rules, regulations or orders;
- (v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the Corporation;
- (vi) Any person judicially declared as insolvent;
- (vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in clauses (i) to (v) above;
- (viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment; and
- (ix) 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.

2. Temporary Disqualification

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

- (i) Refusal to comply with the disclosure requirements of the SRC and Insurance Commission and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;

- (ii) Absence or non-participation without justifiable causes for more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during the said incumbency. This disqualification applies for purposes of the succeeding election. For this purpose, absence for justifiable causes may only include absence due to illness or death of immediate family and serious accidents or any other analogous or similar events;
- (iii) Dismissal/termination from directorship of any company covered by the Securities Regulation Code (SRC) for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination;
- (iv) If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceed two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;
- (v) If the independent director becomes an officer or employee of the Corporation, he shall be automatically disqualified from being an independent director;
- (vi) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final;
- (vii) Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- (viii) Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
- (ix) 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 of the Insurance Commission;
- (x) Directors who failed to attend the special seminar on corporate governance. This disqualification applies until the director concerned had attended such seminar;
- (xi) Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- (xii) Those under preventive suspension; and
- (xiii) Persons with derogatory records with the NBI, court, police, Interpol and insurance authorities of other countries (for foreign directors) involving violation of any law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of an insurance director. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity; Persons who are delinquent in the payment of their obligations as defined hereunder.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

G. QUORUM REQUIREMENT

The quorum requirement for each Board meeting shall be at least 50%+1 of all the members of the Board.

H. CONDUCT OF MEETINGS

1. Board of Director's Meetings

- a. The members of the Board should attend its regular and special meetings in person or through modern technologies such as, but not limited to teleconferencing and video conferencing conducted in accordance with the rules and regulations of the Securities Exchange Commission (SEC)
- b. Independent directors shall always attend Board meetings. Unless otherwise provided in the By-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings.
- c. To monitor the directors' compliance with the attendance requirements, the Corporation shall submit to the Commission, on or before January 30 of the following year, a sworn certification on the directors' record of attendance in Board meetings.

2. Board Committee Meetings

- a. Board-level committees shall meet in accordance with their respective charters where applicable.
- b. Participation of committee members may likewise be in person or through modern technologies.

I. REMUNERATION OF DIRECTORS AND OFFICERS

The levels of remuneration of the directors shall be in accordance with the provisions of the By-Laws of the Corporation. In all cases, the levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

The Corporation may establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers. No director should participate in deciding on his remuneration.

To protect the funds of the Corporation, the Commission may, in exceptional cases, e.g., when the Corporation is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers.

As a subsidiary of Union Bank of the Philippines ("UnionBank"), UFSI's compensation and remuneration policies are set by UnionBank's senior management. In accordance with its By-Laws, UFSI Directors except for independent directors do not get additional compensation from UFSI other than what they are paid by the parent organization. However, their overall compensation takes into consideration their performance as Directors of UFSI.

The Board shall determine remuneration package to be given to independent directors that shall be sufficient to attract and retain the directors needed.

J. ADEQUATE AND TIMELY INFORMATION

To enable the members of the Board to properly fulfill their duties and responsibilities, Management shall provide them with complete, adequate and timely information on the matters to be taken in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Thus, the members should be given access to the Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, 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 Corporation's expense.

K. DUTIES AND FUCTIONS OF THE BOARD

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

1. Determine the Corporation's purpose, its vision, mission, and strategies to carry out its objectives. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance;
2. Ensure that the Corporation complies with all relevant laws, regulations, and codes of best business practices;
3. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation;
4. Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them effectively;
5. Adopt a system of internal checks and balances. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. A continuing review of the Corporation's internal control system shall also be conducted in order to maintain its adequacy and effectiveness;
6. Identify key risk areas and key performance indicators and monitor these factors with due diligence;
7. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;
8. Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities;
9. Assess at least annually the Board's performance and effectiveness including the performance of the Chairman, individual members and committees;
10. Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities;
11. Properly discharge Board functions by meeting regularly. Independent views during the Board meetings shall be given due consideration and all such meetings shall be duly minuted; and
12. Keep Board authority within the powers of the institution as prescribed in the Corporation's Articles of Incorporation and By-Laws, and in accordance with existing laws, rules, and regulations.

L. INTERNAL CONTROL RESPONSIBILITIES OF THE BOARD

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

1. Definition of the duties and responsibilities of the CEO/President who is ultimately accountable for the Corporation's organizational and operational controls;
2. Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO/President;
3. Evaluation of proposed senior management appointments;
4. Selection and appointment of qualified and competent management officers; and
5. Review of the Corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.

M. CORPORATE GOVERNANCE RESPONSIBILITIES OF THE BOARD

The Board is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:

1. Oversee the implementation of the corporate governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environment;
2. Oversee the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
3. Ensure that the results of the Board evaluation are shared and discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
4. Recommend continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
5. Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;
6. Propose and plan relevant trainings for the members of the Board;
7. Determine the nomination and election process for the corporation's directors and has the special duty of defining the general profile of board members that the corporation may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
8. Establish a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.

N. SPECIFIC DUTIES AND RESPONSIBILITIES OF A DIRECTOR

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

A Director shall have the following duties and responsibilities:

1. To conduct fair business transactions with the Corporation, and to ensure that personal interest does not bias Board decisions and conflict with the interests of the Corporation;
2. To devote time and attention necessary to properly discharge his duties and responsibilities;
3. To act judiciously;
4. To exercise independent judgment;
5. To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and, where applicable, the requirements of other regulatory agencies.
6. To observe confidentiality;
7. To ensure the continuing soundness, effectiveness, and adequacy of the Corporation's control environment.

O. THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman of the Board ("Chairman") and the Chief Executive Officer (CEO)/President shall be separate to ensure appropriate balance of power, increased accountability and greater capacity for independent decision making. A clear delineation of functions should be made between the Chair and the CEO upon their election.

1. The **Chairman** shall preside at all meeting of the of the Board. The duties and responsibilities of the Chairman may include, among others, the following:
 - a. Ensure that meetings of the Board are held in accordance with the By-Laws, that its agenda is focused on strategic matters including overall risk appetite of the Corporation, considering the developments in the business and regulatory environments, key governance concerns and contentious issues that will significantly affect operations, or as the Chair may deem necessary;
 - b. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, and in consultation with the CEO/President, Management and its directors;
 - c. Maintain qualitative lines and timely lines of communication and information between Board and Management;
 - d. Ensure that the Board is properly organized, effective and meet its duties and responsibilities, including those relating to corporate governance matters;
 - e. Facilitate the operations and deliberations of the Board and the fulfillment of the Board's role and responsibilities under its mandate;
 - f. Work with the CEO/President to ensure management strategies, plans and performance presented to the Board;
 - g. To lead the Board in determining that the Corporation has an effective senior management team;
 - h. Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors;

- i. Ensure that the performance of the Board is evaluated at least once a year and discussed/followed up on; and
 - j. Ensure that the Corporation abides by its by-laws and established policies.
2. The **CEO/President** shall be responsible for the general supervision, administration and management of the Corporation. The CEO/President shall have, among others, the following duties and responsibilities:
- a. Develop and recommend strategic plans to the Board that ensure the Corporation's profitable growth and achievement of its business objectives;
 - b. Successfully implement the strategic plans approved by the Board;
 - c. Review and report regularly to the Board on the Corporation's overall progress against its business and financial plans and objectives;
 - d. Ensure effective disclosure control, internal controls and management information systems are in place;
 - e. Manage and oversee the required disclosure and other communications between the Corporation, shareholders, stakeholders and the public;
 - f. Ensure that the Corporation maintains high standards of ethics, corporate citizenship and social responsibility;
 - g. Communicates and implements the Corporation's vision, mission values and overall strategy;
 - h. Maintain a good working knowledge of the Corporation's industry and market up-to-date with its core business purpose;
 - i. Build the corporate culture and motivates the employees of the Corporation; and
 - j. Such other duties and responsibilities as may be imposed on the CEO/President by the Board of Directors.

P. BOARD COMMITTEES

To aid in complying with the principles of good corporate governance, the Board may constitute specific Committees, to the extent practicable, to undertake certain functions. In the absence of these Committees, the Board undertakes to perform these duties and responsibilities through compliance with equivalent corporate governance policies mandated by UFSI's parent, Union Bank of the Philippines (a publicly listed company).

1. Audit Committee

The Audit Committee shall be composed of at least three (3) members of the Board who shall all be non-executive directors, majority of whom are independent directors including the Chair. The Chair of the Audit Committee should not be the chairman of the Board nor become a member of any other committee that exercises management or executive functions.

a. Qualifications of an Audit Committee Member

- (i) The members shall meet the independence, experience, and expertise requirements and have sufficient time to discharge the responsibilities of a Committee member.

- (ii) The chair of the Audit Committee shall have accounting, auditing or related financial management expertise or experience.
- (iii) The members of the Audit Committee and the chair shall be appointed by and may be removed by the Chairman of the Board.
- (iv) Audit Committee membership shall be rotated periodically, and the chair shall be rotated periodically.

b. Duties and Responsibilities of Audit Committee Members

(i) Meetings and Access

- Meet as often as it determines, but not less frequently than quarterly.
- Periodically meet separately with Management, Internal Audit and the Independent Auditors as needed.
- Ensure that employees performing an internal audit function and any independent public accountant or other external auditor have unrestricted access to the Committee.
- Review and assess the adequacy of the Audit Committee Charter annually and recommend any proposed changes to the Board for approval.
- On a regular basis (at least annually, meet separately with the Board and the Chief Audit Executive to discuss any matter that the Committee or Internal Audit believes should be discussed privately without the presence of the CEO or other management team members.

(ii) Financial Statement and Disclosure Matters

- Review and discuss with management and the Independent Auditors the quarterly/mid-year financial statements, and annual audited financial statements of UFSI were provided as well as any disclosure requirements.
- Review and discuss with management (a) any significant deficiencies or material weaknesses in the design or operation of UFSI's internal control over financial reporting, and (b) any fraud, whether or not material, involving management or other employees who have a significant role in UFSI's internal control over financial reporting.
- Review and discuss periodically reports from the Independent Auditors on, among other things, certain:
 - Critical accounting policies and practices to be used;
 - Alternative treatments of financial information in conformance with locally accepted accounting principles;
 - Other material written communications between the Independent Auditors and management, such as any management letter and UFSI's response to such letter or schedule of unadjusted differences; and
 - Difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, any significant disagreements with management, and communications between the audit team and the audit firm's principal office, with respect to difficult auditing or accounting issues presented by the engagement.

- Review and discuss with management and the Independent Auditors, at least annually:
 - Developments and issues with respect to loan loss reserves (if set at local level);
 - Regulatory and accounting initiatives, as well as off-balance sheet structures, and their effect on UFSI's financial statements; and
 - Accounting policies used in the preparation of UFSI's financial statements and, in particular, those policies for which management is required to exercise discretion or judgment regarding the implementation thereof.
- Review with management its evaluation of UFSI's internal control structure and procedures for financial reporting and review periodically, but in no event less frequently than quarterly, management's conclusions about the efficacy of such internal controls and procedures, including any significant deficiencies or material weaknesses in such controls and procedures.
- Annually review and discuss with management and the Independent Auditors (1) management's assessment of the effectiveness of UFSI's internal control structure and procedures for financial reporting and (2) the Independent Auditors' report on the effectiveness of UFSI's internal control over financial reporting.

(iii) Oversight of UFSI's Relationship with the Local Independent Auditors

- Review and discuss key local staffing and local lead audit partner rotation plans.
- Review and discuss the scope and plan of the independent audit.
- Provide any concerns or recommendations regarding the qualifications, performance and independence of the Independent Auditors to the Board of Directors of UFSI. The Committee shall ensure that the Independent Auditor remains independent and has adequate resources to fulfill its duties.
- On a regular basis, meet separately with the Independent Auditors to discuss any matter that the Committee or auditors believe should be discussed privately without the presence of the CEO or other management team members.

(iv) Oversight of Internal Audit

- As required by the Code, in consultation with the Chief Auditor of Union Bank of the Philippines ("UnionBank") or his/her designee, review and approve the appointment and replacement of the Chief Audit Executive who shall report directly to the Committee and to the Chief Auditor of UnionBank or his/her designee; and, in consultation with the Chief Auditor of UnionBank or his/her designee, discuss the Chief Audit Executive's base compensation, adjustments and incentive compensation.
- Review and discuss any significant Internal Audit findings that have been reported to management, management's responses, and the progress of the related corrective action plans.
- Review and evaluate the internal audit plan and adequacy of the work performed by the Chief Audit Executive and Internal Audit, and ensure that Internal Audit is independent and has adequate resources to fulfill its duties, including implementation of the annual audit plan.

- If the Committee considers that internal audit support is required from a third-party provider, the Committee shall consult with the UnionBank Chief Auditor directly before engaging any external parties, so as to ensure compliance with the requirements of regulators regarding external providers of internal audit services.
- Review and approval of Internal Audit Charter, where relevant.

(v) Oversight of the Whistleblowing Mechanism

- Oversee the whistleblowing mechanism by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action.
- Ensure that arrangements are in place for the independent investigation, appropriate follow-up, action, and subsequent resolution of complaints.

(vi) Compliance, Regulation and Controls Oversight Responsibilities

- Review and discuss with management, at least annually, UFSI's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- Receive and discuss reports from management responsible for the following topics on a quarterly and as needed basis relating to: significant regulatory, tax, legal, and compliance issues; compliance with regulatory internal control and compliance reporting requirements; operational risk, material related party transactions, business resumption and contingency planning, including disaster recovery; fraud and operating losses; internal and external fraud incidents, and associated control enhancements and remediation plans; and technology and information security.

(vii) Other Responsibilities

- Review of non-audit work by the Independent Auditors. The Committee shall determine from management and evaluate the non-audit work, if any, of the Independent Auditor, review any non-audit fees paid, and disallow any non-audit work that will conflict with the duties and independence of the Independent Auditor. [Article 3(K)(k), Code].
- Review of annual report of the internal audit department's activities, responsibilities and performance relative to the audit plan. [Article 5(A)(v), Code].

2. Nomination Committee

- a. The Board shall create a Nomination Committee, which shall have at least three (3) voting Directors (at least one of whom is independent).
- b. The Nomination Committee is not required to hold actual meetings. For every nomination to the Board, the Corporate Secretary circulate a memorandum to get the conformity of the member of the Committee.
- c. The Nomination Committee shall pre-screen all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications specified in Article III-E and Article-F above:
- d. In consultation with the executive or management committee/s, the Nomination Committee shall re-define the role, duties, and responsibilities of the CEO/President by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm

of good corporate governance at all times.

- e. The CEO/President and other executive Directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

Q. THE CORPORATE SECRETARY

The Corporate Secretary is an officer of the Corporation. Professional and ethical performance of duties is expected of him/her. Likewise, his loyalty to the mission, vision, and specific business objectives of the Corporation come with his/her duties.

1. Qualifications

- a. The Corporate Secretary shall be a Filipino citizen and a resident of the Philippines.
- b. The Corporate Secretary should be a separate individual from the Compliance Officer and should not be a member of the Board of Directors.
- c. Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel of the Corporation then he must have some legal skills. He must also have some financial and accounting skills.

2. Duties and Responsibilities

- a. Gather and analyze all documents, records, and other information essential to the conduct of his duties and responsibilities to the Corporation, and 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 records of the Corporation;
- b. Be loyal to the mission, vision and objectives of the Corporation;
- c. Work fairly and objectively with the Board, Management, stockholders and other stakeholders;
- d. Be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- e. Have a working knowledge of the operations of the Corporation and assist the Board in making business judgments in good faith and in the performance of its responsibilities and obligations;
- f. Notify the members of the Board of Directors of the agenda, at least five working days before every Board meeting and ensure that the members of the Board have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- g. Attend, record the minutes, and maintain records of all Board meetings except when justifiable causes prevent him from doing so, and maintain record of the same. "Justifiable causes" shall include illness, death in the immediate family and serious accidents;
- h. Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- i. Advise on the establishment of board committees and their terms of reference;
- j. Oversee the drafting of the by-laws and ensures that they conform with regulatory requirements; and

- k. Submit to the Commission, after the end of every fiscal year, an annual certification as to the attendance of the Directors during Board meetings.
- l. Perform such other duties and responsibilities as may be provided by the SEC or IC.

R. THE COMPLIANCE OFFICER / ASSOCIATED PERSON

1. To ensure adherence to corporate principles and best practices, the Chairman of the Board shall appoint and designate the Associated Person of the Corporation as Compliance Officer who should have a rank of Vice President or an equivalent position with adequate stature and authority of the corporation. The Compliance Officer shall have direct reporting responsibilities to the Board of Directors, headed by the Chairman. The Compliance Officer should not be a member of the Board of Directors and should annually attend a training on corporate governance.
2. Duties and Responsibilities
 - a. Monitor compliance by the Corporation with the provisions and requirements of the Revised Code of Corporate Governance (the “Code”), this Manual and the rules and regulations of regulatory agencies;
 - b. Report matters to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
 - c. Appear before the Securities and Exchange Commission (the “Commission”) or Insurance Commission (“IC”) when summoned in relation to compliance with the Code;
 - d. Issue a certification to the SEC every January 30th of the following year on the extent of the Corporation’s compliance with the Code and this Manual for the completed year, explaining the reasons for any deviation from the same, if any;
 - e. Ensure proper onboarding of new directors (i.e., orientation on the corporation’s business, charter, articles of incorporation and by-laws, among others);
 - f. Ensure the attendance of board members and keys officers to relevant trainings;
 - g. Ensure the integrity and accuracy of all documentary submissions to regulators;
 - h. Determine any violation/s of the Manual and recommend penalty for violation thereof, and the adoption of measures to prevent a repetition of the violation, for further review and approval of the Board;
 - i. Identify, monitor, and control compliance risk and collaborates with other departments to properly address the compliance issue;
 - j. Complete the necessary certification, registration and licensing required by the Commission for Associated Person; and
 - k. Perform such other duties and responsibilities as may be provided by the SEC or IC.

S. EXTERNAL AUDITOR

1. The External Auditor shall promote an environment of good corporate governance as reflected in the financial records and reports of the Corporation. The External Auditor shall be selected and appointed by the stockholders upon recommendation of the Board of Directors.
2. The reason/s for and date of the resignation, dismissal, or cessation from service of an External Auditor

shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former External Auditor on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

3. The External Auditor of the Corporation shall not at the same time provide the services of an Internal Auditor to the Corporation. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the External Auditor.
4. The Corporation's External Auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.
5. If an External Auditor believes that the statements made in the Corporation's annual report, information statement, or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.
6. The appointment, reappointment, removal and fees of the External Auditor should be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the company website and required disclosures.

T. INTERNAL AUDITOR

1. The Corporation shall have in place an independent internal audit function which shall be performed by Union Bank of the Philippines, through which the Board, Senior Management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.
2. The Internal Auditor/s shall report to the Audit Committee.
3. The minimum internal control mechanisms for management's operational responsibility shall center on the Chief Executive Officer, being ultimately accountable for the Corporation's organizational and procedural controls.
4. The scope and particulars of a system of effective organizational and procedural controls shall be based on the nature and complexity of the business and the business culture; the volume, size, and complexity of the transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

ARTICLE IV ENTERPRISE RISK MANAGEMENT

The Corporation is subject to UnionBank's enterprise risk management (ERM) framework and policies. The Corporation shall designate a Chief Risk Officer who shall be the ultimate champion of ERM with the following functions:

1. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of the ERM processes and documentation.
2. Coordinate with relevant units to communicate the top risks and the status of implementation of risk management strategies and action plans to the Audit Committee and the Board.
3. Provide insights on the following:

- a. Risk Management processes are performing as intended;
- b. Risk measures reported are continuously reviewed by risk owners for effectiveness; and
- c. Established risk policies and procedures are complied with.

ARTICLE V COMMUNICATIONS PROCESS

1. This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days. This Manual shall likewise be posted in the Corporation's webpage.
2. The Manual shall be used as reference by the members of the Board and management.

ARTICLE VI TRAINING

1. A Director shall, before assuming his position as such, be required to attend a seminar/ on corporate governance which shall be conducted by a duly recognized private or government institute accredited by the SEC and IC.
2. All Directors shall be required to also undergo relevant annual continuing training.
3. The Compliance Officer should annually attend a training on corporate governance.

ARTICLE VII REPORTORIAL AND DISCLOSURE SYSTEM OF THE CORPORATION'S CORPORATE GOVERNANCE POLICIES

1. The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by the responsible Committee or Officer through the Corporation's Compliance Officer.
2. All information required by the SRC for the Corporation to disclose shall be reported to the Securities Exchange Commission (SEC) by filing the appropriate SRC Forms applicable to the Corporation. Further, all material information about the Corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders should be timely disclosed. Such information shall include, when required, earnings results, acquisition, or disposal of assets, board changes, related party transactions, shareholdings of directors, and changes to ownership.
3. The Board shall commit at all times to fully report to the Commission for the interest of its stockholders and other stakeholders such material transactions required by law to be reported.

ARTICLE VIII SHAREHOLDER'S BENEFIT | INVESTOR'S RIGHTS AND PROTECTION

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

1. Rights of Shareholders/Investors/ Minority Interests

The Board shall be committed to respect the rights of its Shareholders as provided for by law.

a. Voting Right

- (i) Shareholders shall have the right to elect, remove, and replace Directors and vote on certain corporate acts in accordance with the Corporation Code and the Corporation's Articles of Incorporation and By-Laws, as amended.
- (ii) Cumulative voting shall be observed in the election of Directors.
- (iii) A Director shall not be removed without cause if it will deny minority Shareholders representation in the Board.

b. Pre-emptive Right

Unless otherwise denied in the Corporation's Articles of Incorporation, all stockholders shall have a pre-emptive right. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

c. Power of Inspection

All stockholders shall, upon written request and during reasonable hours on business days, be allowed to inspect corporate books and records, including minutes of Board of Directors meetings and stock registries in accordance with the Corporation Code, and shall be furnished with annual reports, including financial statements, without unreasonable cost or restrictions.

d. Right to Information

- (i) The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the Directors and Officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among Directors and key Officers, and, to the extent practicable, the aggregate compensation of Directors and Officers.
- (ii) The minority stockholders shall, in accordance with the Corporation Code and the Corporation's latest Articles of Incorporation, 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.
- (iii) The minority stockholders shall have access to any information relating to matters for which the Management is accountable. Being within the definition of "legitimate purposes", such information shall be included by Management in the agenda for the stockholders' meeting, and, if not included, may be proposed by the minority stockholders to be included in the agenda of the stockholders' meeting.

e. Right to Dividends

- (i) Shareholders shall, in accordance with the Corporation Code and the Corporation's Articles of Incorporation, as may be amended from time to time, have the right to receive dividends, subject to the discretion of the Board of Directors.
- (ii) The Corporation 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 Corporation 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 Corporation, such as when there is a need for special reserve for probable contingencies.

f. Appraisal Right

The Shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code, under any of the following circumstances:

- (i) In case any amendment to the Corporation's Articles of Incorporation has the effect of changing or restricting the rights of any shareholders 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;
- (ii) 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
- (iii) In case of merger or consolidation.

2. Duty to Promote Shareholder's Rights

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings. The notice of annual stockholder's meetings will be sent at least 21 days before the meeting. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

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

Although all stockholders should be treated equally or without discrimination, the Board shall give the minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation.

ARTICLE IX ALTERNATIVE DISPUTE RESOLUTION SYSTEM

The Corporation adheres to appropriate alternative dispute resolution system for early settlement of conflicts other than by adjudication of a presiding judge of a court or an officer of a government agency.

Any disputes between directors and shareholders they represent will be handled through mediation discussions and any dispute that cannot be resolved will be raised to the relevant corporate governance department or unit of

UnionBank responsible for Board oversight/support.

ARTICLE X MONITORING AND ASSESSMENT

1. As appropriate, each Committee shall report regularly to the Board of Directors.
2. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation shall subject the responsible officer or employee to the penalties provided for under Article XI of this Manual.
3. The establishment of such evaluation system, including its features, shall be disclosed in the Corporation's annual report or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system shall be covered by a Board approval.
4. All business processes and practices being performed within any department or business unit of the Corporation which are not consistent with any portion of this Manual shall be revoked, unless upgraded to comply with this Manual.

ARTICLE XI PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

1. To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing and a finding that a violation occurred, on the Corporation's Directors, Officers, staff, subsidiaries, and affiliates, and their respective directors, officers, and staff in case of violation of any of the provision of this Manual:
 - a. In case of a **first violation**, the penalty shall be a reprimand.
 - b. In case of a **second violation**, the penalty shall be suspension from office. The duration of the suspension shall depend on the gravity of the violation.
 - c. In case of a **third violation**, the penalty shall be removal from office.
2. The commission of a third violation of this Manual by any member of the Board of Directors of the Corporation or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.
3. The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

ARTICLE XII EFFECTIVITY

This revised Corporate Governance Manual shall take upon approval of the Corporation's Board of Directors.