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2 3 R D S T . B O N I F A C I O G L O B A L C I T Y .

T A G U I G C I T Y

(Business Address: No. Street City / Town / Province)

MA. BERNADETTE T. RATCLIFFE

Contact Person

575-3888 LOCAL 3829

Company Telephone Number

1 2

Month Fiscal Year

3 1

Day

I-ACGR

FORM TYPE

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Month Annual Meeting

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INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT



1. For the fiscal year ended **2017**
2. SEC Identification Number **AS094-002733** 3. BIR Tax Identification No. **003-921-057**
4. Exact name of issuer as specified in its charter **EASTWEST BANKING CORPORATION**
5. **Metro Manila, Philippines** 6. (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization Industry Classification Code
7. **The Beaufort, 5th Avenue cor. 23rd St., Bonifacio Global City, Taguig**
Address of principal office Postal Code
8. **(632) 575-3888**
Issuer's telephone number, including area code
9. N/A
Former name, former address, and former fiscal year, if changed since last report.

Doc No. 106
Page No. 23
Book No. XI
Series of 2018



ATTY. MA. ANNA LOURDES DIMASANO-PAMFISO
NOTARY PUBLIC FOR MARATI CITY
Appointment No. 14-39 until December 31, 2018
Roll No. 38260 / IBP License No. 07083
PTR No. 6514595 January 3, 2015

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

	COMPLIANT/ NONCOMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
The Board's Governance Responsibilities			
Principle 1: The company should be headed by a competent, working board to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.			
Recommendation 1.1			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 2.2 pages 6-7 and this link: https://www.eastwestbanker.com/info/ew_board.asp	
2. Board has an appropriate mix of competence and expertise.			
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.			
Recommendation 1.2			
1. Board is composed of a majority of nonexecutive directors.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 2.2 page 6 and this link: https://www.eastwestbanker.com/info/ew_board.asp	
Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section VI page 57 and Annex G - Corporate Governance Charter Section III.3 page 1	

2. Company has an orientation program for first time directors.	Compliant	2. Please refer to the attached Annex A - 2018 Corporate Governance Manual Section VI page 57	
3. Company has relevant annual continuing training for all directors.	Compliant	3. Please refer to the attached Annex B - Course Outline/Agenda of the 2017 CG Training and this link: Annual Report - Corporate Governance Section https://www.eastwestbanker.com/info/ir_annual.asp	
Recommendation 1.4			
1. Board has a policy on board diversity.	Compliant	Please refer to the attached Annex A - 2018 Corporate Governance Manual Section 2.2 page 6	
Optional: Recommendation 1.4			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.	Compliant	Please refer to the attached Annex A - 2018 Corporate Governance Manual Section 2.2 page 6	
Recommendation 1.5			
1. Board is assisted by a Corporate Secretary.	Compliant	Please refer to Annex A - Corporate Governance Manual Section 6 pages 41-42 and this link: https://www.eastwestbanker.com/info/ew_board.asp	
2. Corporate Secretary is a separate individual from the Compliance Officer.	Compliant		
3. Corporate Secretary is not a member of the Board of Directors.	Compliant		

4. Corporate Secretary attends training/s on corporate governance.	Compliant	Please refer to the attached Annex A - Section VI Training on Corporate Governance page 57; Annex B - Corp Gov Training Agenda conducted last November 2017 and this link: https://www.eastwestbanker.com/info/ir_annual.asp	
Optional Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	Compliant	Please refer to Annex A - Corporate Governance Manual Section 6.2 page 41	
Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	Compliant		
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 7 pages 42 - 43 and this link: https://www.eastwestbanker.com/info/ew_senior.asp and Annual Report - Corporate Governance https://www.eastwestbanker.com/info/ir_annual.asp	Compliance Officer is a First Vice President, a senior officer of the Bank who reports directly to the Board through the Corporate Governance and Compliance Committee.
3. Compliance Officer is not a member of the board.	Compliant		
4. Compliance Officer attends training/s on corporate governance.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section VI page 57 and Annex B - Corp Gov Training Agenda conducted last November 2017	
Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.			
Recommendation 2.1			

1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	Compliant	Please refer to the Annex A - Corporate Governance Manual Section 4.6 page 38 - 39 and this link: Annual Report - Corporate Governance https://www.eastwestbanker.com/info/ir_annual.asp	
Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 2.1 page 6 and Section 2.6 pages 9-12 and this link:	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	Compliant	Annual Report - Corporate Governance https://www.eastwestbanker.com/info/ir_annual.asp	
Supplement to Recommendation 2.2			
1. Board has a clearly defined and updated vision, mission and core values.	Compliant	Please refer to this link: https://www.eastwestbanker.com/info/ew_identity.asp	
2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 2.1 page 6 and Section 2.6 pages 9-12 and this link: https://www.eastwestbanker.com/info/ir_annual.asp	
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 2.9 page 14 and this link: https://www.eastwestbanker.com/info/ew_board.asp	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	Compliant	1. Please refer to the attached Annex A - Corporate Governance Manual Section 2.7, page 10	

2. Board adopts a policy on the retirement for directors and key officers.	Compliant	2. Please refer to the attached Annex A - Corporate Governance Manual Section 4.6, page 38	
Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 4.9 page 40	
2. Board adopts a policy specifying the relationship between remuneration and performance.	Compliant		
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	Compliant		
Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.	Non Compliant		The approval by the Board is minuted in the Minutes of the Remuneration Committee meeting which for confidential reasons, does not indicate the remuneration of each executive officer.
2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.	Compliant	Please refer to this link: Annual Report - Corporate Governance https://www.eastwestbanker.com/info/ir_annual.asp	
Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	Compliant	Please refer to the attached Annex A Corporate Governance Manual Section 2.3 pages 7-8 and this link: https://www.eastwestbanker.com/info/ir_noticestock.asp	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Compliant		
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	Compliant		

4. Board nomination and election policy includes how the board shortlists candidates.	Compliant		
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	Compliant		
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Compliant		
Optional Recommendation 2.6			
1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.	Compliant	The Board asked for a list of possible independent directors from the Institute of Corporate Directors.	
Recommendation 2.7			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	Compliant	Please refer to the attached Annex F - Policy on Related Party Transaction Section III page 13 - 26, this link: https://www.eastwestbanker.com/info/ew_CompPolicies.asp and Section 3.7 Annex A - Corporate Governance Manual page 29-31	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	Compliant		
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	Compliant		
Supplement to Recommendations 2.7			

<p>1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered de minimis or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval</p>	<p>Compliant</p>	<p>Please refer to the attached Annex F - Related Party Transaction Policy Section C page 14 - 17 and Section E page 18 - 26</p>	
<p>2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.</p>	<p>Compliant</p>	<p>Please refer to the attached Annex F - Related Party Transaction Policy Section E number 6 page 20</p>	
<p>Recommendation 2.8</p>			
<p>1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>Compliant</p>	<p>Please refer to the attached Annex A - Corporate Governance Manual Section 2.7 item f page 10</p>	
<p>2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>Compliant</p>	<p>Please refer to Annex A - Corporate Governance Manual Section 2.7 item J page 11</p>	
<p>Recommendation 2.9</p>			
<p>1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.</p>	<p>Compliant</p>	<p>Please refer to the attached Annex A Corporate Governance Manual Section 2.6 page 9</p>	

2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.	Compliant	Please refer to the attached Annex A Corporate Governance Manual Section 2.6 page 9	
Recommendation 2-10			
1. Board oversees that an appropriate internal control system is in place.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 2.8 page 12-13 and this link:	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Compliant	https://www.eastwestbanker.com/info/ir_annual.asp	
3. Board approves the Internal Audit Charter.	Compliant	Please refer to the attached Annex G - Internal Audit Charter	
Recommendation 2-11			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 2.7 letter e page 10, Section 3.3 Risk Management Committee page 20-21 and the Risk Management Section of the Annual Report through this link:	
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	Compliant	https://www.eastwestbanker.com/info/ir_annual.asp	
Recommendation 2-19			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	Compliant	Please refer to Annex A- Corporate Governance Manual Section 2 Board of Directors page 5-16	
2. Board Charter serves as a guide to the directors in the performance of their functions.	Compliant		
3. Board Charter is publicly available and posted on the company's website.	Compliant		
Additional Recommendation to Principle 2			

1. Board has a clear insider trading policy.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section III.3 page 53 and this link: https://www.eastwestbanker.com/info/ew_CompPolicies.asp	
1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.	Compliant	Please refer to the attached Annex F - Related Party Transaction PPM Section III A page 13 and Section III.1 page 51 Annex A Corporate Governance Manual	
2. Company discloses the types of decision requiring board of directors' approval.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 2.7 pages 10-12 and Section Section III.1 pages 51-52	
Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.			
Recommendation 3.1			
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 3 page 17 to 21 and this link - https://www.eastwestbanker.com/info/ew_BoardComm.asp	
Recommendation 3.2			
1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual pages 22 -26 and these links: https://www.eastwestbanker.com/info/ew_BoardComm.asp and Annual Report - Corporate Governance Section https://www.eastwestbanker.com/info/ir_annual.asp	

<p>2. Audit Committee is composed of at least three appropriately qualified nonexecutive directors, the majority of whom, including the Chairman is independent.</p>	<p>Compliant</p>	<p>Annex A - Corporate Governance Manual Section 3.4 page 22 and these links - https://www.eastwestbanker.com/info/ew_boardComm.asp and https://www.eastwestbanker.com/info/ir_annual.asp</p>	
<p>3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.</p>	<p>Compliant</p>	<p>Please refer to the attached Annex A - Corporate Governance Manual Section 3.4 page 22 and this link - https://www.eastwestbanker.com/info/ew_board.asp</p>	
<p>4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.</p>	<p>Compliant</p>	<p>Please refer to this link - https://www.eastwestbanker.com/info/ew_board.asp</p>	
<p>Supplement to Recommendation 3.2</p>			
<p>1. Audit Committee approves all non-audit services conducted by the external auditor.</p>	<p>Compliant</p>	<p>Non-external Audit services conducted by SGV include Annual VAPT and Mobile VAPT. These were approved by the Audit Committee as follows: Annual VAPT – December 8, 2016 Audit Committee Meeting* Mobile VAPT – May 18, 2017 Audit Committee Meeting* Annual VAPT 2018 – May 24, 2018 Audit Committee Meeting**</p> <p>Please refer to the Attached Annex C for the Proof of Audit Committee's approval of non-audit services and Annex A -Corporate Governance Manual Section 3.4 page 25</p>	

<p>2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.</p>	<p>Compliant</p>	<p>For 2017, there's no Audit Committee Meeting without the presence of Management. Although the AuditCom charter provides that the committee may meet with the internal and external auditor without management's presence. Since the external audit plan and results thereof were presented as one of the agenda during regular auditcom meetings, management were also present said meetings.</p>	
<p>Optional: Recommendation 3.2</p>			
<p>1. Audit Committee meet at least four times during the year.</p>	<p>Compliant</p>	<p>Please refer to this link: Annual Report - Corporate Governance Section https://www.eastwestbanker.com/info/ir_annual.asp and Annex H - IA Memo 2018-002</p>	
<p>2. Audit Committee approves the appointment and removal of the internal auditor.</p>	<p>Compliant</p>	<p>Please refer to the attached Annex A Corporate Governance Manual Section 3.4 Internal Audit page 25</p>	
<p>Recommendation 3.3</p>			
<p>1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.</p>	<p>Compliant</p>	<p>Please refer to the attached Annex A -Corporate Governance Manual Section 3.2 page 18 and this link: https://www.eastwestbanker.com/info/ew_BoardComm.asp</p>	
<p>2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.</p>	<p>Compliant</p>	<p>Annex A - Corporate Governance Manual Section 3.2 page 18 and these links: https://www.eastwestbanker.com/info/ew_BoardComm.asp and https://www.eastwestbanker.com/info/ew_board.asp</p>	

3. Chairman of the Corporate Governance Committee is an independent director	Compliant	Annex A - Corporate Governance Manual Section 3.2 page 18 and these links: https://www.eastwestbanker.com/info/ew_BoardComm.asp and https://www.eastwestbanker.com/info/ew_board.asp	
Optional: Recommendation 3.3			
1. Corporate Governance Committee meet at least twice during the year.	Compliant	Please refer to this link: Annual Report-Corporate Governance Section https://www.eastwestbanker.com/info/ir_annual.asp and https://www.eastwestbanker.com/info/ew_BoardComm.asp	
Recommendation 3.4			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 3.3 page 20 and this link: https://www.eastwestbanker.com/info/ew_BoardComm.asp	
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 3.3 page 20 and these links: https://www.eastwestbanker.com/info/ew_BoardComm.asp and https://www.eastwestbanker.com/info/ew_board.asp	
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 3.3 page 20 and these links: and these links: https://www.eastwestbanker.com/info/ew_BoardComm.asp and https://www.eastwestbanker.com/info/ew_board.asp	

4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 3.3 page 20 and this link: https://www.eastwestbanker.com/info/ew_board.asp	
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Recommendation 3.5

1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 3.7 pages 29-31 and this link: https://www.eastwestbanker.com/info/ew_BoardComm.asp	
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2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 3.7 page 29 and these links: https://www.eastwestbanker.com/info/ew_BoardComm.asp and https://www.eastwestbanker.com/info/ew_board.asp	
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Recommendation 3.6

1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	Compliant	Please refer to this link: https://www.eastwestbanker.com/info/ew_BoardComm.asp	
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2. Committee Charters provide standards for evaluating the performance of the Committees.	Compliant		
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3. Committee Charters were fully disclosed on the company's website.	Compliant	Please refer to this link: https://www.eastwestbanker.com/info/ew_BoardComm.asp	
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Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

Recommendation 4.1

1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 2.4 page 8 and these links: https://www.eastwestbanker.com/info/ew_BoardComm.asp and 2017 Annual Report - Corporate Governance Section https://www.eastwestbanker.com/info/ir_annual.asp	
2. The directors review meeting materials for all Board and Committee meetings.	Compliant	Please refer to Annex A - Corporate Governance Manual Section 6.2 page 41	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant	All discussions, questions or clarifications during Board or Committee meetings are recorded in the minutes of the meetings. Such minutes are made available to stockholders and regulators, when requested in writing.	
Recommendation 4.2			
1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 4.8 page 39 and this link: https://www.eastwestbanker.com/info/ew_board.asp	
Recommendation 4.3			
1. The directors notify the company's board before accepting a directorship in another company.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 4.8 page 39	
Optional: Principle 4			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	Compliant	Please refer to this link: https://www.eastwestbanker.com/info/ew_board.asp	
2. Company schedules board of directors' meetings before the start of the financial year.	Compliant	Please refer to this link: Annual Report - Corporate Governance Section https://www.eastwestbanker.com/info/ir_annual.asp	

3. Board of directors meet at least six times during the year.	Compliant	Please refer to this link: 2017 Annual Report- Corporate Governance Section https://www.eastwestbanker.com/info/ir_annual.asp Regular Meetings - 12 Special Meetings - 1 Organizational Meeting - 1	
4. Company requires as minimum quorum of at least 2/3 for board decisions.	Compliant	A majority of the Directors shall constitute a quorum . Please refer to the attached Annex A - Corporate Governance Manual Section 2.5 page 9	

Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs

Recommendation 5.1

1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 2.2 page 6	
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Recommendation 5.2

1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 4.2 pages 31 to 33 and Section 4.3 pages 33 to 37	
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Supplement to Recommendation 5.2

1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	Compliant	Please refer to Annex A - Corporate Governance Manual Section 2.3 page 7 and Section 4.3 page 33.	
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Recommendation 5.3

1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 4.6 page 38	
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2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 4..6 page 38	
3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 4.6 page 38	
Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Compliant	Please refer to this Link : https://www.eastwestbanker.com/info/ew_board.asp	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	Please refer to the attached Annex A - Corporate Governance Manua Section 2.9, 2.10 and 2.11 pages 14 and 15	
Recommendation 5.5			
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	Not Compliant		As a Bank, the Board ensures full compliance with BSP Circular No. 969 - Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions. Under this Circular, the Chairman of the Board shall be a non-executive director or an independent director. A lead independent director shall only be designated if the position of the Chairman of the Board and the CEO are held by one person. Therefore, East West Bank remains compliant with banking regulations.
Recommendation 5.6			

1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section III.2 page 52 - 53.	
Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section 2.4 page 9	
2. The meetings are chaired by the lead independent director.	Compliant		
Optional: Principle 5			
1. None of the directors is a former CEO of the company in the past 2 years.	Compliant		
Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.			
Recommendation 6.1			
1. Board conducts an annual self-assessment of its performance as a whole.	Compliant	Please refer to the attached Annex J - Sec Cert on the Approval of the Board on the latest conduct of self assessment of the board.	
2. The Chairman conducts a self-assessment of his performance.	Compliant		
3. The individual members conduct a selfassessment of their performance.	Compliant		
4. Each committee conducts a self-assessment of its performance.	Compliant		

<p>5. Every three years, the assessments are supported by an external facilitator.</p>	<p>Not Compliant</p>		<p>The Corporate Governance Manual includes a provision that "if deemed needed by the Board, an external facilitator may be engaged to assist the Board in assessing its performance, individual directors, and Committees." To date, the Board has allowed the Corporate Governance and Compliance Committee to conduct the yearly assessments in accordance to its Charter and the Corporate Governance Manual.</p>
<p>Recommendation 6.2</p>			
<p>1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.</p>	<p>Compliant</p>	<p>Please refer to the attached Annex A - Corporate Governance Manual Section X page 62</p>	
<p>2. The system allows for a feedback mechanism from the shareholders.</p>	<p>Compliant</p>		
<p>Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.</p>			
<p>Recommendation 7.1</p>			
<p>1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.</p>	<p>Compliant</p>	<p>Please refer to this Link : https://www.eastwestbanker.com/info/ew_cobce.asp</p>	

2. The Code is properly disseminated to the Board, senior management and employees.	Compliant	Please refer to this link : https://www.eastwestbanker.com/info/ew_cobce.asp	
3. The Code is disclosed and made available to the public through the company website.	Compliant	Please refer to this Link - https://www.eastwestbanker.com/info/ew_cobce.asp	
Supplemental to Recommendation 7.1			
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	Compliant	Please refer to this link : https://www.eastwestbanker.com/info/ew_cobce.asp	
Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Compliant	1. Creation of a structure / framework to ensure proper implementation of the CODE ; this is embodied in the attached CODE Charter 2. Violations are tracked and monitored ; CEO is provided a copy of the weekly CODE cases	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant	Please refer to the attached Annex Q - Code of Discipline and Ethics (CODE) Committee Charter	
Disclosure and Transparency			
Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
Recommendation 8.1			

<p>1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.</p>	<p>Compliant</p>	<p>Please refer to this link : https://www.eastwestbanker.com/info/ir_shareinfo.asp</p>	
<p>Supplement to Recommendations 8.1</p>			
<p>1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within fortyfive (45) days from the end of the reporting period.</p>	<p>Compliant</p>	<p>Please refer to this link: http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=634 and https://www.eastwestbanker.com/info/pse/17-QReportfortheperiodendedSeptember302017.pdf https://www.eastwestbanker.com/info/ir_sec.asp</p>	
<p>2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.</p>	<p>Compliant</p>	<p>Please refer to the following this link - SEC Form 17-A Part III item 11 page 60; https://www.eastwestbanker.com/info/pse/2017SECForm17-A.pdf; SEC Form 20-IS item4, page 7 https://www.eastwestbanker.com/info/pse/DefinitiveInformationStatementforAnnualStockholdersMeetingonApril202018.pdf; https://www.eastwestbanker.com/info/pse/DefinitiveInformationStatementforAnnualStockholdersMeetingonApril202018.pdf</p>	
<p>Recommendation 8.2</p>			

1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.	Compliant	Please refer to Annex A - Corporate Governance Section III.2 page 52	
2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.	Compliant		
Supplement to Recommendation B.2			
1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).	Compliant	Please refer to this link : https://www.eastwestbanker.com/info/EWConglomerateMapSeptember30,2017.pdf and https://www.eastwestbanker.com/info/ir_shareinfo.asp	
Recommendation B.3			
1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	Please refer to this link : https://www.eastwestbanker.com/info/ew_board.asp and https://www.eastwestbanker.com/info/pse/PreliminaryInformationStatementforAnnualStockholdersMeetingonApril202018.pdf	
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	Please refer to this 2017 Annual Report under Senior Management Section link : https://www.eastwestbanker.com/info/ir_annual.asp	
Recommendation B.4			

1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.	Compliant	Please refer to this link : Annual Report – Corporate Governance Section https://www.eastwestbanker.com/info/ew_CompPolicies.asp and Annex A - Corporate Governance Manual Section 4.9 page 40	
2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	Compliant	Please refer to this link : Annual Report – Corporate Governance Section https://www.eastwestbanker.com/info/ew_CompPolicies.asp and Annex A - Corporate Governance Manual Section 4.9 page 40	
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	Not Compliant		Following disclosures made by other publicly listed banking institutions, the Bank discloses the remuneration of the Board on a collective basis. The same is applied for the Top 5 Executives of the Bank.
Recommendation 5			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	Compliant	Please refer to the attached Annex F - Related Party Transaction Policy Section III.8 page 14	
2. Company discloses material or significant RPTs reviewed and approved during the year.	Compliant	Please refer to this link under Corporate Governance - Material Related Party Transaction https://www.eastwestbanker.com/info/ir_annual.asp	
Supplement to Recommendation 5			

1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section III.2 page 52 and this link - https://www.eastwestbanker.com/info/ew_CompPolicies.asp	
Optimal - Recommendation 8.5			
1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.	Compliant	Please refer to the Annex A - Corporate Governance Manual Section III.1 page 51-52 and the attached Annex F- Related Party Transaction Policy	
Recommendation 8.6			
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.	Compliant	Please refer to this link - https://www.eastwestbanker.com/info/ir_irprogram.asp	
2. Board appoint an independent party to evaluate the fairness of the transaction price of the acquisition or disposal of assets	Compliant	Please refer to Annex A - Corporate Governance Manual Section 2.7 p page 12	
Supplement to Recommendation 8.6			
1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	Compliant	There is no agreement on these matters. If one will exist in the future, as a listed company, the Bank will disclose.	
Recommendation 8.7			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	Please refer to this Link:	

2. Company's MCG is submitted to the SEC and PSE.	Compliant	https://www.eastwestbanker.com/info/ManualCorpGov.pdf	
3. Company's MCG is posted on its company website.	Compliant		
Supplement to Recommendation 2.7			
1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	Compliant	Please refer to the attached Annex L - Proof of CG Submission to SEC	
Optional Principles			
1. Does the company's Annual Report disclose the following information:	Compliant		
a. Corporate Objectives	Compliant		
b. Financial performance indicators	Compliant		
c. Non-financial performance indicators	Compliant		
d. Dividend Policy	Compliant		
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	Compliant	Please refer to this link under Corporate Governance https://www.eastwestbanker.com/info/ir_annual.asp	
f. Attendance details of each director in all directors meetings held during the year.	Compliant		
g. Total remuneration of each member of the board of directors.	Compliant		
2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.	Compliant	Please refer to this link: under Corporate Governance https://www.eastwestbanker.com/info/ir_annual.asp	

3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.	Compliant	Please refer to this link under Corporate Governance https://www.eastwestbanker.com/info/ir_annual.asp	
4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.	Compliant	Please refer to this link under Corporate Governance Section https://www.eastwestbanker.com/info/ir_annual.asp	
5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).	Compliant	Please refer to this link under Risk Management Section and Corporate Governance Section: https://www.eastwestbanker.com/info/ir_annual.asp	

Principle 9: The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

Recommendation 9.1

1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	Compliant	Please to the attached Annex G Internal Audit Charter pages 3- 4	
2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	Compliant	Yes, the Audit Committee recommends except for the Board last April 20, 2018 where the shareholders delegated to the Board the aforesaid appointment. All previous appointments were approved unanimously by all shareholders present in the meeting either in person or by proxy. No. Shares: 1,218,797,533 Percentage: 81.25 %	

<p>3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.</p>	<p>Compliant</p>	<p>This is not applicable since the Bank has not removed or replaced its external auditor. However, in the event of a removal or change of external auditor, the Bank, as a publicly listed company, shall disclose the reasons for such to its regulators and the public.</p>	
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Supplement to Recommendation 9.1

<p>1. Company has a policy of rotating the lead audit partner every five years.</p>	<p>Compliant</p>	<p>The Bank abides by BSP's Manual of Regulations for Banks (MORB) - Appendix 43 Section D.2 which states that universal banks "which have engaged their respective external auditors and/or auditing firm for a consecutive period of five (5) years or more as of 18 September 2009 shall have a one (1)-year period from said date within which to either change their external auditors and/or auditing firm or to rotate the lead and/or concurring partner." SGV, the Bank's External Auditor, is an accredited auditing firm under Category A which includes universal banks.</p>	
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Recommendation 9.2

<p>1. Audit Committee Charter includes the Audit Committee's responsibility on:</p> <p>i. assessing the integrity and independence of external auditors;</p> <p>ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and</p> <p>iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</p>	<p>Compliant</p>	<p>Please refer to the attached Annex G - Audit Charter page 3-4 and this link https://www.eastwestbanker.com/info/ew_BoardComm.asp</p>	
<p>2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.</p>	<p>Compliant</p>	<p>Please refer to the attached Annex G - Audit Charter and this link https://www.eastwestbanker.com/info/ew_BoardComm.asp</p>	
<p>Supplement to Recommendations 9.2</p>			
<p>1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.</p>	<p>Compliant</p>	<p>Please refer to the attached Annex G - Audit Charter and this link https://www.eastwestbanker.com/info/ew_BoardComm.asp</p>	
<p>2. Audit Committee ensures that the external auditor has adequate quality control procedures.</p>	<p>Compliant</p>	<p>Please refer to the attached Annex G - Audit Charter and this link https://www.eastwestbanker.com/info/ew_BoardComm.asp</p>	
<p>Recommendation 9.3</p>			

1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	Non-Compliant		Audit Committee approves the non-audit services and ensures that there is no potential conflict.
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	Compliant	To ensure no possible conflict of interest, non-audit services are approved by the Audit Committee.	
Supplement to Recommendation 9.3			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	Non-Compliant		For 2017, there were several special projects/engagements rendered by the the Bank's external auditor.
Additional Recommendation to Principle 9			
1. Company's external auditor is duly accredited by the SEC under Group a category.	Compliant	Provide information on company's external auditor, such as: 1. Name of the audit engagement partner - Josephine Adrienne A. Abarca 2. Accreditation number - 0466-AR-3 (Group A) 3. Date Accredited; February 09, 2016 4. Expiry date of accreditation; and February 8, 2019 5. Name, address, contact number of the audit firm - Sycip Gorres Velayo & Co./6760 Ayala Avenue, 1266 Makati City Philippines 891-0307	
2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).	Compliant	For the year 2017, SGV was not subjected to SOAR and has not yet received any advice from the SEC for the said inspection	

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

Recommendation 10.1

1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	Compliant	Please refer to this link under Our People and ther Community Section https://www.eastwestbanker.com/info/ir_annual.asp	
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Compliant	The Audited Financial Statement of East West Banking Corporation were prepared in compliance with Philippine Financial Reporting Standards.	

Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

Recommendation 11.1

1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	Compliant	Please refer to this link : https://www.eastwestbanker.com/info/ir_invpres.asp	
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Supplemental to Principle 11

1. Company has a website disclosing up-to-date information on the following:	Compliant	Please refer to this link - https://www.eastwestbanker.com/	
a. Financial statements/reports (latest quarterly).	Compliant		
b. Materials provided in briefings to analysts and media.	Compliant		
c. Downloadable annual report.	Compliant		
d. Notice of ASM and/or SSM.	Compliant		
e. Minutes of ASM and/or SSM, f. Company's Articles of Incorporation and By-Laws.	Compliant		

Additional Recommendation to Principle 11

1. Company complies with SEC-prescribed website template.	Compliant	Please refer to this link - https://www.eastwestbanker.com/	
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Principle 12: To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.

Recommendation 12.1

<p>1. Company has an adequate and effective internal control system in the conduct of its business.</p>	<p>Compliant</p>	<p>On an annual basis, Internal Audit prepares an Audit Work Plan based on a 3-year cycle, which is reviewed and approved by the Audit Committee, with whom the Internal Audit functionally reports. The annual audit work plan is developed based on the results of the risk assessment conducted by Internal Audit. The risk assessment methodology is also being reviewed and confirmed / approved by the Audit Committee on an annual basis. Internal Audit reports the results of audit reviews during the committee's regular meeting. IA also reports the status of corrective/ remedial measures undertaken on high and medium risk issues. For 2017, the Audit Committee met 12 times. IA also monitors the accomplishment of the work plan quarterly and reports the same to the Audit Committee on a semi-annual basis.</p> <p>Please refer to the attached Annex A - Corporate Governance Manual Section 3.4 Internal Control</p>	
<p>2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.</p>	<p>Compliant</p>	<p>Please refer to this link under Risk Management https://www.eastwestbanker.com/info/ir_annual.asp</p>	
<p>Supplement to Recommendations 12.1</p>			
<p>1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.</p>	<p>Compliant</p>	<p>Please refer to the attached Annex M - Compliance Program.</p>	

Optional: Recommendation 12.1

1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.

Compliant

The IT Steering Committee, a Management Level Committee, is tasked with the following:

1. Evaluates, approves, monitors and prioritizes IT projects;
2. Monitors progress of IT Strategic Plan, regularly reviews the plan and identify opportunities that will align the plan to the Bank's business strategy;
3. Identifies business solutions that may leverage technology; and
4. Reviews IT policies, procedures and standards, when needed.

The discussion points of the IT Steering Committee are reported to the Board of Directors on a regular basis.

Recommendation 12.2

1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.

Compliant

In-House

Recommendation 12.3

1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.

Compliant

Ms. Elaida I. Oquialda
Please refer to Annex A - Corporate Governance Manual pages 46 - 48 and this link - Senior Officers Section
https://www.eastwestbanker.com/info/ir_annual.asp

2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	Compliant	Please refer to Annex A - Corporate Governance Manual pages 47- 48	
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	Compliant	This is not applicable since the Bank's internal audit activity is conducted by an in house division headed by a Chief Audit Executive.	
Recommendation 12.4			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	Compliant	Please refer to this link under Risk Management Section https://www.eastwestbanker.com/info/ir_annual.asp and attached Annex A Corporate Governance Manual pages 55-56	
Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally.	Compliant	The Bank seek the expertise of SGV for the implementation of significant risk management programs.	
Recommendation 12.5			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	Compliant	Please refer to this link https://www.eastwestbanker.com/info/ir_annual.asp and page 44 -45 of the Corporate Governance Manual	
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Compliant	Pleaser refer to the attached Annex A - Corporate Governance Manual page 44	
Additional Recommendation to Principle 12			

1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	Compliant	The Audit Committee reviews the effectiveness and efficiency of internal control every meeting where the results of the Internal Audit reviews are presented and discussed. Annually, the Audit Committee prepares a formal report to the Board of Directors with regards their assessment of the effectiveness and adequacy of the internal controls of the Bank, among others.	
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Cultivating a Synergic Relationship with Shareholders

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

Recommendation 13.1

1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	Compliant	Please refer to the attached Annex A Corporate Governance Manual page 58.	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	Compliant	Please refer to the attached Annex A Corporate Governance Manual page 58 http://www.eastwestbanker.com	

Supplement to Recommendation 13.1

1. Company's common share has one vote for one share.	Compliant	Please access this link - Articles of Incorporation https://www.eastwestbanker.com/info/AmendedArticleofIncorporation.pdf By- Laws: https://www.eastwestbanker.com/info/CERTOFFILINGOFAMENDED BY LAWS10-2014.pdf	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Compliant	Please refer to this link https://www.eastwestbanker.com/info/ir_annual.asp and attached Annex A Corporate Governance Manual page 58	

3. Board has an effective, secure, and efficient voting system.	Compliant	The voting procedure is in the by laws and shareholders are notified of this procedure in the IS. Please refer to this link: By- Laws: https://www.eastwestbanker.com/info/CERTOFFILINGOFAMENDEDDBY-LAWS10-2014.pdf	
4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	Compliant	The right of the minority sharehokders is limited to appraisal right in certain decisions where they are given that right by law.	
5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.	Compliant	The call for special shareholders' meeting is stated in Article II, Section 3 of the Bank's By- Laws. Please refer to this link: By- Laws: https://www.eastwestbanker.com/info/CERTOFFILINGOFAMENDEDDBY-LAWS10-2014.pdf	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	Compliant	Please refer to the attached Annex A Corporate Governance Manual Section VIII page 58 - 59	
7. Company has a transparent and specific dividend policy.	Compliant	Please refer to Corporate Governance Section under this link https://www.eastwestbanker.com/info/lt_annual.asp	
Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.	Compliant	This is not applicable since the counting and validating of votes at the Annual Shareholders' Meeting is attested to by the Corporate Secretary.	
Recommendation 13.2			

1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	Compliant	Please refer to this link: https://www.eastwestbanker.com/info/ir_noticestock.asp	
Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:	Compliant		
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	Compliant	Please refer to this link https://www.eastwestbanker.com/info/pse/DefinitiveInformationStatementforAnnualStockholdersMeetingonApril202018.pdf	
b. Auditors seeking appointment/reappointment	Compliant		
c. Proxy documents	Compliant		
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting.	Compliant	Please refer to this link https://www.eastwestbanker.com/info/pse/DefinitiveInformationStatementforAnnualStockholdersMeetingonApril202018.pdf	
Recommendation 13.3			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	Compliant	Please refer to this link: https://www.eastwestbanker.com/info/ir_sec.asp and https://www.eastwestbanker.com/info/ir_stockannual.asp	
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	Compliant	Please refer to the link below for the Results of the Annual Stockholders Meeting. https://www.eastwestbanker.com/info/ir_stockannual.asp	
Supplement to Recommendation 13.3			

1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	Compliant	The external auditor and senior management were present during the ASM and special meeting.	
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	Compliant	There has been no dispute raised by any shareholder.	
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	Compliant	Please refer to Annex A - Corporate Governance Manual Section 2.7 #m	
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Compliant	Disclose the contact details of the officer/office responsible for investor relations, such as: 1. Name of the person 2. Telephone number 3. Fax number 4. E-mail address Vincent A. Villanueva Tel # - 5753888 local 3589 VAVillanueva@eastwestbanker.com	
2. IRO is present at every shareholder's meeting.	Compliant	The IRO is always present during the Annual Stockholders Meeting	
Supplemental Recommendations to Principle 13			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group.	Compliant	Please refer to Section VI item #6 of Annex A - Corporate Governance Manual page 60-61	

2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	Compliant	Please refer to the link below: https://www.eastwestbanker.com/info/pse/PublicOwnershipReportasofMarch312018.pdf	
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Optional: Principle 13

1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting.	Compliant	While the policies are not documented, it the Bank's practice to have an open communication policy with its stockholders. For instance, the Chairman and the CEO entertain all comments and suggestions of sharehokders raised thru phone or email.	
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.	Compliant	This is not applicable since the Bank does not use electronic voting in absentia.	

Duties to Stakeholders

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

Recommendation 14.1

1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability	Compliant	Please refer to the link under Corporate Governance Section - https://www.eastwestbanker.com/info/ir_annual.asp	
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Recommendation 14.2

1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	Compliant	Please refer to the attached Annex A - Corporate Governance Manual Section VIII page 58 - 61	
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Recommendation 14.3

1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	Compliant	Please refer to Whistle-Blowing Policy under this link https://www.eastwestbanker.com/info/ew_CompPolicies.asp	
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Supplement to Recommendation 14.3

1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.	Compliant	Please refer to Annex A - Corporate Governance Manual Section VIII #6 Appraisal Right	
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Additional Recommendations to Principle 14

1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.	Compliant	The Bank has not sought any exemption from the application of a law, rule or regulation, particularly on corporate governance issues.	
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2. Company respects intellectual property rights.	Compliant	Per Case Status Reports, there is no case related to intellectual property rights issues.	
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Optional: Principle 14

1. Company discloses its policies and practices that address customers' welfare	Compliant	Please refer to this link https://www.eastwestbanker.com/info/ir_annual.asp	
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2. Company discloses its policies and practices that address supplier/contractor selection procedures	Compliant	Please refer to Annex O - Outsourcing Policy	
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Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.

Recommendation 15.1

1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	Compliant	Through the performance management system, each employees are required to develop a Key Result Areas (KRAs) that is in line with the Bank's objectives and strategies	
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Supplement to Recommendation 15.1

<p>1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.</p>	<p>Compliant</p>	<p>Currently, there is no stock plans being offered to employees. However, the Bank's rewards programs are generally hinged on performance.</p> <p>Generally, for both Merit and Performance Bonus, the Bank uses past year's performance as an indication of future performance. Both programs aims to encourage people to perform even better in the future.</p> <p>Under its profit sharing scheme, if everyone works as one and achieves the company's goals together, all performers partake in the company's success.</p> <p>Incentive plans are also in place for Customer Service and Collections where eligible employees are incentivized for attaining their targets.</p>	
<p>2. Company has policies and practices on health, safety and welfare of its employees.</p>	<p>Compliant</p>	<p>Please refer to these links: https://www.eastwestbanker.com/info/ew_CompPolicies.asp and the Corporate Governance Section in the Annual Report https://www.eastwestbanker.com/info/ir_annual.asp</p>	
<p>3. Company has policies and practices on training and development of its employees.</p>	<p>Compliant</p>	<p>Please refer to the attached Annex N - Learning and Development policy and this link https://www.eastwestbanker.com/info/ir_annual.asp</p>	

Recommendation 15.2

1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	Compliant	Please refer to this link - https://www.eastwestbanker.com/info/ew_cobce.asp	
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	Compliant	During New Employees Orientation Program (NEOP), a broad overview of the Committee On Discipline and Ethics is discussed while the Code of Conduct and Employee Handbook is handed out during NEOP also. The receipt is acknowledged by the new employee .	

Supplement to Recommendation 15.2

<p>1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.</p>	<p>Compliant</p>	<p>The Bank has established that bribery is a serious offense under the Bank's Code of Discipline, provided as follows: <u>Conflict of Interest:</u> 3.6 Receiving of gifts, percentage ad commission in exchange for a favor to a client, supplier, vendor or other third party with whom the employee has a dealing in relation to his work. 3.7 Borrowing from or lending to bank clients or customers and/or co-employees. <u>Serious Misconduct:</u> 4.4 Commission of a crime involving dishonesty or breach of trust such as , but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery , violation of BP Blg. 22 , violation of Anti-Graft and Corrupt Practices Act.....</p> <p>In penalizing employees involved in bribery or any corrupt acts, the standard CODE procedures applied to normal administrative cases shall be also be applied.</p>	
<p>Recommendation 15.3</p>			
<p>1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation</p>	<p>Compliant</p>	<p>Please refer to this link under Company Policies https://www.eastwestbanker.com/info/ew_CompPolicies.asp</p>	

2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	Compliant	Please refer to this link https://www.eastwestbanker.com/info/ir_annual.asp	
3. Board supervises and ensures the enforcement of the whistleblowing framework.	Compliant	Please refer to this link : Under Corporate Governance Section https://www.eastwestbanker.com/info/ir_annual.asp and Section III.4 page 54 of the Corporate Governance Manual	

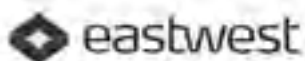
Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

Recommendation 16.1

1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	Compliant	Please refer to this link: under our People and the Community https://www.eastwestbanker.com/info/ir_annual.asp	
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Optional: Principle 16

1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	Compliant	Please refer to this link: https://www.eastwestbanker.com/info/ir_annual.asp	
2. Company exerts effort to interact positively with the communities in which it operates.	Compliant	Please refer to this link: https://www.eastwestbanker.com/info/ir_annual.asp	



Manual on Corporate Governance
Revised, May 2018

CORPORATE GOVERNANCE MANUAL

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I. OBJECTIVE AND COMMITMENT

EAST WEST BANKING CORPORATION (the Bank) understands that it is paramount to set the kind of corporate governance needed in the attainment of the Bank'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 Bank 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 provisions in this Manual are based and premised on the Corporation Code of the Philippines, Securities Regulations Code, SEC Memorandum Circular No. 19, series of 2016 on the *Code of Corporate Governance for Publicly Listed Companies* and relevant provisions from BSP Circular No. 969 dated 22 August 2017 on the *Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions*.

The Board of Directors and Senior Management of the Bank 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 Bank 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 Bank'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 Bank, elected from and among the stockholders of the Bank who exercises corporate powers of the Bank, conducts all its businesses and controls and holds all its properties. It provides stewardship, sets the Bank's over-all direction and approves and oversees the implementation of the 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 nine (9) directors, majority of whom are non-executive directors. Three (3) 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 Bank 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 Bank does not discriminate against gender, age, and ethnic, political, religious, or cultural backgrounds.

Through the Board's Corporate Governance and Compliance Committee, the Bank 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 Bank, 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 and Compliance Committee (CGCC) through any of their Members or to the Corporate Secretary of the Bank 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 CGCC 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 listed banks.

If there are not enough nominees from shareholders for directors and/or independent directors, the CGCC 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 Bank'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 Bank 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 the Vice Chairman and Chief Executive Officer 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 to the rules and regulations of the SEC and subject to compliance with the requirements provided for in Section 4 of the Bank'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 Bank. The meeting shall be led by the Chairman of the Governance Committee who called the meeting.

2.5. Quorum Requirement

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.

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 Bank and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Bank, its shareholders and other stakeholders, namely, its depositors and other creditors, 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 Bank'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 Bank'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 Bank, its stockholders and other stakeholders, the Board shall:

- a. Define the Bank'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 bank'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 banking 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 Bank'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 CEO, the President and key senior officers.

- h. Define, approve and oversee the implementation of the Bank'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 Bank;
- 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 Bank that can amicably settle conflicts or differences between the Bank and its stockholders, and the Bank 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 Bank. The Bank'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 Bank and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their close family members as defined in the Bank'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 BSP and other regulators all entities in the group as well as all significant transactions between entities in the group involving any BSP-regulated entity.
- r. Identify the Bank'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.

In effecting the aforementioned duties and responsibilities, the Board of Directors shall perform the specific duties and responsibilities as provided for in Section 4 of BSP Circular No. 969 dated 22 August 2017 on the Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions and Principle 2 of SEC Memorandum Circular No. 19, series of 2016 on the Code of Corporate Governance for Publicly Listed Companies.

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 bank. The Board shall also ensure that the internal audit function has an appropriate stature and authority within the bank 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 bank'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 CEO who is ultimately accountable for the Bank's organizational and operational controls.
- b. Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO.
- c. Evaluation of proposed senior management appointees. Senior management refers to bank officers who directly report to the CEO, heads of governance units, regardless of rank, and those with the rank of Senior Vice President and above.
- d. Selection and appointment of qualified and competent management officers.
- e. Review of the Bank'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 Bank: 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 Bank within the past three (3) years.

The roles of the Chairman of the Board and of the 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. In exceptional cases where the position of Chairperson of the Board and CEO is held by one (1) person, Monetary Board approval shall be sought. Proper checks and balances including the appointment of a lead 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 pursuant to Section 3 of Article II and Section 4 of Article III of the Bank's By-laws. The Vice Chairman shall alternately 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 Bank'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 CEO, the President, 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 bank, developments in the business and regulatory environments, key governance concerns and issues that may significantly affect banking 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 Chief Executive Officer

The Chief Executive Officer 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 Bank 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 Bank.

The 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 Bank'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 CEO, includes among others, the following

- a. Determines the Bank's strategic direction and formulates and implements the Board-approved strategic plan;
- b. Communicates and implements the Bank'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 Bank and manages human and financial resources in accordance to the strategic plan;
- d. Keeps abreast of developments which may significantly impact on the Bank's core business;
- e. Directs, evaluates and guides the work of Senior Management;
- f. Manages the Bank'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 Bank's culture that shall lead and motivate the Bank'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 Bank's expense, subject to further evaluation and approval by the Board.

3. Board Committees

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.

- Executive Committee
- Corporate Governance and Compliance Committee
- Risk Management Committee
- Audit Committee
- Trust Committee
- Compensation Committee
- Related Party Transactions (RPT) Committee

3.1. Executive Committee

The Executive Committee shall have the power to direct the business of the Bank vested by law in the Board of Directors insofar as such powers and authority may be lawfully delegated to the Executive Committee, including the power to review and approve proposals and transactions related to credit in amounts within the limits of its delegated authority.

The Executive Committee shall have 5 regular members and an alternate member appointed by the Board for a term of one (1) year.

General Responsibilities:

The Executive Committee, by a majority vote of all its members, and subject to such limitations as the Board may prescribe, is empowered to perform the following actions:

1. Approve and/or implement any or all corporate acts within the competence of the board except those acts expressly reserved by the Corporation Code for the board of directors.
2. Review and approve bank-wide credit strategy, profile and performance.

3. Approve the credit risk taking-activities of the bank based on the regulations of established approving authorities and reviews and endorses credit-granting activities.
4. Review and assess, at least annually, the adequacy of this Charter and recommend any changes to the Board for approval.

3.2. Corporate Governance and Compliance Committee

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

The Committee shall be composed of 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 CGCC shall serve as the Nomination Committee of the Bank. 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 CEO and the President, regardless of rank, heads of Governance Units and other positions of the Bank requiring appointment by the Board of Directors and confirmation by the BSP.
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 and key officers of the Bank.
4. Ensure that there is an appropriate succession plan for Board members and the Bank'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. Oversee the annual performance evaluation of the Board, its committees, and individual directors and shall also conduct an annual self-evaluation of its performance as prescribed under and in accordance with the Corporate Governance Manual, the 2016 SEC Code of Corporate Governance for Publicly Listed Companies and BSP Circular 969 - Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions.
 9. Review and assess the adequacy of its Charter, the Corporate Governance Manual and recommend changes for the approval of the Board at least annually.
 10. Oversee the design and operation of the remuneration and other incentives policy.
 11. In collaboration with the Risk Management Committee, evaluate the incentives created by the Bank's remuneration system.

Compliance:

1. Oversee the implementation of the Bank's Compliance Program, including its MLPP, ensuring that the Bank 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 CGCC, and b) be responsible for coordinating, monitoring and facilitating compliance with applicable laws, rules and regulations.
4. Vest the Compliance Officer and the Compliance Division 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 Bank is managing its compliance risk. The Committee shall review with senior management and the Chief Compliance Officer the actions taken by the Bank 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.

3.3. Risk Management Committee

The Risk Management Committee (RMC) shall assist the Board in fulfilling its responsibilities in managing the Bank's risk-taking activities. The nature of the Committee's responsibilities is one of development and oversight while the responsibility for executing the Bank'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 RMC's chairperson shall not be the Chairperson of the Board of Directors, or any other board-level committee. RMC's members must possess adequate knowledge and understanding of the Bank's risk exposures as well as the expertise to develop appropriate risk policy and strategy.

Duties and Responsibilities

1. Identifies and evaluates the Bank's risk exposures. The Committee assesses the likelihood of each risk identified and estimates its impact to the Bank. Further attention shall be given to those risks that are more likely to happen and bear more costly impact to the Bank.

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. Evaluates and approves all types of recommended risk tolerances including portfolio credit tolerances, market and liquidity risk limits, and operational risk parameters that includes business continuity and information security risks; taking into consideration the overall risk appetite of the Board.
4. Ensures that relevant risks are measured and monitored for all portfolios and business activities
5. Evaluates the magnitude, direction and distribution of risks across the Bank. Provides direction to the Bank on how to control or mitigate these risks through its developed risk management strategies and policies
6. Evaluates and reports to the Board the Bank'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.
7. Ensures that timely corrective actions are carried out whenever limits are breached.
8. Recommends the allocation of capital in order to manage risk and corresponding earnings.
9. On internal audit –
 - a. Ensures that the Bank's risk management framework is evaluated regularly by Internal Audit.
 - b. Reviews issues raised by Internal and External Auditors regarding the Bank's risk management framework.
 - c. Relays to the Audit Committee any issues that the Committee sees as relevant.
10. Examines other matters referred by the Board.
11. Evaluates the performance of the Chief Risk Officer, at least, on an annual basis.
12. Conduct performance self-assessment as prescribed under and in accordance with the Corporate Governance Manual
13. Reviews, at least annually, the Committee's charter and recommend any proposed changes to the Board for approval.

3.4 Audit Committee

The Audit Committee shall be composed of 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 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 Bank.

General Responsibilities:

The Committee will carry out the following responsibilities:

Financial reporting, including disclosures

1. Monitor the financial reporting process and its quarterly output;
2. Oversee the establishment of accounting policies and practices by the bank and review the significant qualitative aspects of the bank's accounting practices, including accounting estimates and financial disclosures;
3. Monitor the integrity of the bank's financial statements and any formal announcements relating to the bank'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 bank, 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 bank'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 bank'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 bank's selection or application of accounting principles; and (2) major issues as to the adequacy of the bank'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 bank.
- 9. Discuss with management the bank's major risk exposures and the steps management has taken to monitor and control such exposures including the bank's risk assessment and risk management policies.
- 10. Review disclosures made to the Audit Committee by the bank's CEO and CFO 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 bank's internal controls.
- 11. Review procedures by which bank 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 (i)

- 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 bank'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 bank 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 bank.
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 bank, 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 bank 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 bank's counsel, any legal/regulatory matters that could have a significant impact on the bank'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.

3.5 Trust Committee

The Trust Committee shall assist the Board in fulfilling its responsibilities to oversee the proper management and administration of trust and other fiduciary business of the Bank. The committee shall be composed of at least five (5) members including the President, Trust Officer and non-Executive Directors who are appointed by the Board on a regular basis.

Duties and Responsibilities:

The Trust Committee shall act within the sphere of authority granted in the Bank's By-laws and/or as may be delegated by the Board, such as but not limited to the following:

1. Acceptance and closing of trust and other fiduciary accounts;
2. Initial review of assets placed under the trustee's fiduciary custody;
3. Investment, re-investment and disposition of funds or property;
4. Review and approval of transactions between trust and/or fiduciary accounts;
5. Review of trust and other fiduciary accounts at least once every twelve (12) months to determine the advisability of retaining or disposing of the trust or fiduciary assets and/or whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship;
6. Review all internally and externally prepared audits and examinations of the Trust Division and take whatever actions are required to rectify any problems reported in such audits or examination;
7. Review the Disaster Recovery Plan of the Trust Division;
8. Preside over the proper conduct of the trust's business, reviewing on a periodic basis, business development initiatives as:
 - a. Staffing and delineation of responsibility / accountability;
 - b. Review operating budget for the division and its annual goals;
 - c. Proactive development and implementation of strategies for cultivating of revenue streams and cost management;
 - d. Application and monitoring of the proper performance benchmarks; and
 - e. Performance appraisal of the Trust Officer;
9. Establish such rules and policies from time to time as it may consider proper;
10. Self-assessment of the Trust Committee shall be conducted by the CGCC; and
11. Review and reassess the adequacy of this Charter at least annually and recommend to the Board any proposed changes to the Charter.

3.6 Compensation Committee

The Compensation Committee shall be composed of at least five (5) members, including the CEO, the President or any equivalent rank, and one independent director.

Duties and Responsibilities:

The Committee ensures that the compensation policies and practices are consistent with the corporate culture, strategy and the business environment under which it operates. It evaluates and recommends to the board incentives and other equity-based plans designed to attract and retain qualified and competent individuals.

1. Oversee the design and operation of the remuneration and other incentives policy.
2. Review and approve, at least once a year, the total cash compensation (annual base salaries and annual incentive opportunities) of the Executive Officers. The CEO and the President shall not be present during the Committee deliberations or voting of their respective compensation.
3. Regularly and as and when needed, review and approve the following as they affect the Executive Officers: (a) all incentive plans and bonuses, cash and non-cash based awards, (b) any employment agreements and severance arrangements, (c) any special or supplemental/additional compensation and benefits for the Executive Officers and anybody who has formerly served as Executive Officers of the Bank, including supplemental retirement benefits and the perquisites provided to them during and after employment.
4. Review the overall remuneration plan covering all employees of the Bank.
5. Ensure that all remuneration programs are sensitive to the job, its Mandates, Activities, Key Result Areas (MAKs) as well as risks taken in behalf of the Bank. It shall also consider sensitivity to the time horizon of the risk. Also, depending on the remuneration program, it may include provisions for deferred payments to consider risks based on erroneous assumptions.

6. Conduct performance self-assessment as prescribed under and in accordance with the Corporate Governance Manual.

3.7 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 Bank'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 bank 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 bank 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 Bank 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 Bank'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 Bank'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 Bank'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 banking 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 Amended 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 banking operations.
- b. Non-executive Director – a director who has no executive responsibility and does not perform any work related to banking 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 director, officer or employee of the Bank, 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 director, officer, or employee of the Bank'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 Bank, 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 Bank'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 Bank, 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 Bank, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election;
7. Independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the Bank 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 Bank, 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 Bank or any of its related companies or substantial shareholders.
10. Is not employed as an executive officer of another company where any of the Bank's executives serve as 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 Banking Corporation.
- 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 regulations¹.
- 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 provider².

4.4 Disqualifications of a Director³

- a. Permanent disqualifications: Directors permanently disqualified by the Monetary Board from holding a director position are:

¹ A director shall submit to the Bangko Sentral the required certifications and other documentary proof of such qualifications using the Appendix 98 as a guide within twenty (20) banking days from the date of election. Non-submission of complete documentary requirements or their equivalent within the prescribed period shall be construed as his failure to establish his qualifications for the position and results in his removal from the board of directors.

² A director shall submit to the Bangko Sentral a certification of compliance with the Bangko Sentral-prescribed syllabus on corporate governance for first time directors and documentary proof of such compliance.

³ Also applies with officer of the Bank.

1. Those 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, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of Anti- Graft and Corrupt Practices Act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), violation of the Corporation Code, Securities Regulation Code and any other law administered by the SEC or BSP and any of its rules and regulations.
 2. Those convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of 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;
 3. Those convicted by final judgment of the court for violation of banking laws, rules and regulations;
 4. Those judicially declared insolvent, spendthrift or incapacitated to contract;
 5. Director/s of closed banks/quasi-banks/trust entities who were found to be culpable for such institution's closure as determined by the Monetary Board.
 6. Any person found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory;
 7. Any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory; and
 8. Any person earlier elected as independent director who becomes an officer, employee or consultant of the Bank.
- b. Temporary disqualifications: Directors disqualified by the Monetary Board 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 or any material information when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the BSP and the Securities Regulation Code and its Implementing Rules and Regulations. 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. Those who are delinquent in the payment of their obligations as defined. This disqualification shall be in effect as long as the delinquency persists;
4. Those who have been convicted by a court for offenses involving dishonesty or breach of trust such as but not limited to estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of anti-graft and corrupt practices act and prohibited acts and transactions under Sec. 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), violation of banking laws, rules and regulations, or those sentenced to serve a maximum term of imprisonment of more than six (6) years but whose conviction has not yet become final and executory;
5. Those convicted for offenses involving dishonestly, breach of trust or violation of banking laws but whose conviction has not yet become final and executory;
6. Directors of closed banks pending their clearance by the Monetary Board;

7. Those 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 or upon approval by the Monetary Board on recommendation by the appropriate department of the Supervision and Examination Sector (SES) of such directors' election/re-election;
8. Those who failed to attend the special seminar on corporate governance for Board conducted or accredited by SEC. This disqualification applies until the director concerned has attended such seminar;
9. Those dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity or upon clearance, on their request, from the Monetary Board after showing good and justifiable reasons, or after the lapse of five (5) years from the time they were officially advised by the appropriate department of SES of their disqualification;
10. Those under preventive suspension;
11. Those with derogatory records as certified by, or on the official files of, the judiciary, NBI, Philippine National Police (PNP), quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any law, rules and regulations that would adversely affect the integrity of the director or his ability to discharge his duties. This disqualification applies until they have cleared themselves of the alleged irregularities/violations or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated;
12. Those found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is retrained by the court;
13. Those found by the Monetary Board to be unfit for the position of director because they were found administratively liable by another government agency for violation of banking laws, rules and

- regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency is pending appeal before appellate court, unless execution or enforcement thereof is retrained by the court, and
14. Those found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed, regardless whether the finding of the Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court. The disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid;
 15. Independent director whose beneficial equity ownership in the Bank or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.
 16. 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.

4.5 Disqualification Procedures

- a. The Board of Directors shall be responsible for determining the existence of the ground for disqualification of the Bank's director and for reporting the same to the BSP. While the Bank may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director from being elected/appointed as director in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.
- b. The Board of Directors shall be immediately informed of cases of disqualification approved by the Monetary Board 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 to the

Governor of the BSP through the appropriate department of the SES the action taken by the Board on the director involved.

4.6 Tenure of Directors

Upon election, Director serve for a term of one (1) year subject to re-election the following year. The Corporate Governance and Compliance Committee shall review each Director's continuation on the Board annually.

Independent Directors shall serve up for a maximum of the cumulative term of nine (9) years (reckoned from 2012), after which he can no longer be re-elected as such in the Bank. However, he shall continue to qualify for nomination and election as a regular director.

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 Bank. He shall exercise leadership, prudence and integrity in directing the Bank 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 bank 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 such as its depositors, investors, borrowers, 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 Bank, including the content of its Articles of Incorporation.

- and By-laws, the requirements of the BSP, 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 financial 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 BSP's Manual of Regulations for Banks and/or 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 Bank'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 Directors⁴

The levels of remuneration of the Bank, 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 Bank 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 Bank. No director should participate in deciding on his remuneration.

The Bank's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of the policies for setting Board and executive remuneration as well as all fixed and variable compensation that may be paid, directly or indirectly, to its directors and management officers with the rank of Senior Vice President and up during the preceding fiscal year.

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 Bank. 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.

⁴ Policies on Remuneration shall also apply to all officers of the Bank.

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 Bank's operations and the appropriate administrative and interpersonal skills required of the position. Primarily responsible to the Bank and its shareholders, he shall be loyal to the vision, mission and objectives of the Bank.

6.2 Duties and Responsibilities

The Corporate Secretary shall have the following duties and responsibilities:

- a. Assists the Board and the Executive Committee in the conduct of their meetings, including preparing an annual schedule of the Board and the Executive Committee and the annual Board calendar and assisting the Chairman of the Board and the Executive Committee to set agendas;
- 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 Bank;
- 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 Bank.
- 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 Bank'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 by the SEC.

7 Chief Compliance Officer

7.1 Definition

The Chief Compliance Officer (CCO) is the lead senior officer appointed by the Bank'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 Compliance Committee.

The appointment/designation of the Chief Compliance Officer shall be subject to the confirmation of the Bangko Sentral ng Pilipinas. The appointment of the Compliance Officer shall be immediately disclosed to the Securities & Exchange 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 Bank 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 Bank's business activities, including new products and business units;
- e. Designs the Bank'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 Bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments;
- g. Validates and monitors compliance in banking units by performing sufficient and representative compliance testing;
- h. On a bi-monthly basis, reports to CGCC 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 SEC, BSP and PDIC, and
- j. Maintains a constructive working relationship with the BSP, AMLC, SEC, PDIC and PDEx;
- k. Appears before the SEC, BSP and PDIC 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 BSP, AMLC, SEC, PDIC and PDEx, 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 Bank'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 Bank 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 Bank's size, risk profile and complexity of operations.

The appointment/designation of the Chief Risk Officer shall be subject to the confirmation of the Supervision and Examination Sector (SES) Committee (BSP Circular No. 969). The appointment, dismissal and other changes to the CRO or its equivalent position shall have prior approval of the Board of Directors. In cases, when the CRO will be replaced, the Bank shall report the same to the BSP within five (5) days from the time it has been approved by 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 Bank'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:
 - Risk management processes are performing as intended;
 - Risk measures reported are continuously reviewed by risk owners for effectiveness; and
 - Established risk policies and procedures are being complied with.

9 External Auditor

9.1 Definition and Function

An External Auditor duly accredited by the Securities and Exchange Commission shall undertake an independent audit of the Bank 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 Bank'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 BSP 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 bank, its subsidiaries and affiliates. Their independence is not considered impaired under the circumstances specified in the Code of Professional Ethics for Certified Public Accounts;
- 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 Monetary Board 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 universal or commercial bank in the regular audit; or
 - 3) The external auditor or the auditor-in-charge of the engagement must have at least 5 years experience in the regular audit of universal or commercial bank.
 - 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 Bank, 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 Bank, 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 Bank's compliance with BSP rules and regulations, such as, but not limited to capital adequacy ratio and loans 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 Bank responsible for internal audit activities while the Internal Audit Division is the unit of the Bank that provides independent and objective assurance services in order to add value to and improve the Bank'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

The appointment/designation of the Chief Audit Executive shall be subject to the confirmation of the Supervision and Examination Sector (SES) Committee (BSP Circular No. 969). The CAE shall be appointed/reappointed or replaced with prior approval of the Audit Committee. In cases when the CAE will be replaced, the bank shall report the same and the corresponding reason for replacement to the the Bangko Sentral within five (5) days from the time it has been approved by the Board of Directors.

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 banking 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 Bank 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) of a commercial bank 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 Auditing 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 CEO, the President, Senior Executive Vice President, Executive Vice President, Senior Vice President, First Vice President, Vice President and others mentioned as officers of the Bank, or those whose duties as such are defined in the by-laws, or are generally known to be the officers of the Bank (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 Bank: 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 experience in banking or trust operations or related activities or in a field related to his position and responsibilities, or have undergone training in banking or trust operations acceptable to the appropriate department of the SES. Provided, however, That the trust officer who shall be appointed shall possess any of the following:
 - 1) at least five (5) years of actual experience (refers to the exposures in trust operations either as officer of a trust entity or members of trust committee) in trust operations;
 - 2) at least three (3) years of actual experience in trust operations and must have: (a) completed at least ninety (90) training hours in trust, other fiduciary business, or investment management activities acceptable to the Bangko Sentral; or (b) completed a relevant global or local professional certification program; or (3) at least five (5) years of actual experience as an officer of a bank and must have: (a) completed at least ninety (90) training hours in trust, other fiduciary business, or investment management activities acceptable to the Bangko Sentral; or (b) completed a relevant global or local professional certification program; and
- 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, except those stated in Items "b(2)" and b(7).
- 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 bank:
 - 1) Decision making and senior management function, e.g., Chairman, Chief Executive Officer (CEO), President, General Manager, and Chief Finance Officer (CFO) other than the Treasurer or Controller;
 - 2) Treasury function
 - 3) Recordkeeping and financial reporting functions

- 4) Safekeeping of assets
- 5) Risk management function
- 6) Compliance function
- 7) Internal audit function

The spouse or a relative within the second degree of consanguinity or affinity of any person holding the position of Store Manager or Service Manager of a store of a Bank or their respective equivalent positions is disqualified from holding or being appointed to any of said positions in the same branch or extension office.

- 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 bank.
- 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 bank.

III. KEY GOVERNANCE POLICIES

1. Related Party Transactions (RPT) Policy

The Related Party Transaction (RPT) policy of East West Bank aims to ensure that all RPTs are conducted at arm's length and managed in a manner that will protect the Bank, 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 takes into consideration the

nature of the transaction and the degree of risk associated with it and allows the Bank 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 to the Bank's size, risk profile and risk management framework.

Members of the Board of Directors, Stockholders or Management of the Bank 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 Bank. The duty to disclose shall include disclosure of relationships with clients, prospects, service providers, suppliers and vendors.

The Bank 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 Interest⁶

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 Bank. 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 Bank'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 Bank.
- 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 Bank.

⁶ The Rules on Conflict of Interest shall also apply to officers and employees of the Bank. PPM COMP2013-003 on Related Party Transactions and Conflict of Interest states that all Bank employees and that of their Connected Persons, except the President being a director of the Bank and shall be governed by Section 14.3 of the PPM, shall obtain pre-clearance for their personal dealings/trade from the Bank's Chief Compliance Officer or his designate.

- 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 Bank's interest and if it impedes the ability of the director to carry out his/her duties, the Bank has the right to remove the director from his/her position.
- e. The Board of Directors shall be governed by the Bank'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. Insider Trading

The Bank is committed to preserving the confidentiality and preventing the misuse of any sensitive, confidential or material information. It is the Bank's policy that, unless the information has been widely disseminated to the public, any director, officer and employee who has sensitive or material information about the Bank or its products or services, cannot apply for, acquire or dispose of such financial products or Bank securities to which the inside information relates, or enter into an agreement to do any of those things, either for himself or for another person. Information generally would be considered widely disseminated if it has been disclosed broadly to the marketplace, such as through a press release, SEC filing, PSE disclosure, or placement on the Bank's website as may be warranted by the situation. By contrast, information would likely not be considered widely disseminated if it is available only to limited people within the Bank.

As a listed Bank, it is governed by the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) on disclosure of trading transactions of its Directors and Principal Officers. Principal Officers of the Bank shall pertain to all Bank officers with a rank of Senior Vice President and up, all Heads of the Governance units regardless of rank and Unit Heads of the key business units regardless of rank. All Bank Directors and Principal Officers shall observe the pre-clearance of trade prior to engaging in any trading transactions. They shall likewise inform the Investor Relations Office and the Office of the Corporate Secretary on their trading transactions no later than one (1) banking day after the transaction is executed.

4. 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 Bank 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 bank 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@eastwestbanker.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 and Compliance 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 Bank in handling disciplinary cases under its Code of Ethics and Discipline.

5. Empowering and Engaging Employees

The Bank 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 Bank.

Through EastWest's Learning Academy, the Bank 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 Banking, Officers' and Business Development Programs, Leadership and Personal Effectiveness.

The 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 Bank's offices operate.

The Bank 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 Bank has a wide range of programs and initiatives to help promote workplace wellness, focusing on worksite safety and injury prevention.

IV. RISK MANAGEMENT FUNCTION

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 bank and its trust 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 the Basel capital adequacy framework and based on the bank'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 banking 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 bank's activities.

V. COMMUNICATION PROCESS

1. This Manual shall be available for inspection by any stockholder of the Bank 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 Bank'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 Bank'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 Bank shall attend a seminar on corporate governance conducted by SEC accredited training provider.
2. All members of the current Board and the Bank'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 SEC.

VII. REPORTORIAL AND DISCLOSURE SYSTEM

1. The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by the Office of the Corporate Secretary or responsible officer designated by the Bank.
2. All material information about the Bank that could potentially affect share price, 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank may be issued, optioned for sale and sold or disposed of by the Bank 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 Bank. 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 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 Bank's shares dealings, dealings with the Bank, 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. Rights to Dividends

- a. Shareholders shall have the right to receive dividends subject to the discretion of the Board.
- b. The Bank 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 Bank 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 Bank, 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 82 of the 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 Bank 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 81 to 86 of The 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 and Compliance Committee, with the assistance of the Chief Compliance Officer, shall establish an evaluation system to determine and measure compliance with this Manual and the SEC Revised 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. The establishment of such evaluation system, including the features thereof shall be disclosed in the Bank's annual report (SEC Form 17-A) or in such form of report that is applicable to the Bank. The adoption of such performance evaluation system must be covered by a Board approval.

- 5 This Manual shall be subject to annual review unless amendments are required by regulatory announcements or by the Board.
- 6 All business processes and practices being performed within any business unit of the Bank 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 not later than 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 5 with 5 as the highest. The overall 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 AND SCORECARD

To monitor the compliance by covered corporations either Revised Code of Corporate Governance, SEC may require the Bank to accomplish annually a scorecard on the scope, nature and extent of the actions they have taken to meet the objectives of the Code.



Agenda



Activity	Time	Speakers
A.M. Snacks		
Opening Remarks	9:30 a.m. to 9:35 a.m.	Jonathan T. Gotianun Chairman, EastWest
Overview of Corporate Governance	9:35 a.m. to 9:45 a.m.	Leonardo J. Matignas, Jr. (SGV)
Part 1: Anti-Money Laundering (AMLA) - Updates	9:45 a.m. to 11:15 a.m.	Vicky Lee-Salas (SGV)
Part 2: Cybersecurity	11:15 a.m. to 12:15 p.m.	Warren R. Bituin (SGV)
Part 3: Data Privacy Act	12:15 p.m. to 1:00 p.m.	Warren R. Bituin (SGV)
SGV's Closing Remarks	1:00 p.m. to 1:05 p.m.	Leonardo J. Matignas, Jr. (SGV)
Lunch Break	1:05 p.m. to 2:00 p.m.	N/A
Part 4: Anti-Discrimination Law	2:00 p.m. to 2:30 p.m.	EastWest : In-house
Closing Remarks	2:30 p.m. to 2:35 p.m.	Antonio C. Moncupa, Jr. CEO, EastWest

Annex B

CONFIDENTIAL

East West Banking Corporation
Audit Committee Meeting
May 18, 2017 11:00am

I. ATTENDANCE:

Members Present

- Mr. Carlos R. Alindada - Chairman
- Mr. Paul A. Aquino
- Mr. Jose S. Sandojas

Also Present

- Antonio C. Moncupa, Vice Chairman & CEO
- Roberto S. Reyes, President & Deputy CEO

Internal Audit

- SVP Elaida F. Oquilda
- SAYP Ma Teresa L. Bayani
- AVP Jasmin J. Manalo
- SM Manza C. Galivo

Consumer Lending Cluster

- EVP Jacqueline S. Fernandez
- SAYP Christina M. Navaro

Retail Banking Cluster

- SEVP Gerardo Susmerano
- VP Rene Z. Sampang

II. CALL TO ORDER AND CERTIFICATION OF QUORUM

Dr. Carlos R. Alindada, Chairman of the Audit Committee, called the meeting to order. The Chairman certified the existence of a quorum and AVP JJManalo was tasked to take the minutes of the meeting

III. APPROVAL OF THE MINUTES OF THE MEETING DATED APRIL 20, 2017

The Board approved the minutes of the meeting dated April 20, 2017.

<input type="checkbox"/>	THE EXECUTIVE COMMITTEE		
<input checked="" type="checkbox"/>	THE BOARD OF DIRECTORS		
<input checked="" type="checkbox"/>	NOTED	<input type="checkbox"/>	DATE
<input type="checkbox"/>	FILED	<input type="checkbox"/>	DATE
		JUN 28 2017	
		DATE	

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V. OTHER MATTERS

SVP EFOquialda requested for approval the additional coverage of SGV's current VAPT engagement to include the Bank's Mobile Banking with total price of P327K. Chairman CRAIndada instructed Internal Audit to negotiate the amount further with SGV.


VI. ADJOURNMENT

There being no other matters to discuss, and upon motion duly made and seconded, the meeting was adjourned at 1:00pm.

Minutes taken by



Jasmin J. Manalo
AVP/Head Office Audit I

Attested by


Eloida F. Oquialda
SVP and Chief Audit Executive

APPROVED BY:


CARLOS S. ALINDADA
Audit Committee Chairman


PAULA AQUINO
Member


JOSE S. SANDEJAS
Member

CONFIDENTIAL

East West Banking Corporation
Audit Committee Meeting
December 8, 2016, 12:30AM

I. ATTENDANCE:

Members Present:

Mr. Carlos R. Alindada – Chairman
Mr. Paul A. Aquino
Mr. Jose S. Sandejas

Also Present:

Antonio C. Montoya, President & CEO
Jose Emmanuel U. Hlado, SEVP & COO

Internal Audit:

SVP Eloisa F. Oquialda
SAMP Ma. Teresa L. Bayani
AVP Christine R. Saman
AVP Jasmin J. Manalo
AVP Richmond A. Bisenio
SM Mariza C. Galvo

Retail Banking Cluster:

SEVP Gerardo Sumarino
VP Rene Z. Sampang

Corporate Loans:

AVP Dibern D. Tan

Information Systems Group:

SVP Domingo V. Guano

Customer Service Division:

FVP Gina Marie C. Gallo

II. CALL TO ORDER AND CERTIFICATION OF QUORUM

Dr. Carlos R. Alindada, Chairman of the Audit Committee, called the meeting to order. The Chairman certified the existence of a quorum and SM Mariza C. Galvo was tasked to take the minutes of the meeting.

III. APPROVAL OF THE MINUTES OF THE MEETING DATED OCTOBER 20, 2016

Pres. ACMoncupa inquired on the objectives for conducting the migration audit. SVP EFOquialda explained that IS Audit conducted an independent review of the controls over the migration activity and to ensure data integrity.

The AuditCom Directors took note of the results of IS Audit reviews.

4. Outsourcing of Vulnerability and Penetration Testing (VA&PT)

SVP RA Bisenio briefly discussed to the Audit Committee the requirement of BSP Circular 808 on the annual VA&PT which should be conducted by a third party provider. He also presented the results of the Internal Audit's evaluation of three (3) auditing firms who submitted their proposals and also Audit's recommendation. The Committee affirmed the recommendation of Internal Audit to hire SGV-Ernst and Young for the VA&PT engagement for continuity and technical proficiency reasons.

5. Outstanding High Risk Issues

SVP EFOquialda discussed the status of outstanding high risk issues. These were also provided to the business units and resolution are being monitored.

V. OTHER MATTERS

SVP EFOquialda presented and requested approval of the 2017 work plan to the Audit Committee. She mentioned that Internal Audit will need additional 34 auditors to accomplish the plan, considering the following:

- 267 units were rated high risk and those that have not been audited in the last three years,
- 160 units failed in the last audit and should be revisited within next year,
- 11 new stores or additions to our universe and
- 107 units which audits are mandatory (e.g. Trust, Risk Management, Compliance etc) and support units.

Audit Committee approved the work plan and hiring of additional auditors. President ACMoncupa commented that the additional auditors may eventually be redeployed to other units of the bank specially when the existing systems can be optimized to improve audit processes.

VI. ADJOURNMENT

There being no other matters to discuss, and upon motion duly made and seconded, the meeting was adjourned at 2PM.

Minutes taken by:


Maria C. Galiva
SM / Head Office Audit II


Attested by:


Etilda F. Oquialda
SVP and Chief Audit Executive

APPROVED BY:


CARLOS R. ALIMBADA
Audit Committee Chairman


PAUL A. AQUINO
Member


JOSE S. SANDEJAS
Member

Reference Number
Title
Issue Date
Effectivity Date

.....

PPM 2016-007 (Revised)
RELATED PARTY TRANSACTIONS
December 14, 2017
IMMEDIATELY

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APPROVAL SHEET

Version 5.0 (Revised December 14, 2017)

ACTION	NAME	UNIT	SIGNATURE	DATE
Prepared by	Ma. Bernadette T. Ratcliffe	Compliance	Approval on file	12/07/2017
Endorsed by	RPT Committee		Approval on file	12/07/2017
Approved by	Board of Directors		Approval on file	12/14/2017

Version 4.0 (Revised August 31, 2017)

ACTION	NAME	UNIT	SIGNATURE	DATE
Prepared by	Ma. Bernadette T. Ratcliffe	Compliance	Approval on file	08/22/2017
Endorsed by	RPT Committee		Approval on file	08/22/2017
Approved by	Board of Directors		Approval on file	08/31/2017

Version 3.0 (Revised February 23, 2017)

ACTION	NAME	UNIT	SIGNATURE	DATE
Prepared by	Ma. Bernadette T. Ratcliffe	Compliance	Approval on file	02/21/2017
Endorsed by	RPT Committee		Approval on file	02/21/2017
Approved by	Board of Directors		Approval on file	02/23/2017



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Version 2.0 (Revised December 15, 2016)

ACTION	NAME	UNIT	SIGNATURE	DATE
Prepared by	Ms. Bernadette T. Ratcliffe	Compliance	Approval on file	12/08/2016
Endorsed by	Antonio C. Mancupa, Jr.	Office of the President & CEO	Approval on file	12/08/2016
Endorsed by	RPT Committee		Approval on file	12/08/2016
Approved by	Board of Directors		Approval on file	12/15/2016

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Version 1.0 (Issued June 30, 2016)

ACTION	NAME	UNIT	SIGNATURE	DATE
Prepared by	Ma. Bernadette T. Ratcliffe	Compliance	Email approval on file	05/20/2016
Concurred by	Allan John M. Tumbaga	Bank Marketing and Corporate Communications	Email approval on file	05/31/2016
	Ma. Alicia C. Amaldo	Operations and Technology	Email approval on file	05/31/2016
	Jacqueline S. Fernandez	Consumer Lending	Email approval on file	05/31/2016
	Ernesto T. Uy	Corporate Banking I	Email approval on file	05/31/2016
	Ferdinand E. Yap	Corporate Banking II	Email approval on file	05/31/2016
	Renato P. Peralta	Credit Management	Email approval on file	05/31/2016
	Gina Marie C. Galta	Customer Service	Email approval on file	05/31/2016
	Jeannette Yvonne M. Zagala	Distribution	Email approval on file	05/31/2016
	Renato K. De Borja	Finance	Email approval on file	05/31/2016
	Consuelo V. Dantes	Human Resources	Email approval on file	05/31/2016
	Eloida F. Oquioida	Internal Audit	Email approval on file	05/31/2016
	Roberto N. Fernandez	Investment Banking	Email approval on file	05/31/2016
	Noemi A. Gallardo	Office of the Corporate Secretary	Email approval on file	05/31/2016
	Gerardo Susmerano	Retail Banking	Email approval on file	05/31/2016
	Grace N. Ang	Risk Management	Email approval on file	05/31/2016
	Alvin S. Dimia	Safety and Security	Email approval on file	05/31/2016
	Cherry Ann Vanessa Barasi-Kimpo	Treasury	Email approval on file	05/31/2016
Angel Marie L. Pacis	Trust	Email approval on file	05/31/2016	



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Endorsed By	RPT Committee		Approval on file	06/24/2016
Approved by	Board of Directors		Approval on file	06/30/2016



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DISTRIBUTION LIST

EASTWEST BANK UNITS
All Units

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DOCUMENT CONTROL

VERSION	ISSUE DATE	DESCRIPTION
1.0	June 30, 2016	<p>RELATED PARTY TRANSACTIONS</p> <p>This Related Party Transaction (RPT) policy of East West Bank aims to ensure that –</p> <ol style="list-style-type: none"> All RPTs are conducted at arm's length and managed in a manner that will protect the Bank, 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. <p>Further, this manual shall supersede all existing provisions relative to Related Party Transactions as stipulated in PM COMP 2013-003 (Related Party Transactions and Conflict of Interest, issued 12/19/13) and shall supersede IOM 2014-031 (Guidelines on the Vetting of Related Party Transactions and DOSRI Transactions by CGOC, issued 12/18/14).</p>
2.0	December 15, 2016	<p>RELATED PARTY TRANSACTIONS</p> <p>This version further amends the provision in the June 30, 2016 manual.</p>
3.0	February 23, 2017	<p>RELATED PARTY TRANSACTIONS</p> <p>This version includes the following amendments in this manual:</p> <p>Added provision under the General Criteria for Approval of Related Party Transactions to enhance documentation and justification to support the terms, rates and conditions offered in an RPT:</p> <p>xxx 5.1 For credit transactions, pricing is based on the Transfer Pool Rate (TPR) plus the targeted spread depending on the product and the client segment. xxx</p>

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VERSION	ISSUE DATE	DESCRIPTION
		5.4 For lease agreements, it shall be determined by an accredited thirdparty appraisal company or through market survey of similar lease agreements in the area.
4.0	August 31, 2017	RELATED PARTY TRANSACTIONS This version amended the Definition of Bank Officers under Related Party and the covered Sections used in reference to the Definition of the Directors, Stockholders, Key Officers of the Bank's related parties and their close family members.
5.0	December 31, 2017	RELATED PARTY TRANSACTIONS This version amended certain provision under Section E on the Review and Approval process of Related Party Transactions.



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I. INTRODUCTION

The Bangko Sentral ng Pilipinas recognizes that transactions between and among related parties create financial, commercial and economic benefits to individual institutions and to the entire group where said institutions belong. In this regard, related party transactions are generally allowed provided, that these are done on an arm's length basis.

This Related Party Transaction (RPT) policy of East West Bank aims to ensure that —

1. All RPTs are conducted at arm's length and managed in a manner that will protect the Bank, its depositors, creditors and other stakeholders from conflicts of interest and possible material risks arising from exposures to such transactions; and
2. All RPTs are appropriately reviewed, approved, ratified and disclosed as required in compliance with legal and regulatory requirements.

Further, this manual shall supersede all existing provisions relative to Related Party Transactions as stipulated in PM COMP 2013-003 (Related Party Transactions and Conflict of Interest, issued 12/19/13)¹ and shall supersede IOM 2014-031 (Guidelines on the Vetting of Related Party Transactions and DOSRI Transactions by CGCC, issued 12/18/14).

II. DEFINITION OF TERMS

A. Definition of a Related Party

A Related Party is defined to be —

1. Directors, Officers, Stockholders and Related Interests (DOSRI) of the Bank as defined in the BSP Manual of Regulations for Banks (MROB) Subsection X141.1 (Directors), X142.1 (Officers) and X326.1 (Stockholders² and Related Interest) and any amendments thereto.
2. Close family members of the Bank's Directors, Officers and Stockholders (DOS) who are relatives within the second degree of consanguinity or affinity or by legal

¹ Only the RPT provisions covered under PM COMP 2013-003 shall be superseded and that the existing policies on Conflict of Interest shall remain in effect until amended/updated by Compliance through issuance of a separate manual.

² A stockholder whose stockholdings in the bank, individually and collectively with stockholdings of his related interest amount to 1% or more of the total subscribed capital stock of the bank, is subject to DOSRI rules.

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adoption, legitimate or common-law.³ For the purpose of this specific provision of the RPT Policy, "Officers" refer to the Chief Executive Officer (CEO), the President, their direct reports and heads of Governance units, regardless of rank, and all senior officers with the rank of Senior Vice President and up.⁴

The following are considered close family members of the Bank's DOS:

- a. Spouse
 - b. Parent
 - c. Child
 - d. Brother/Sister
 - e. Grandparent
 - f. Grandchild
 - g. Parent-in-law
 - h. Son-/Daughter-in-law
 - i. Brother-/Sister-in-law
 - j. Grandparent-in-law
 - k. Grandchild-in-law
3. Any individual living within the same household of the DOS whose interest or influence may pose potential conflict of interest with the Bank.
 4. The Bank's subsidiaries and affiliates⁵ and any party, including their subsidiaries and affiliates, which the Bank directly or indirectly controls.

Control of a company exists when there is any of the following conditions:

- a. Power over more than 1/3 of the voting rights by virtue of an agreement with other stockholders; or
- b. Power to govern the financial and operating policies of the company under a statute or an agreement; or
- c. Power to appoint or remove the majority of the members of the Board of Directors or equivalent governing body; or
- d. Power to cast the majority votes at meetings of the Board of Directors or equivalent governing body; or
- e. Any other arrangement similar to any of the above.

³ There is common-law relationship when a man and a woman who are capacitated to marry each other, live exclusively with each other as husband and wife without the benefit of marriage or under a void marriage. (See Article 147 of the Family Code)

⁴ As stated in PPM 2015-090 on Employment Policy.

⁵ As defined in the BSP Manual of Regulations for Banks (MORB) Subsection X141.2 (Subsidiaries and Affiliates)

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Control is presumed to exist if there is ownership or holding, whether direct or indirect, of twenty (20%) percent or more of a class of voting shares of a company. The Bank may disclaim or rebut the presumption by presenting supporting documents and by submitting a written commitment.⁶

5. Entities within the Filinvest group, directly or indirectly controlled by the parent of the Bank and/or its subsidiaries and affiliates, which exert control⁷ over the Bank.
6. Directors, Stockholders, Key Officers of the Bank's related parties and their close family members as defined in Sections II.A.2, II.A.3, II.A.4 and II.A.5 of this policy. Key Officers as defined for this provision are the Chief Executive Officer, President or equivalent rank of the Bank's related parties and his direct reports who are responsible for their company's strategic, financial and operating policy decisions and implementation.
7. Direct or indirect linkages to a bank identified as follows:
 - 7.1 Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity or vice-versa;
 - 7.2 Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;
 - 7.3 Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the bank and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or
 - 7.4 Permanent proxy or voting trusts in favor of the bank constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.
8. Any person or juridical entity as identified by the Board of Directors whose interest or influence on a related party and its transaction may pose potential conflict of interest with the Bank.

⁶ Written commitment shall contain declarations stated in Section XI 46.1.4 or amended by Circular No. B95 Series of 2015.

⁷ Refer to definition of "Control" in Section II.A.3 above.

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B. Definition of Related Party Transaction

A related party transaction (RPT) covers any of the following direct or indirect (i.e. done in behalf of a related party) transactions or dealings, viewed in either party's perspective, between the Bank, including its Trust Division and its related party, with or without underlying monetary consideration. In addition, the RPT scope shall include outstanding transactions that were initially entered into with an unrelated party that subsequently became a related party.

1. On-and off-balance sheet credit exposures and claims and write-offs
2. Investments and/or subscriptions for debt/equity issuances
3. Consulting, professional, agency and other service arrangements or contracts, including outsourcing agreements
4. Sale and purchase of assets, including transfer of technology and intangible assets
5. Construction contracts
6. Lease agreements
7. Trading and derivative transactions
8. Borrowings, commitments, fund transfers and guarantees
9. Sale, purchase or supply of any goods or materials
10. Establishment of joint ventures

III. POLICIES

A. Guidelines on Arm's Length Terms

All related party transactions shall be conducted at arm's length. This means that transactions with a Bank's related party shall be managed in the regular course of the Bank's business and under terms and conditions⁹ that are substantially the same as those of similar transactions with non-related parties under comparable circumstances.

The deviation from the standard policies and procedures or terms and conditions of either parties in the conduct of related party transactions shall be vetted in accordance with Section III.E of this policy.

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⁹ Such as but not limited to price, commission, interest rates, fees and charges, lender and collateral requirements.

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B. Conflict of Interest⁹

1. Members of the Board of Directors, Stockholders or Management of the Bank 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 Bank. The duty to disclose shall include disclosure of relationships with clients, prospects, service providers, suppliers and vendors.
2. Non-disclosure by the Bank's officer of a possible conflict of interest shall be dealt with in accordance with the Bank's Code of Discipline and Ethics.
3. Directors or officers with personal interest in the transaction shall abstain from the discussion, approval and management of the transaction, arrangement or relationship.

C. Materiality Threshold for Related Party Transactions

The following table identifies the Bank's material related party transactions and those below the threshold, taking into consideration the nature of the transaction and the degree of risk associated with it. The materiality criteria are also set to allow the Bank 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 to the Bank's size, risk profile and risk management framework.

Type of Transaction	Material Related Party Transactions	Below Materiality Threshold
Credit Transactions	<ol style="list-style-type: none"> 1. All commercial and corporate loans, credit accommodations and guarantees. 2. All credit cards and consumer loans amounting to P10 million and above on a single or aggregate basis over a period of one year 3. Credit cards and consumer loans¹⁰ with key terms and conditions which are not 	<ol style="list-style-type: none"> 1. Back-to-back loans granted under terms and conditions similar to those offered to non-related parties. 2. Extension of existing non-DOSRI commercial or corporate credit facility for a period not more than 90 days from expiry date provided that there is no adverse credit event and under the same

⁹ Refer to PM COMP 2013-003 for detailed policy on Conflict of Interest.

¹⁰ Consumer loans refer to auto, personal, salary and mortgage loans

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Type of Transaction	Material Related Party Transactions	Below Materiality Threshold
	offered to the general public. 4. All restructured and past due loans, credit accommodations and guarantees, including consumer loans and credit cards 5. Write-offs	terms and conditions as the existing facility ¹ . 3. Credit cards and consumer loans below P10 million granted under terms and conditions similar to those granted to non-related parties.
Deposits, Investments and Other Retail Financial Services ²	1. Deposits with interest rates above board rates. 2. Investments in equity and debt issuances at off-market rates 3. Other retail financial services with fees and charges not aligned with the bank's published fees and charges	Below materiality threshold shall not apply for deposits, investments and other financial services transactions conducted within the normal course of the business and with terms and conditions similar to those offered to non-related parties as stated in Section III.D.1.
Actively traded products, foreign exchange trade transactions, derivative transactions	Trade and derivative transactions conducted under terms and conditions which are deemed to not have been at arms' length as determined by the Treasurer, ALCO or Associated Person	Purchase and sale of securities, foreign exchange trade transactions and derivative transactions flagged as a potential off-market deal but deemed to have been at arms' length as determined by the Treasurer, ALCO or Associated Person.
Sale and Purchase of Assets, including transfer of technology	1. All negotiated sales amounting to P10 million and above on a single or aggregate basis over a period of one year of	1. Sale of foreclosed assets conducted through public bidding. 2. All negotiated sales of foreclosed assets below P10

¹ Extension of DQSR accounts would require vetting of the RPI Committee and approval by the Board.
² Include but not limited to cash management services, regular trade transactions involving purchase and sale of securities traded in the active market and foreign exchange trade transactions

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Type of Transaction	Material Related Party Transactions	Below Materiality Threshold
and intangible assets	<p>foreclosed assets to related parties and all EW officers, regardless of rank who are involved in the appraisal, foreclosure and sale of such assets,</p> <p>2. Purchase of assets at a price of P10 million and above on a single or aggregate basis over a period of one year or at a price above prevailing market values determined by an accredited third party appraisal company.</p>	<p>million on a single or aggregate basis for a period of one year at prevailing market prices as determined by an accredited third party appraisal company.</p> <p>3. Purchase of assets at a price of below P10 million and at a prevailing market values as determined by an accredited third party appraisal company.</p>
Service contracts including outsourcing contracts	<p>1. Contracts amounting to P10 million and above on a single or aggregate basis over a period of one year</p> <p>2. Contract price and/or terms and conditions deviate from the standards granted to non-related parties</p>	Contract below P10 million on a single or aggregate basis over a period of one year at price and terms and conditions are similar to those of non-related parties
Construction Contracts	<p>1. Contract amounting to P10 million and above on a single or aggregate basis over a period of one year</p> <p>2. Contract was not obtained through competitive bidding</p>	Contract amounting to below P10 million and was obtained through competitive bidding
Lease Agreements	<p>1. Lease agreements amounting to P10 million and above for the entire lease term on a single or aggregate basis over a period of one year</p> <p>2. If Bank is lessee, lease price is above prevailing market</p>	Whether the Bank is lessee or lessor, lease price is less than P10 million and at prevailing market rates as determined by the Bank's Credit Appraisal Department or an accredited third party appraisal company or the market

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Type of Transaction	Material Related Party Transactions	Below Materiality Threshold
	<p>rates as determined by the Bank's Credit Appraisal Department or an accredited third party appraisal company or the market research conducted by the Business Unit.</p> <p>3. If Bank is lessor, lease price is below prevailing market rate as determined by the Bank's Credit Appraisal Department or an accredited third party appraisal company or the market research conducted by the Business Unit.</p>	research conducted by the Business Unit.
Sale, purchase or supply of any goods or materials	<p>1. Sale, purchase or supply of any goods or materials amounting to P10 million and above on a single or aggregate basis over a period of one year</p> <p>2. Sale, purchase or supply of any goods or materials at a price not within prevailing market rates</p>	Sale, purchase or supply of any goods or materials below P10 million and at a price within prevailing market rates

All other related party transactions not listed in the above table shall be considered material related party transactions.

D. Exclusions to Related Party Transaction Policy

The following transactions shall not require review and approval of the RPT Committee and the Board of Directors.

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1. Financial services provided to all related parties in the ordinary course of business such as deposit operations (CASA, Time Deposit, Investment Funds), cash management services, regular trade transactions involving purchase and sale of securities traded in the active market, foreign exchange trade transactions and derivative transactions, *provided that such transactions are conducted at arms-length and on substantially the same terms and conditions as those for comparable services provided to unrelated parties.*
 2. Directional Trust Products¹³ *provided that such transactions are conducted at arms-length and on substantially the same terms and conditions as provided to unrelated parties.*
 3. Transactions where the rates or charges involved are fixed by law or regulated by governmental authority
 4. Executive Officer and Director compensation arrangements
 5. Transaction or banking service granted under the Bank's BSP-approved fringe benefit program.
- E. Review and Approval of Related Party Transactions

Below is the approval policy structure for Related Party Transactions:

Approving Authority	Function
Board-Delegated Approving Officer or Management Committee	<ul style="list-style-type: none"> • Approves RPTs below materiality threshold
RPT Committee	<ul style="list-style-type: none"> • Reviews material RPTs and endorses these to the Board of Directors for approval • Reports to the Board every other month the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties. • Evaluates any breach in the internal limits set for RPTs and recommends actions to be taken on the breach to the Board of Directors.

¹³ Refers to Directional IMA, Trust and other fiduciary accounts

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Approving Authority	Function
Board of Directors	<ul style="list-style-type: none"> Approves Material RPTs endorsed by the RPT Committee Confirms approval of RPTs below materiality threshold by delegated authority Approves all DOSRI transactions Decides on actions to be taken to address any breach in the internal limits set for RPTs.
Stockholders	Confirms by majority vote all material RPTs approved by the Board of Directors

1. The RPT Committee is tasked to assist the Board of Directors 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 that RPTs are conducted on an arm's length basis and that no stakeholder is unduly disadvantaged.

The RPT Committee shall be composed of at least 3 members of the Board of Directors, 2 of whom shall be independent directors, including the chairperson. The Committee shall at all times be entirely composed of independent and non-executive directors, with independent directors comprising majority of the members.

2. All material related party transactions, including renewals and/or material changes in the terms and conditions of the RPTs and subsequent write-off, as applicable, shall be reviewed/vetted and endorsed to the Board of Directors for approval by the RPT Committee.

For material RPTs up for renewal with no change in the terms and conditions previously vetted by the RPT Committee and approved by the Board of Directors, the same shall be presented to the Committee for their information, unless the prevailing business condition have a material impact on existing terms and conditions. The Committee shall then endorse the RPT for Board approval.

3. RPTs below the materiality thresholds shall follow the approval limits and structure authorized by the Board of Directors and shall be subject to the confirmation of the Board of Directors on a monthly basis.

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Compliance will submit for Board confirmation all non-material RPTs.

4. All DOSRI transactions, whether within or below the materiality thresholds shall be approved by the Board of Directors in accordance with regulation.
 5. Transactions that were entered into with an unrelated party that subsequently becomes a related party shall be excluded from the limits and approval of this policy. However, any renewal, change in the terms and conditions or increase in exposure level, related to these transactions after the non-related party becomes a related party, shall subject the RPT to the provisions of this policy.
 6. All material RPTs and write-offs of material exposures to related parties shall be submitted for confirmation by at least majority vote of the stockholders, constituting a quorum, at the annual stockholders' meeting of the Bank.
 7. Highlights of the proposed RPT to be reviewed by the RPT Committee shall be presented by the Requesting Unit¹⁴ using the "Proposal for RPT Committee Consideration" Template (**Annex A**). This shall be submitted together with all supporting documents to Compliance Division not later than the 5th banking day prior to the scheduled Committee meeting for assessment and evaluation by the Chief Compliance Officer/Designated Compliance Officer.
 8. Subsequently, request for approval by the Board of Directors of all RPTs vetted by the RPT Committee shall be obtained via the Proposal for Board Consideration (**Annex B**).
- F. General Criteria for Approval of Related Party Transactions:

To appropriately evaluate material related party transactions, the RPT Committee shall take into account whether the related party transaction is entered into at arm's length. Each Director, Stockholder, or Senior Officer shall provide all relevant material information of the RPT in the Term Sheet or Offering Memo, more specifically, the following:

1. The name of the related party, description of the relationship and interest in the transaction.
2. General description of the transaction, including purpose and rationale of the transaction:
 - 2.1 If a credit transaction, indicate present and previous (if existing borrower) risk rating of the related party

¹⁴ Refers to the unit where the request of the RPT is processed and coursed through.

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- 2.2 If the transaction involves the sale of a Bank asset, a description of the asset, including date acquired and cost basis.
- 2.3 Indicate whether the Bank is a party to the transaction and if not, the nature of its participation in the transaction.
3. Total Value of the proposed transaction and the share of the related party's interest in the transaction.
 - 3.1 If a credit transaction: total exposure to the borrower and related borrowers.
4. Material terms and conditions of the transaction, including deviations from bank policies and standards:
 - 4.1 include a comparative table of key terms and conditions given to the related party and those offered to non-related parties for similar products or services.
5. The manner of determining the pricing and other commercial terms:
 - 5.1 For credit transactions, pricing is based on the Transfer Pool Rate (TPR) plus the targeted spread depending on the product and client segment.
 - 5.2 If the transaction involves the sale of a Bank asset or purchase of an asset from a related party, the results of the appraisal, the valuation methodology applied and alternative approaches to valuation.
 - 5.3 Whether there was a bidding process and the results thereof.
 - 5.4 For lease agreements, it shall be determined by an accredited third party appraisal company or through market research.
6. Benefits of the transaction to the Bank and to the Related Party.
7. Description of any provisions or limitations imposed as a result of entering into the proposed transaction.
8. Whether the proposed transaction includes any potential risk, including reputational risk, which may arise as a result or in connection with the proposed transaction.

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9. Other relevant information regarding the transaction which may have impact on the decision of the Committee and the Board of Directors.
- G. Capital Management for Related Party Transactions
1. Material Risks arising from RPTs shall be considered in the Bank's capital planning process and shall be captured in the scenario/stress testing exercise to ensure that the Bank maintains adequate capital to cushion risks associated with RPT exposures.
2. The Board-approved policies on the Management Action Triggers for Select Regulatory Lending Limits shall be adopted for the setting and reporting of internal limits for individual and aggregate exposures for related party transactions.
- H. Identifying and Monitoring Related Parties and Their Transactions
1. The Office of the Corporate Secretary shall keep a list of the names of individuals and companies identified as related parties in Section II.A of this policy **except for** the list of Bank officers and their close family members which shall be provided by Human Resources Group. The list shall be based on the declarations made by DOS of the Bank, Corporate Secretaries of the Bank's subsidiaries and affiliates and entities under the Fininvest Group and by Bank officers responsible for engaging and handling related party transactions. The list of Related Parties shall be reviewed monthly, updated when necessary and disseminated to concerned units¹⁴ of the Bank.
- 1.1 All service providers, suppliers and vendors shall be required to issue a Certification that they do not have any conflict of interest with the Bank. (See **Annex C**.)
- 1.2 All authorized officers who sign contracts, agreements or approval documents of transactions shall sign a disclaimer that they are not related to the counterparties of the proposed transaction.
2. Business and operating units shall put in place the appropriate systems and procedures to identify, track, monitor and report to the RPT Committee, the Board and regulators their related party transactions. The system must be able to assess situations when a non-related party with whom the Bank has entered into a

¹⁴ Shall refer to the unit where a related party transaction may originate, unit in-charge in the processing and reporting of this related party transaction such as but not limited to CBG, CLC, RBG, BOG and Finance.

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transaction subsequently becomes a related party and vice-versa. At the minimum, the unit's system shall capture the following information:

- a. Name of the Related Party
- b. Relationship with the Bank, its Directors, Stockholders or Officers
- c. Approval Date of the RPT
- d. Transaction Date
- e. Type of Transaction
- f. Approved Amount/Contract Price/Total Value of Transaction
- g. Outstanding Amount, individually and on an aggregate basis
- h. Status of Account/Transaction (ex. Current, Past Due for credit transactions; On-going, Closed for agreements or contracts)
- i. Relevant Terms
- j. Rationale for Entering in the Transaction

The Finance Group shall submit every other month to the RPT Committee and the Board of Directors the status and aggregate exposures to each related party and the total exposures to all related parties. Any breaches in the RPT internal limits for individual and aggregate exposures as defined in Section III.G.2 of this policy shall be reported by RPT Committee. For breaches on internal limits, based on RPT Committee's recommendation, the Board shall then decide to either accept the exposure or take steps to address the breaches, with its decision duly documented in the minutes of the meeting.

1. Disclosure and Reporting

1. The Bank 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. All final decisions of the Board of Directors on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other relevant details that would allow stockholders to make an informed judgment as to the reasonableness of the transaction, shall be disclosed during the stockholder's meeting and duly reflected in the minutes of the Board and Stockholders' Meeting.
3. The Controllershship Division shall submit all required reports on RPTs to the BSP in accordance with regulations. These include the following:

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Report	Format and Contents	Submission Date
Report on Conglomerate Structure	Using Annex A of BSP Circular No. 895, the report shall disclose beneficial owners of shareholdings that are in the name of PCD Nominee Corporation.	Within 30 calendar days after end of every calendar year
Report on Material Exposures to Related Parties	Using Annex B of BSP Circular No. 895, the report shall — a. Include material RPTs of supervised non-bank financial subsidiaries and affiliates; and b. Not include transactions concerning deposit operations, credit card avancements, regular trade transactions involving purchases and sales of debt securities traded in an active market, provided that credit card lines with amounts falling within the definition of "material transactions" shall be reported to the BSP upon approval of the line. Lease contracts and other similar contracts with recurring payment transactions shall be reported only once, upon approval of said transaction by the Board of Directors. In case the parties involved are both supervised by the BSP, only the lessor, in the case of a lease contract, or the party engaging/requesting for the services of the other bank, in case of other contracts, shall submit the report.	Within 20 calendar days after the end of the reference quarter

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J. Roles of Internal Audit and Compliance

1. The Internal Audit Division shall conduct a periodic review of the effectiveness of the system and internal controls governing related party transactions to assess consistency with the Board-approved policy and procedures. The audit reports, including exceptions or breaches in limits, shall be communicated to the Audit Committee.
2. The Compliance Division shall ensure the Bank's compliance with relevant rules and regulations on related party transactions. It shall assist the RPT Committee in the review of RPTs and identify any potential RPT that would require review by the RPT Committee and the Board of Directors. It shall ensure that the RPT policy is kept updated and properly implemented throughout the Bank.

K. Whistle Blowing Mechanism

In furtherance of the Bank's commitment to carry out the regulations on Related Party Transaction, the Bank shall adopt the Board-approved whistle-blowing policy to promote the cooperation of all employees in reporting, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable RPTs.

L. Related Party Transactions Not Approved Under This Policy

In the event that the Bank becomes aware of a RPT that has not been approved under this policy prior to its consummation, the RPT shall be promptly reviewed by the appropriate Management Committee or by the RPT Committee. The responsible committee shall consider all of the relevant facts and circumstances regarding the RPT, including those listed in Section III.C of this policy, and shall evaluate possible options, including ratification, revision or termination/cancellation of the RPT. The responsible committee shall also examine the facts and circumstances pertaining to the failure of reporting the RPT under this policy, and shall take action as it deems appropriate.

M. Restitution of Losses and Other Remedies for Abusive and Fraudulent Related Party Transactions:

1. Any finding of abusive and fraudulent RPTs shall be referred to the following for immediate restitution:
 - 1.1 Finance Group for the determination of actual loss incurred from the RPT transaction in question as well as any probable and imminent financial loss that may result therefrom.

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- 1.2 Legal Services Division for the recommendation of appropriate legal action to recover loss incurred or to prevent any further incurrence of losses.
2. Any breach of this policy by the Bank's Director may be a ground for his removal in accordance with the Corporation Code of the Philippines, the General Banking Laws, and other related laws and regulations, after compliance with due process has been served and evaluation by the Board of Directors has been completed.
3. Any breach of this policy by a Bank employee shall be considered a Serious Offense under the Bank's Code of Ethics and Discipline and shall be sanctioned accordingly after due process has been served.

All aforementioned findings and recommendations shall be forwarded to the Compliance Division for consolidation and reporting to the Board of Directors, through the RPT Committee for proper disposition.

N. Policy Review

The RPT policy shall be reviewed at least annually and amended when necessary and is subject to further guidance by the Bank's Board of Directors and RPT Committee.

Title of Manual Internal Audit Manual		
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SECTION	DOCUMENT
1000	AUTHORITY, ORGANIZATION AND PROFESSIONAL STANDARDS
1100	AUTHORITY
1102	APPROVED INTERNAL AUDIT CHARTER

A. VISION

To provide excellent service in the performance of our audit functions and consulting activities in the spirit of partnership with objectivity and fairness in accordance with the highest professional and ethical standards. We will be a support unit that provides value-added audit to assist in the achievement of the bank's goals and performance objectives.

To continually improve our auditing programs and strive towards achieving world class auditing practices. We will support the pursuit of professional advancement, sharing of knowledge, best practices and experiences with our colleagues.

To assist the bank in instilling a culture of an effective risk management, control, and governance processes.

B. MISSION

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

C. SCOPE OF WORK

The scope of work of Internal Audit is to determine whether the Bank's systems of risk management, control, and governance processes are adequate and functioning in a manner to ensure:

- Risks are identified and managed.
- Quality and continuous improvement are upheld in the Bank's control process.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees comply with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and protected adequately.
- Programs, plans, and objectives are achieved.
- Interaction with the various working committees occurs as needed.
- Significant regulatory issues affecting the Bank are recognized and addressed appropriately.

SECTION	DOCUMENT
1000	AUTHORITY, ORGANIZATION AND PROFESSIONAL STANDARDS
1100	AUTHORITY
1102	APPROVED INTERNAL AUDIT CHARTER

Opportunities for improving management control, profitability, and the organization's image may be identified during audits. They will be communicated to the appropriate level of management.

D. ACCOUNTABILITY

The Chief Audit Executive, in the discharge of his/her duties, shall be accountable to management and the Audit Committee to:

- Issue an annual report summarizing results of audit activities including significant risk exposures and control issues.
- Report significant issues related to the processes for controlling the activities of the Bank, including potential improvements to those processes, and provide information concerning such issues.
- Periodically provide information on the status and results of the annual audit plan and the sufficiency of Internal Audit's resources.

E. INDEPENDENCE

To provide for the independence of Internal Audit, its personnel report to the Internal Auditor, who reports functionally to the Audit Committee and administratively to the Chief Executive Officer in a manner outlined in the above section on Accountability.

Internal Audit is entirely independent of all other organizational units of the Bank as well as of the personnel and work audited. It should not implement nor develop procedures, prepare records or engage in other activities, which it normally reviews or appraise.

Internal Audit review and appraisal should not in any way relieve other persons in the organization of the responsibilities assigned to them.

In accepting proposed consulting engagements, Internal Audit shall consider the engagement's potential to improve management of risks, add value, and improve the organization's operations. The acceptance of consulting engagement shall have prior approval from the Audit Committee and endorsed by Chief Audit Executive. When performing consulting services, the Internal Auditor should maintain objectivity and not assume management responsibility.

F. RESPONSIBILITY

The Internal Auditor and staff of the Internal Audit have responsibility to:

- Develop a flexible annual audit plan using a risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit Committee for review and approval as well as periodic updates.
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Audit Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirement of this Charter.
- Conduct investigation of significant suspected fraudulent activities within the organization and notify management and the Audit Committee of the results.
 - Gather and analyze relevant facts.

- Identify control weaknesses
- Recommend appropriate control improvements and further course of action

SECTION	DOCUMENT
1000	AUTHORITY, ORGANIZATION AND PROFESSIONAL STANDARDS
1100	AUTHORITY
1102	APPROVED INTERNAL AUDIT CHARTER

- Consider the scope of work of the external auditors and regulators for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.
- Coordinate issues with other control and monitoring functions such as Risk Management, Compliance, Security, Legal, Automated System, Systems and Methods and external audit, as appropriate.
- Establish relationship with external auditors and supervisory authorities to facilitate effective communication.

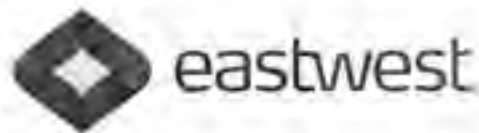
G. AUTHORITY

The Internal Auditor and staff of the Internal Audit are authorized to:

- Access all functions, information, documents, property, systems and personnel
 - There is no need to pre-clear with the auditee's officer to answer queries or present files or documents for examination of the auditor
 - Audit may at all times conduct a search of the Bank's premises and facilities.
- Access the reports, working papers or results of work of other auditors and experts engaged by the Bank.
- Review agreement between the Bank and any service provider before or post effect. Carry out such audit work as is considered necessary regarding the outsourced function.
- Have full and free access to the Audit Committee.
- Allocate resources, set priorities/frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the Bank.
- Give final rating to the unit or function audited based on its assessment and in accordance with its audit rating system.
- With the endorsement of the CAE and approval of the Audit Committee, engage the services of appropriately-selected external service provider in any audit activity/ies to support or complement Internal Audit. The decision to outsource must be guided by the needs or demands of the Bank and in accordance with regulatory requirements and industry standards.

H. STANDARDS OF AUDIT PRACTICE

Internal Audit adheres to the standards of best professional practice, such as those published by the Institute of Internal Auditors and the Information Systems Audit and Control Association, and the relevant reports, recommendations and pronouncements of the Bangko Sentral and other regulatory bodies.



Internal Audit
IA Memo No, 2018-002
March 15, 2018

PRIVATE AND CONFIDENTIAL

THE AUDIT COMMITTEE
EastWest Banking Corporation

We are pleased to submit to you the results of our 2017 audit activities. The areas selected for audit were based on the results of our risk assessment in the last quarter of the preceding year. Changes in the plan made during the year were accordingly reported to and approved by the Audit Committee.

Our audits were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Results of audits have been reported to the appropriate levels of Management and recommendations/suitable remedial action have been agreed upon. Resolutions of high risk issues were followed-up and updates were periodically reported to the Audit Committee.

The Audit Committee had 12 regular meetings in 2017, attended by the Chairman and two (2) members, and continued to operate under the terms and conditions as specified in its Charter.

Enclosed is the **2017 Annual Report of Internal Audit**, consisting of three (3) parts –

- Part 1 – Executive Summary
- Part 2 – Audit Results for each business and support unit
- Part 3 – Internal Audit organization and quality assurance activities

ELOIDA F. OQUIALDA
SVP & Chief Audit Executive

CC: Chairman Jonathan T. Goltman
Vice Chairman and CEO Antonio C. Mendoza, Jr.
President & Deputy CEO Jesus Roberto S. Reyes

SECRETARY'S CERTIFICATE

The undersigned, **BENEDICTO M. VALERIO, JR.**, of legal age, Filipino and residing at No. 103 Narra Street, Ayala Alabang Village, Muntinlupa City, after being duly sworn, hereby deposes and states, that:

1. He is the Corporate Secretary of **East West Banking Corporation** (the "Bank"), a corporation duly organized and existing under and by virtue of Laws of the Philippines with principal office address at the 5th floor, The Beaufort Tower, 5th Avenue cor. 23rd Streets, Bonifacio Global City, Taguig City;

2. In his capacity as such, he has custody of the corporate papers of the Bank;

3. During the Regular Meeting of the Board of Directors of the Bank held on 20 April 2018, the Board discussed the request of the **Corporate Governance and Compliance Committee** dated April 20, 2018 for the review and notation of the results of the 2017 self-assessments of the Board of Directors and each Board committee. Upon motion duly made and seconded, the Board adopted the following resolution:


RESOLUTION NO. 04-2018-04

"RESOLVED, for the record, that upon the request of Corporate Governance and Compliance Committee (CGCC), the Board reviewed and took note results of the 2017 self-assessments of the Board of Directors and each Board committee memo of CGCC dated April 20, 2018, to wit:

	Over-all Score ^a		
	2017	2016	% of Change
Board of Directors	4.61	4.62	-0.2%
Executive Committee	4.80	4.83	-0.6%
Corporate Governance and Compliance Committee	4.58	4.53	+1.1%
Risk Management	4.63	4.46	+3.8%
Trust Committee	4.40	4.74	-7.2%
Compensation Committee	4.42	4.48	+1.3%
RPT Committee	4.47	4.43	+0.9%
Audit Committee	4.39	4.29	+2.3%

4. The above resolution is subsisting and has not been amended as of this date.

IN WITNESS WHEREOF, the undersigned has signed this Certificate this 20th day of April 2018 at Muntinlupa City, Philippines.


ATTY. BENEDICTO M. VALERIO, JR.
Corporate Secretary

COVER SHEET

A 5 9 4 0 0 2 7 3 3
SEC Registration Number

EASTWEST BANKING CORPORATION

(Company's Full Name)

PODIUM OF THE BEAUFORT 5TH AVE
COR 23RD ST GLOBAL CITY TAGUIG

(Business Address: No. Street City / Town / Province)

MA. BERNADETTE T. RATCLIFFE
Contact Person

575-3829
Company Telephone Number

Month Day
Fiscal Year

FORM TYPE

Month Day
Annual Meeting

Secondary License Type, if Applicable

M R D / CRMD (Licensing Unit)

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

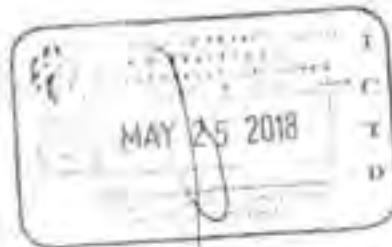
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Document I.D.

Cashier

STAMPS



May 25, 2018

Director Rachel Esther Gumtang-Remalante
OIC
Corporate Governance and Finance Department
Ground Floor, Secretariat Building
PICC Complex, Pasay City

Dear Ms. Gumtang-Remalante:

We are submitting herewith the Revised Corporate Governance Manual of EastWest Bank Secretary's Certificate to follow because the bank's board meeting is scheduled on May 31, 2018. Please see attached signed approved memo to the board instead.

Thank you.

Truly yours,


Ma. Bernadette T. Ratcliffe
FVP and Chief Compliance Officer

COMPLIANCE PROGRAM FOR THE YEAR 2018

PART 1: COMPLIANCE CHARTER

I. INTRODUCTION

This Compliance Program serves as the reference for East West Banking Corporation, its Trust Department and subsidiaries (Bank) in complying with the provisions of Section X180 of the Bangko Sentral ng Pilipinas Manual of Regulations for Banks (BSP MORB) and BSP Circular No. 972 – Enhanced Guidelines in Strengthening Compliance Frameworks which requires banks to develop and implement a Compliance System comprised of a written Compliance Manual that embodies the Bank's Compliance Program duly approved by the Board of Directors, among others. It operates parallel to and is part of the Bank's Internal Control and Audit Program and the Risk Management Program.

The Compliance Program contains the guidelines to:

1. Identify, assess and mitigate Compliance Risks which may erode the franchise value of the Bank;
2. Enable the Bank to identify the relevant and applicable laws, rules, regulations, codes of conduct and standards of good practice, analyze the corresponding risks of non-compliance, and prioritize the Compliance Risks for mitigation and monitoring;
3. Establish the duties and responsibilities of the Chief Compliance Officer (CCO) and the personnel involved in the compliance function;
4. Promote compliance awareness and the right compliance culture across the organization;
5. Enable the Compliance Division to conduct periodic independent testing with applicable legal and regulatory requirements, report findings and significant breaches of laws, rules and standards and recommend appropriate resolutions to such findings and breaches to Senior Management (SM) and the Corporate Governance and Compliance Committee (CGCC); and
6. Facilitate the regular updating of this Manual (at least annually) to incorporate changes in laws, rules, regulations, codes of conduct, standards of good practice and compliance processes and secure the Board of Directors' (BOD) approval of any changes thereto.

II. DEFINITIONS

Anti-Money Laundering Council (AMLC) – a council created by law tasked to monitor and implement the Anti-Money Laundering Act of 2001, as amended.

Bangko Sentral ng Pilipinas (BSP) – the central bank of the Philippines and the main supervising regulatory body of banks.

Board of Directors – The final approving body of all policies pertaining to the Bank's Compliance Program

Bureau of Internal Revenue (BIR) – tax collecting unit of the government.

Business Compliance Officer (BCO) – the lead person in administering the implementation of the Board-approved Compliance Program and the Money Laundering Prevention Program (MLPP) in his unit.

Business Risks – these refer to conditions which may be detrimental to a bank's business model and its ability to generate returns from its operations, which in turn erodes its franchise value. Combining business risks with financial risks arising from the use of borrowed funds generates total corporate risk of the bank. Business Risks shall include, but not be limited to, the following:

- a. Risks to reputation that arise from internal decisions and practices that may impinge on the public trust's of a bank and/or damage a bank's market standing;
- b. Risks from the actions of a bank that are contrary to existing regulations and identified best practices and reflect weaknesses in the implementation of codes of conduct and standards of good practice; and
- c. Legal risks to the extent that changes in the interpretation or provisions of regulations directly affect a bank's business model.

Chief Compliance Officer (CCO) – the lead senior officer appointed by the Bank's BOD and approved by BSP's Monetary Board whose principal function is to design the Bank's compliance program, oversee and coordinate the implementation of the Compliance System on a full-time basis and address, together with Senior Management (SM) and the BOD, compliance breaches which may arise. The CCO's responsibility includes the identification, monitoring and controlling of Business and Compliance Risks.

Compliance Division – the unit in the Bank vested with the compliance function

Compliance Function - an independent function that identifies, assesses, advises on, monitors and reports on the Bank's Business and Compliance Risks.

Compliance Risk - risk to earnings and capital arising from the violations of, or non-conformance with laws, rules and regulations, prescribed practices or ethical standards. Compliance risk also arises in situations where the laws and rules governing certain products and activities of the Bank's clients may be ambiguous or untested. Compliance risk exposes the Bank to monetary penalties, non-monetary sanctions and possibility of contracts being annulled or declared unenforceable.

Corporate Governance and Compliance Committee (CGCC) – the Committee of the BOD created to oversee the effectiveness of the Bank's Compliance System, review and act on findings and recommendations of the Chief Compliance Officer with regard to compliance matters and report to the BOD on a bi-monthly basis, an assessment of the Bank's management of Business and Compliance Risks, apart from its role in ensuring the effective discharge of the BOD's corporate governance responsibilities.

Deputy Business Compliance Officer (DBCO) – the person who assists the Business Compliance Officer (BCO) in the discharge of their Compliance role in their unit and serves as the second-point person for Compliance-related activities and requirements.

Philippines Dealing and Exchange Corporation (PDEX) – an exchange that provides a trading infrastructure for the fixed-income (FI) and foreign exchange (FX) markets. It is also a Self-Regulatory Organization in the inter-dealer and professional market duly licensed by the SEC.

Philippine Deposit Insurance Corporation (PDIC) – a government corporation created to protect depositors by providing deposit insurance coverage for the depositing public and help promote financial stability.

Philippine Stock Exchange (PSE) – an exchange for trading securities and raising capital duly licensed by the SEC.

Securities and Exchange Commission (SEC) – the collegial regulatory body which has jurisdiction and supervision over all corporations registered in the Philippines.

III. SCOPE AND DELIMITATION

1. Relevant Philippine laws and regulations covered in this Program shall include all laws and regulations issued by BSP, AMLC, PDIC, SEC, FATCA and PDEX and other appropriate regulatory bodies that are applicable to the Bank's operations as a Universal Bank, Trust Entity, Foreign Currency Deposit Unit, Registered Government Securities Eligible Dealer and holder of other secondary licenses which it currently maintains or in the future obtain.

2. The following units¹ shall be responsible for identifying and monitoring the compliance requirements of other regulatory agencies.
 - a. BIR – Finance Division
 - b. DOLE – Human Resources Division
 - c. PSE – Investor Relations and the Office of the Corporate Secretary
 - d. Local Government – Safety and Security; Administrative Services and Business Units operating in a service area
3. Relevant laws and regulations in jurisdictions where the Bank's counterparties operate are considered to ensure that local compliance concerns are satisfactorily addressed within the framework of the Compliance Program for the Bank as a whole.
4. Compliance testing shall be conducted in accordance to the Board-approved Compliance Testing Program for the year.

IV. STATEMENT OF POLICY

Compliance, which is essential to the Bank's continued growth and stability, is the responsibility of **every East West Banker**.

The **Compliance Division headed by the Chief Compliance Officer** is vested with the role of designing the Bank's Compliance Program and overseeing and coordinating its effective implementation towards the sound management of Business and Compliance Risks. It is also the Division's responsibility to propagate the right compliance culture across the organization while avoiding an overly risk-averse environment that inhibits business growth.

In coordination with the Compliance Division and corollary to the Bank's Compliance Program, each **Business and Support Unit** shall develop and implement policies and procedures consistent with the BOD-approved Compliance Manual embodying the Bank's Compliance Program.

Each employee has the responsibility to have a working knowledge of all relevant laws, rules and regulations applicable to his assignment and is expected to fulfill his duties and responsibilities set forth in the Unit's/Group's Compliance Program.

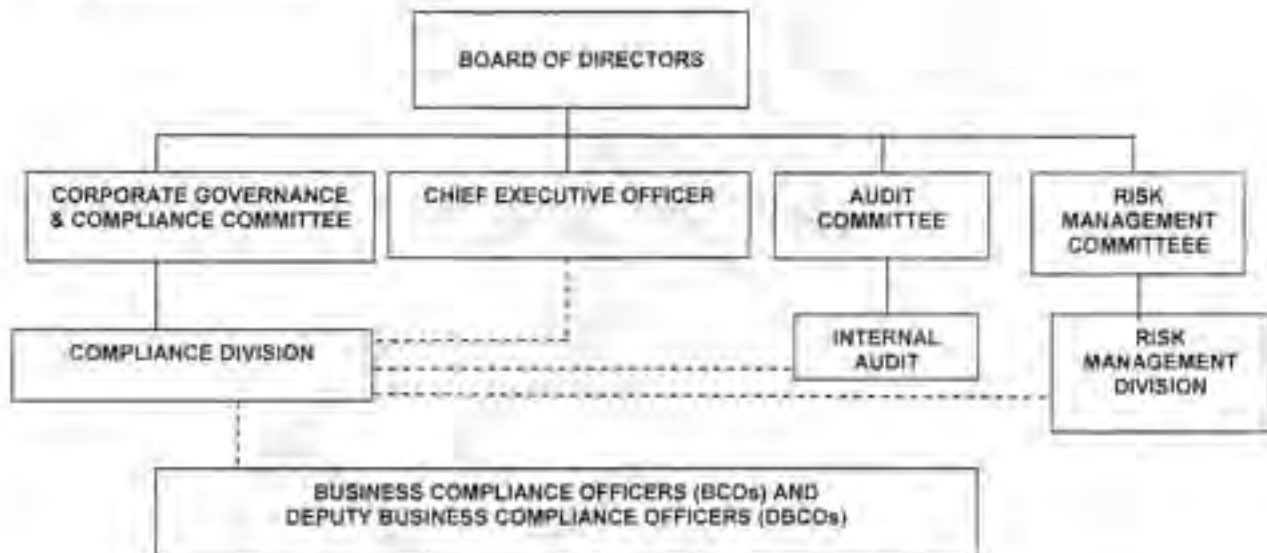
Supervisors must provide adequate and appropriate compliance training. Whenever there may be questions regarding limits or constraints, all employees must consult and coordinate with their supervisors, Department/Division/Group Heads or Chief Compliance Officer for guidance.

¹ Subject-Matter Experts in the identified areas

Any violation of the provisions of the Compliance Program shall subject the erring employee to the disciplinary actions provided in the Bank's Code of Ethics and Discipline without prejudice to the sanction/penalties that may be imposed under Sections 36 and 37 of Republic Act No. 7653 the Central Bank Act, after proper investigation pursuant to existing procedures.

V. COMPLIANCE ORGANIZATIONAL STRUCTURE

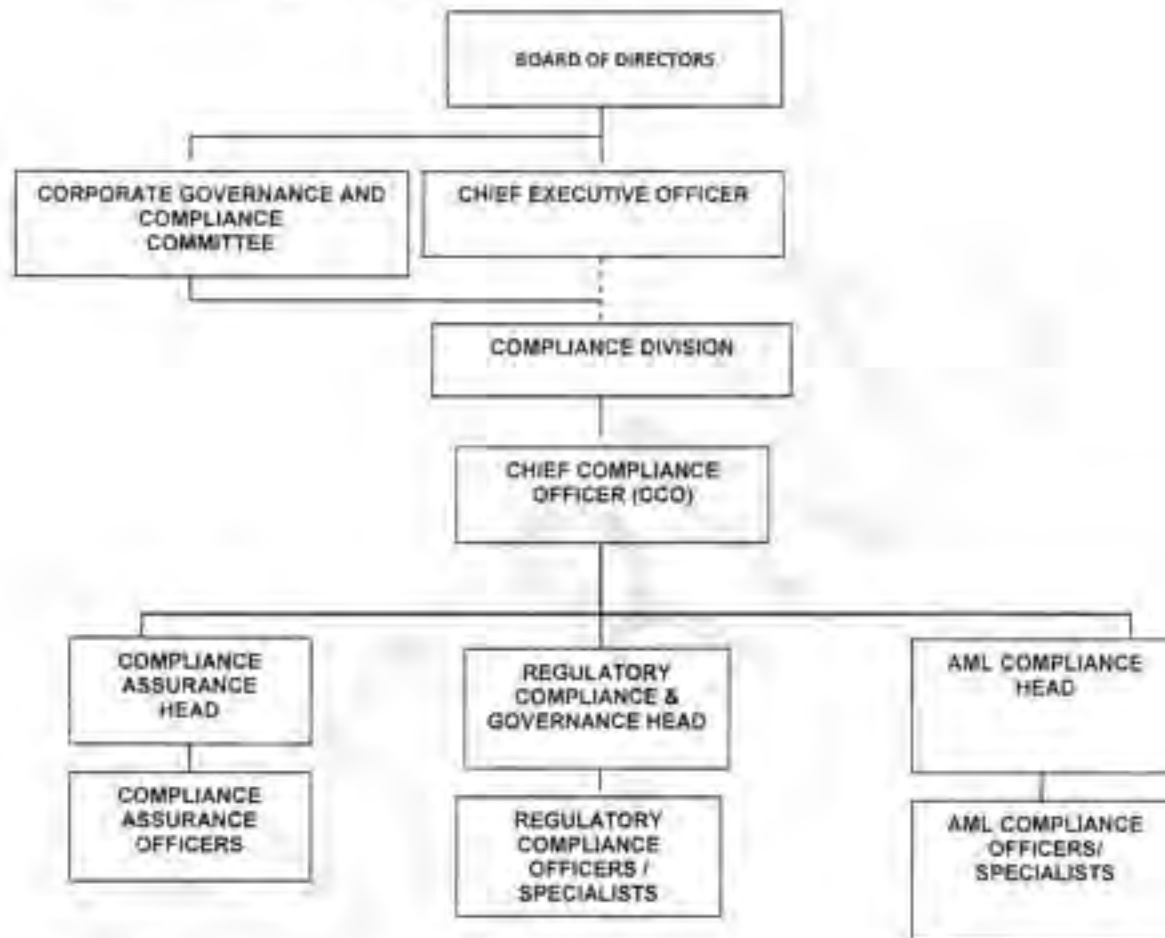
Functional Chart



The Compliance Functional Chart defines the bank-wide functional relationships in the exercise of the compliance function and responsibilities.

The Compliance Division headed by the Chief Compliance Officer functionally reports to the Board of Directors through the Corporate Governance and Compliance Committee (CGCC) and administratively to the Chief Executive Officer (CEO). It renders functional supervision over the BCOs and Deputy BCOs appointed by the CEO and partners with the Internal Audit Division which conducts the periodic review of the administration of the Compliance Program in business and support units and with Risk Management Division for assessment of various risk areas.

Compliance Division Organizational Chart



The Compliance Division is headed by the Chief Compliance Officer directly supervising the heads of its units, namely Compliance Assurance, AML Compliance and Regulatory Compliance & Governance.

The Compliance Division is **independent** from the business activities of the Bank. It shall carry out its responsibilities on its own initiative in all units where business and compliance risks exist and shall be provided with sufficient resources to carry out its responsibilities effectively. The Compliance Division shall be free to report to Senior Management and the BOD through the CGCC, any irregularity or breach of laws, regulations, code of conduct, standards of good governance, etc., without fear of retaliation or disfavor from management and/or other affected parties.

The Compliance Division shall have access to all operational areas and information as well as any records or files necessary to enable it to carry out its duties and responsibilities effectively. The Compliance Division shall also investigate possible breaches of the compliance policy.

VI. DUTIES AND RESPONSIBILITIES

Below are the roles and responsibilities of the following relative to the Compliance function:

1. Board of Directors (BOD)

- a. Oversees the implementation of the Compliance Program and ensures that compliance issues are resolved expeditiously
- b. Constitutes a Committee that will be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.
- c. Approves the Compliance Program and amendments thereto

2. Corporate Governance and Compliance Committee (CGCC)

- a. Oversee the implementation of the Bank's Compliance Program, including its MLPP, ensuring that the Bank 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.
- b. 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.
- c. 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 CGCC, and b) be responsible for coordinating, monitoring and facilitating compliance with applicable laws, rules and regulations.
- d. Vest the Compliance Officer and the Compliance Division with the appropriate authority and provide the necessary support and resources to effectively perform his or her responsibilities
- e. Assist the Board in making an informed assessment on how the Bank is managing its compliance risk. The Committee shall review with Senior Management and the Chief Compliance Officer the actions taken by the Bank to address any findings/directives in report of examinations by regulatory agencies.
- f. Evaluate the performance of the Chief Compliance Officer at least on an annual basis.

3. Chief Executive Officer

- a. Administratively supervises the Compliance Division.
- b. Ensures that a Compliance Program is established and observed across the organization and assesses its effectiveness and appropriateness.
- c. Manages and accepts Business and Compliance Risks within levels approved by the BOD.
- d. Acts on findings noted during regulatory examinations, Internal Audit reviews, compliance self-testing and independent testing by Compliance Division particularly on regulatory matters.

4. Chief Compliance Officer

- a. Designs the Bank's Compliance Program, promotes its effective implementation and recommends appropriate courses of action to address breaches that may arise.
- b. Administers the Compliance Program, validating and monitoring compliance in banking units.
- c. Dialogues with the BSP and other regulatory agencies on compliance-related issues.
- d. On a bi-monthly basis, reports to CGCC 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.
- e. By June of every year, reports to the CGCC the "state of compliance" of the Bank, the effectiveness of the Compliance Program and recommends changes, if any, to policies, activities or program.
- f. Manages the Compliance Division and ensures that its mandate, activities and key result areas are performed and delivered.
- g. Together with BCOs and DBCOs, shape and reinforce a culture of compliance in support of the vision and values of the Bank.
- h. In coordination with the Chief Risk Officer and the Chief Audit Executive, adopt a system that would optimize the use of the collective resources of the Bank's governance teams in meeting common governance, risk management and internal control goals.

5. Audit Committee

- a. Oversees the Internal Audit function in relation to the review of the Compliance Program administered across business and support units and the discharge of Compliance Division's oversight function over this.
- b. Causes Senior Management to act on regulatory findings noted in Internal Audit reviews insofar as it impacts on internal control and the Compliance Program.
- c. Reports to the Board significant compliance risks affecting internal control necessitating BOD attention and/or approval.

6. Internal Audit Division

- a. Conducts the periodic review of the implementation of the Compliance Program by business and support units in accordance to its Audit Program and the discharge of the Compliance Division's oversight function over this.
- b. Reports to the Audit Committee significant findings, particularly on regulatory matters which may have an adverse impact on internal control.

7. Business Compliance Officer (BCO)

The Head of the business or support unit responsible for the following:

- a. Administer the implementation of the Compliance Program, Money Laundering Prevention Program and Consumer Protection Program.
- b. Cascade laws, regulations, rules, standards and other regulatory issuances related to the aforementioned programs and which concern your group/unit.
- c. In coordination with Compliance Division, identify, assess and monitor compliance risks from new regulatory issuances.
- d. Initiate/take the lead in self-assessment and compliance testing activities.
- e. Promptly report regulatory breaches to the Compliance Division.
- f. Initiate and monitor corrective actions on compliance breaches.
- g. Ensure the timely delivery of commitments to address all BSP advance findings and BSP-ROE directives and no repeat findings on the same regulatory issues.
- h. Perform other duties that may be assigned by the Chief Compliance Officer, CGCC or the CEO.

8. Deputy Business Compliance Officer (DBCO)

The designated deputy of a business or support unit who is tasked to ---

- a. Assist BCO in implementing the Compliance Program, Money Laundering Prevention Program and the Consumer Protection Program.
- b. Update the Enhanced Compliance Assessment Matrix (ECAM), particularly when there are new regulations and laws issued in accordance with defined schedules in the Compliance Program.
- c. Perform regularly compliance self-assessment testing activities.
- d. Report promptly the results of self-assessment testing activities and regulatory breaches to BCO.
- e. Track progress of corrective actions on BSP findings and directives and other regulatory findings/issues, investigate reasons for delays and promptly escalate the same to the BCO and Compliance Division.
- f. Act as the point person for BSP during on-site examinations and when applicable, AML compliance requirements (i.e. disposition of alerts, inquiries on KYC, freeze orders etc) and Consumer Protection onsite reviews.

- g. Perform other duties as may be assigned by the BCO, CGCC or CEO.

9. Compliance Division

The mandate of the Compliance Division is to ensure the sound and effective management of compliance risks based on the relevant compliance regulations.

Responsibilities:

a. Establish the Compliance Program

- Develop a robust and effective Compliance Program aligned with the Bank's business goals and strategies.
- Oversee and coordinate the consistent implementation of the Compliance Program across the organization.
- Maintains a system for identifying, analyzing, monitoring and reporting Compliance Risks/issues to Senior Management and the BOD, through the CGCC.
- Updates the Compliance Program annually.

b. Fosters a constructive working relationship with regulatory agencies

- Acts as the central point of contact of the Bank on regulatory matters.
- Fulfills, facilitates and monitors non-periodic regulatory requirements, e.g. queries, correspondences, surveys, approval requests.
- Manages regulatory examinations conducted by BSP, PDIC, SEC/PDEX, and AMLC.
- Consults and dialogues with the BSP and other regulatory agencies on specific provisions of the pertinent laws and regulations governing the Bank's operations as well as regulatory concerns or issues.

c. Promotes compliance awareness and propagates a strong compliance culture

- Identifies and conducts risk assessment on relevant laws, regulations, rules and standards on banking operations and recommends policies, systems and measures to control and mitigate identified risks.
- Work with BCOs, DBCOs and other governance units (Risk Management and Internal Audit) on the implementation of the Compliance Program and timely resolution of compliance breaches, regulatory findings and directives.
- Provides an active advisory service on compliance matters/queries.
- Disseminates to all banking units new laws, regulations, rules, standards and other regulatory issuances.

- Develops and conducts continuous training programs for Bank personnel through email advisories/broadcasts of regulatory synopses, quarterly meetings with BCOs and DBCOs, online Compliance training programs, compliance briefings at Sales and Service Clinics of stores and classroom lectures on compliance-related topics as well as corporate governance principles and best practices.
- Achieves a natural level of competency for Compliance Officers and Staff based on their Individual Development Plans through on-the-job training, coaching and mentoring, internal and external training programs, research and analysis and special project assignments.

d. Continuously monitors and assesses the Compliance Program

- Develops and implements compliance testing procedures, documentation and reporting mechanism on identified high and medium risk areas.
- Tracks remediation measures and reports results to Senior Management and the CGCC.
- Oversees the compliance self-assessment activities of banking units and validates results.
- Monitors and reviews the quarterly, semestral and annual compliance self-assessments by business and support units, depending on the unit's Compliance Risk Rating and the issuance of new regulations.
- Coordinates with concerned BCOs and DBCOs the preparation of a gap analysis and action plans on compliance with new regulatory issuances and monitors progress until fully compliant.
- Reviews Exception Reports on compliance matters and monitors resolution of gaps/lapses until completion.
- Monitors and validates Board-approved resolutions and action programs to regulatory examination findings and directives until completion.
- Develops policies on key compliance and governance regulations (e.g. Related Party Transactions, Conflict of Interest and Outsourcing) and monitor their consistent implementation.
- Reports on a bi-monthly basis to the CGCC compliance matters, corrective actions taken to resolve identified compliance issues and mitigate Business and Compliance Risks, and the general status of the Bank's level of compliance.
- Partners with Internal Audit Division in conducting a periodic review of the implementation of the Compliance Program in various banking units.

e. Oversees compliance with regulatory reporting requirements

- Reviews and facilitates submission of Covered and Suspicious Transaction Reports to AMLC.
-

- Reviews incident reports and guides units in the preparation and submission of Reports on Crimes & Losses to the BSP.
 - On regular regulatory reports, ensures that units responsible are fully aware of the reporting requirements and oversees timely and accurate submission.
- f. **Performs functions of an Associated Person in compliance with the Securities Regulations Code**
- g. **Serves as the Secretariat of the CGCC and the Related Party Transactions (RPT) Committee**
- h. **Performs its duties as members of the Committee on Discipline and Ethics (CODE)**

Chief Compliance Officer

- Vice Chairperson – CODE Committee
- Deliberates on the recommendations of the CODE Hearing Committee and the Line Manager concerned
- Decides on the sanction to be recommended to the President for approval.

Head- Compliance Assurance

- Member - CODE Hearing Committee
- Conducts fact-finding investigations of cases brought before the committee and prepare recommendations for sanctions and other actions to be deliberated on by the CODE Committee

The Job Description and Duties and Responsibilities of each Compliance personnel is presented in Annex A.

VII. COMPLIANCE PERFORMANCE METRICS

The following are the performance metrics by which the effectiveness of the Compliance Program can be measured.

Key Result Area	Key Performance Indicator
Effective Compliance Risk Management	<ul style="list-style-type: none"> • Bank's CAMELS rating of at least "3" with Management rating of at least "3" • Overall Quality of Compliance Risk Management rated "Acceptable" per BSP Report on Examination

Key Result Area	Key Performance Indicator
	<ul style="list-style-type: none"> • On-time compliance with new regulations and policies within the given transition period • 100% Completion of Annual Compliance Testing Plan (acceptable to the BSP) based on risk prioritization and monitoring corrective actions until completion • No repeat findings on reported resolutions of BSP-ROE directives • No violations of banking regulations that would be considered unsafe and unsound
Effective Money Laundering Prevention Program	<ul style="list-style-type: none"> • BSP-AML Risk Rating of "3" • Internal Audit Rating of "3" for MLPP and AML System
Effective Compliance Advisory	<ul style="list-style-type: none"> • No incorrect opinion on regulatory matters
Compliant Regulatory Reporting	<ul style="list-style-type: none"> • No material penalties on unreported or delayed CTRs, STRs and RCLs

PART 2: BUSINESS AND COMPLIANCE RISK ASSESSMENT AND CONTROL PROCESS

I. IDENTIFICATION OF KEY BUSINESS AND COMPLIANCE RISKS AND CONTROLS

Key to managing Business and Compliance Risks is the efficient identification of the risk drivers. A list indicating the specific provisions of these laws, rules, regulations and standards together with the units required to observe/comply the same is made available to the Bank and its employees. This is contained in the Enhanced Compliance Assessment Matrix (ECAM) developed for this purpose. (see Part 3)

II. RISK ASSESSMENT

1. The Enhanced Compliance Assessment Matrix (ECAM) evaluates the business unit's degree of compliance to regulations affecting their operations by providing a Compliance Risk Rating at the end of the assessment exercise. The ECAM is a tool that makes it easier for the Business Compliance Officers (BCOs) or Deputy Business Compliance Officers (DBCOs) to accomplish their compliance risk assessments.

For business units and support units responsible for gathering, monitoring and maintaining customer information and accounts, an AML ECAM is accomplished in addition to the Regulatory ECAM because AML is considered a major business and compliance risk which merits a separate risk assessment. The AML Compliance Program is articulated in a Money Laundering Prevention Program (MLPP) which establishes the governing principles, standards and policies that will protect the Bank from being used by money-launderers and terrorists for their activities.

The ECAM is formally reviewed jointly by the business and support units and Compliance Division on an annual basis. The process starts with the distribution of the ECAM document per area of business operations. BCOs and DBCOs are tasked to manage the review of their respective ECAMs using the questions, scoring and rating criteria provided. Once completed, the DBCO shall submit the ECAM duly noted by the BCO to Compliance via email.

The Unit Heads of Regulatory Compliance and Governance and AML Compliance shall review all submissions for appropriateness of self-assessment and ratings and correctness of scores. The final ECAM document shall then be distributed to all business and support units as their reference copy for compliance.

2. Another compliance risk assessment tool the Bank employs is the Compliance Self-Assessment Checklist (CSAC). The CSAC documents the compliance risk self-assessments that each major unit of the bank is required to undertake. It lists down the Compliance Risk Areas the unit may be exposed to, the unit's own assessment of

the risk (low, medium or high) and the self-assessment procedures performed and the results of the assessment.

These risk assessment procedures are performed by the DBCO on a quarterly basis. The results are then presented to the BCO for the latter's assessment of the state of the unit's compliance. In cases where compliance gaps are noted, the BCO is expected to initiate measures to immediately bridge the gaps. Once completed, the DBCO shall submit the CSAC duly noted by the BCO to Compliance via email.

The CSAC is part of the Bank's compliance initiatives and is meant to complement the compliance reviews periodically conducted by Compliance, Internal Audit and other quality assurance units of the bank. Frequently Asked Questions or FAQs on the CSAC is attached as Annex B.

3. To ensure compliance with new laws, rules and regulations, a gap analysis is prepared by a concerned unit to determine policies, systems and processes which may have to be amended or put in place to address any gaps in the present policies and practices of the Bank.

Compliance requires the concerned BCO and DBCO to submit their updated ECAM, gap analysis and action plans to address the gaps to Compliance within 5 banking days from the reference quarter. However, if new regulation is release within the second half of the last month of the quarter.

- Identify provisions of the new law, rule or regulation which the unit has complied with or not.
- If complied, submit supporting documents or describe current practice as proof of compliance.
- If gap exists, come up with a detailed plan of action, including milestones and timelines that will ensure the unit's compliance to the new regulation.

Compliance shall monitor progress of the detailed plans of action of concerned units and any delays or completion issues shall be reported in accordance with Issue Tracking Process in Section IV.3 of this Part.

III. CONTROL ASSESSMENT

The evaluation of the effectiveness of controls designed to mitigate Business and Compliance Risks are carried out in the bank through the following coordinated activities:

1. Independent testing performed by Compliance Assurance (CA)

- a. Compliance self-assessments as reflected through the Compliance Self-Assessment Checklists (CSAC) and Enhanced Compliance Assessment Matrix (ECAM) serve as the main basis in determining the focus of the tests.
- b. Independent testing shall be done to assess and/or validate the level of compliance risk management existing in key processes and report the results to CGCC.
- c. Deficiencies noted are analyzed by CA and discussed with units concerned during the Exit Meeting. CA shall make recommendations on how to address the identified issues and compliance risks and prevent their recurrence.
- d. CA will continuously track the issue until fully resolved.
- e. Units/processes with noted high risk issues will be re-tested by CA between 6 months to 1 year from the previous testing cut-off date.

2. Assurance reviews in the implementation of the Compliance Program by Internal Audit Division (IAD)

As part of the continuous monitoring and assessment of the effectiveness of the Compliance Program and the compliance function as a whole, IAD shall:

- a. Test the implementation of the Compliance Program in the various business and support units in accordance to the Audit Program.
- b. Conduct a periodic review of Compliance Division to assess the effectiveness of its oversight function.

3. Governance Coordination between Compliance, Internal Audit and Risk Management Divisions

The three governance units of the Bank, namely Compliance, Internal Audit and Risk Management, have entered into a Governance Coordination Agreement (GCA) which aims to achieve the following objectives.

- a. To establish a system that would optimize the use of the collective resources of the Bank's governance teams in meeting common governance, risk management and internal control goals.
- b. To ensure:
 - open channels for effective communications are present, and
 - overlapping of procedures is properly handled, should there be any.
- c. To document the coordinated activities between the governance units mentioned.
- d. To provide standard turn-around time, where applicable, for these activities.

A copy of the approved GCA is attached as Annex C.

IV. ISSUES TRACKING

1. Exceptions noted and compliance issues disclosed by Compliance Division's independent testing, Internal Audit's periodic review, compliance-related risk incidents reported to Risk Management, self-assessment activities (including CSAC and AOO reviews) and BSP onsite examination and offsite supervision shall be closely monitored by Compliance Division until full resolution.
2. Compliance Division shall effectively monitor and coordinate with various business and support units the status of the committed remediation plans for unresolved compliance risk management deficiencies and regulatory breaches noted. Any re-targets of committed resolutions shall require the approval of the President.
3. The CGCC will be continuously apprised on the status of the bankwide resolution efforts during its regular meetings.

V. ISSUES REPORTING

The Board of Directors, through the CGCC and Senior Management through the CEO and the President, shall be advised on a bi-monthly basis by the Compliance Division of the occurrence and status until resolution of regulatory and compliance issues derived from this control assessment process. Where an immediate reporting is warranted, the CCO shall cause to meet with the Committee on a more frequent basis.

The CCO also briefs the BCOs and DBCOs, on a quarterly basis, on the status of the resolutions of findings, issues and directives raised by the regulators.

VI. REGULAR UPDATING OF MATRIX/TOOLS

The ECAM shall be assessed and updated by the Compliance Division in consultation with BCOs and DBCOs on a regular basis to ensure that an effective compliance risk assessment and control process is in place at all times.

Depending on the seriousness or importance of the laws, regulations, rules and standards being tested, the risk level and corresponding compliance testing frequency are determined. The factors being considered include, but are not limited to, the degree of importance given by the regulators, the degree of sanctions specified for non-compliance and the general view or position of the banking industry on the matter.

As a general policy, the BCO/DBCO shall update his unit's ECAM as follows:

1. Business Units affected by the new regulations shall submit their updated ECAM, gap analysis and action plans to address gaps to Compliance within ten (10) banking days from dissemination of new regulatory issuance.
2. For units rated as High Compliance Risk, ECAM review and update will be done quarterly with updated ECAM submitted to Compliance on or before the 5th banking day from the end of each calendar quarter.
3. For units rated as Medium Risk, review and update will be conducted every six (6) months and submitted to Compliance on or before the 5th banking day from end June and December of each year.
4. For units with Low Risk Rating, review and update will be done annually and submitted to Compliance on or before the 5th banking day from year-end.

Compliance Division will review and finalize a Unit's Compliance Risk Rating within one (1) month from submission by the BCO and DBCO.

VII. TRAINING AND COMMUNICATION

1. To increase the level of awareness among employees, overview of the Compliance Framework and Program shall be discussed during the New Employees Orientation Program (NEOP). A module on the Compliance Program shall also be conducted during the After-NEOP Training of Store Personnel and all Supervisory/Officers Development Programs. Annual online training refresher course shall be revised in response to the changes in AML rules and regulations.
2. Regulatory requirements as well as new/changes in laws, regulations and rules shall be disseminated to all concerned units' BCOs and DBCOs, officers and staff through email broadcast within 3 banking days from posting in the regulatory's website or receipt of regulatory advice.
3. On an on-going basis, BCOs and DBCOs shall be oriented through quarterly meetings/briefings and training sessions on existing or new developments in the regulatory environment. BCOs and DBCOs shall cascade matters discussed during the quarterly meetings to all employees in their respective units. Compliance Division shall also conduct briefings on the Compliance program, activities and concerns during Store Sales Clinics and Service Clinics and upon request of a concerned unit/s.

A clear and open communication channel is maintained starting from the Board of Directors and the CGCC to the Senior Management, BCOs, DBCOs, Officers, and all other employees. The communication flows downward to the organization when



Updated: April 2015

disseminating compliance information and upward when elevating compliance issues or concerns.

Queries on compliance matters can be made through ---

- a. Compliance group email address #ComplianceDiv@eastwestbanker.com; or
- b. Logging in Omniflow, the Bank's Service Level Adherence (SLA) Tracking system

A designated Compliance Officer shall reply to queries or requests within the agreed SLA with business and support units.

4. All written communications to and from regulatory agencies shall be handled and monitored by Compliance Division.

VIII. COMPLIANCE ADVISORY

1. Compliance Division provides concerned units with advice or guidance in accomplishing and meeting regulatory requirements on pertinent endeavors, requests, etc. to facilitate shorter turnaround time (TAT), higher probability of approval and minimize risks of incurring penalties due to non-completion of required documents or non-performance of requisite conditions, among others.
2. All Policy and Procedures Manuals (PPMs), Inter-Office Memoranda (IOM), Contracts with 3rd party providers and other relevant documents which may expose the Bank to Business and Compliance risks, shall be reviewed and signed off by the Chief Compliance Officer.
3. Compliance Division shall provide compliance advisory and guidance to requesting units in accordance with the Service Level Agreements with all business and support units.

PART 3: BUSINESS AND COMPLIANCE RISK ASSESSMENT AND MONITORING TOOLS

I. Enhanced Compliance Assessment Matrix

The Enhanced Compliance Assessment Matrix (ECAM) which contains a list of relevant laws and regulations categorized according to the nature of banking operations affected and identified to concerned units, shall be made available to BCOs and DBCOs. This shall guide the units in performing self-assessment with the end view of ensuring compliance to prescribed regulations.

- The list of regulations is initially provided by Compliance Division while updating of the ECAM to add/delete regulations relevant to their operations is the business unit's responsibility in accordance with Part 2 – Section VI of this program.
- All processes to comply with the regulations should have a built-in review/assurance component.
- A Compliance Risk Rating is obtained at the end of the assessment which will determine the frequency of the independent review.
- Both AML and Regulatory ECAMs are computed based on the following weights per regulation line item.
 - 20 percent for Process;
 - 40 percent for Review; and
 - 40 percent for Consequence Rating, per regulation line item.

The weights underscore the focus of this year's Compliance Program on implementation and review given the assessment by Compliance Division that the appropriate policies, standards and practices are substantially in place.

- A composite Compliance Risk Rating shall be computed for units with both Regulatory and AML ECAMs.
- As a general rule, each ECAM shall have a weight of 50%. However, for the following business groups, weights shall be as follows to emphasize impact of non-compliance to regulations and significant AML findings on stores and regulatory findings on lending units.

Business Group	Regulatory	AML
Lending Units (CLC, CBG, Mortgage, Emerging Enterprise Lending)	60%	40%
RBG Stores	40%	60%

The ECAM is divided into the following sections:

Section	Description								
Regulations	This section lists the regulations applicable to the business or support unit and for which it is required to provide a procedure on how to comply and monitor compliance with the said regulation.								
Process	In this section, the business or support unit is required to disclose whether the procedures and monitoring process as well as frequency are in place. A maximum of five points can be obtained in this section.								
Review	The business or support unit is asked to disclose the results of the review conducted on policy implementation, including the independent reviews (i.e. Internal Audit and Compliance Assurance Reviews, BSP Examinations, etc), and whether adverse findings, if any, have been satisfactorily resolved. A maximum of five points can be obtained in this section.								
Consequence Rating	<p>This section provides for a consequence rating based on the severity of the failure to comply:</p> <table border="1"> <thead> <tr> <th>Offense</th> <th>Rating</th> </tr> </thead> <tbody> <tr> <td>Serious Offense</td> <td>1</td> </tr> <tr> <td>Less Serious Offense</td> <td>3</td> </tr> <tr> <td>Minor Offense</td> <td>5</td> </tr> </tbody> </table> <p>The consequence rating is based on The GUIDELINES FOR THE IMPOSITION OF MONETARY PENALTY FOR VIOLATIONS/OFFENSES WITH SANCTIONS FALLING UNDER SECTION 37 OF R.A. NO. 7653 ON BANKS DIRECTORS AND/OR OFFICERS.</p>	Offense	Rating	Serious Offense	1	Less Serious Offense	3	Minor Offense	5
Offense	Rating								
Serious Offense	1								
Less Serious Offense	3								
Minor Offense	5								
Total Rating	Aggregates the points obtained from Process, Review and Consequence sections.								

Section	Description												
Compliance Risk Rating	<p>The Compliance Risk Rating section provides the compliance risk assessment based on the total rating as follows:</p> <table border="1" data-bbox="581 455 1349 1070"> <thead> <tr> <th data-bbox="581 455 743 555">Total Rating</th> <th data-bbox="748 455 959 555">Compliance Risk Rating</th> <th data-bbox="964 455 1349 555">Description</th> </tr> </thead> <tbody> <tr> <td data-bbox="581 561 743 693">0 -5</td> <td data-bbox="748 561 959 693">High</td> <td data-bbox="964 561 1349 693">Compliance with regulation will be independently reviewed once a year</td> </tr> <tr> <td data-bbox="581 700 743 963">6-10</td> <td data-bbox="748 700 959 963">Medium</td> <td data-bbox="964 700 1349 963">Compliance with regulation will be independently reviewed every 18 months, except when the total rating is 11 but the consequence rating is 1, which will be considered as Medium Risk instead of Low Risk.</td> </tr> <tr> <td data-bbox="581 970 743 1070">11-15</td> <td data-bbox="748 970 959 1070">Low</td> <td data-bbox="964 970 1349 1070">Compliance with regulation will be independently reviewed every two years.</td> </tr> </tbody> </table>	Total Rating	Compliance Risk Rating	Description	0 -5	High	Compliance with regulation will be independently reviewed once a year	6-10	Medium	Compliance with regulation will be independently reviewed every 18 months, except when the total rating is 11 but the consequence rating is 1, which will be considered as Medium Risk instead of Low Risk.	11-15	Low	Compliance with regulation will be independently reviewed every two years.
Total Rating	Compliance Risk Rating	Description											
0 -5	High	Compliance with regulation will be independently reviewed once a year											
6-10	Medium	Compliance with regulation will be independently reviewed every 18 months, except when the total rating is 11 but the consequence rating is 1, which will be considered as Medium Risk instead of Low Risk.											
11-15	Low	Compliance with regulation will be independently reviewed every two years.											

The ECAM covers provisions from regulatory issuances of the BSP, PDIC, SEC and PDEX and relevant banking laws. It also includes the administrative sanctions and monetary penalties for non-compliance.

II. Statutory Requirements Certification

This Certification from concerned units shall be used by Compliance Division in monitoring Bank's compliance to prescribed regulatory reports, thresholds or ceilings. Concerned units tasked to prepare statutory reports shall establish a system to ensure the integrity and accuracy of such reports. Breaches noted shall trigger escalation to Senior Management for remediation since this may be basis by the BSP to consider the Bank as engaging in an unsafe and unsound banking practice.

Certification on the accuracy and timeliness of these reports shall be submitted to Compliance Division within five (5) banking days from the reference quarter for all reports originating from Finance Group. Other units of the bank shall submit within five (5) banking days from the reference semester.

III. Compliance Review/Validation Methodology

1. Rationale

Compliance testing is an integral part of the Bank's Compliance Program. It is a vital component in the Compliance function to *identify, measure, assess, control, monitor, test and report compliance risks*. The compliance tests aim to provide the Board and Senior Management with a reasonable assessment of the "state of compliance" of the Bank and to highlight areas of significant compliance concerns.

The "complexity" of the compliance tests for a particular risk process/ unit is defined by the following:

- a) The degree of specialized training and experience required to adequately understand the process to be tested
- b) The compliance risk assessment priority level of the process
- c) The volume, frequency and magnitude of the compliance risk events that affect the process
- d) The financial impact of the process
- e) The state of automation of the process

2. Risk-based Prioritization

Compliance tests are conducted using a risk-based methodology. Under this method, areas where risk of non-compliance is high and/ or the consequence of non-compliance is significant to the bank's financial performance, reputation and continued operations are given higher priority for compliance tests. A set of criteria is defined as a guide but the professional judgment of the Compliance team would also be a major determinant.

The compliance risk criteria for prioritization purposes depends on the pervasive risks existing at the time that prioritization is performed. It may include, but would not be limited to, quantity and quality of exceptions in the recent reviews conducted by any governance team, number of accounts, volume of transactions, etc. The criteria and their relative weights are presented in the annual Compliance Test Prioritization Plan endorsed by the Chief Compliance Officer and approved by the Corporate Governance and Compliance Committee.

3. Testing Strategy/ Methodology

Tests will be a combination of remote tests, on-site visits, and automated continuous monitoring when available. Focus is on the existence and effectiveness of controls that were designed and implemented to ensure compliance, monitor breaches and report compliance issues.

Compliance programs/checklists are formulated by Compliance Assurance and updated individually, as necessary, before the conduct of each compliance testing engagement. Automated continuous compliance monitoring capabilities will be developed to facilitate the conduct of compliance tests on a wider testing coverage and a more comprehensive and timely basis. This facility will be continuously enhanced as the Bank's core and document management systems are enhanced.

Scope of Tests

The scope of compliance tests will be determined during the risk assessment phase. For Stores testing, this will be done at least twice during the year. For Non-Stores, this will be done during the initial planning phase at the start of every compliance test activity.

Internal Audit (IA) and Compliance Testing coverage in the Review, Reporting and Monitoring of Major Compliance Risk Issues

IA shall have a separate component in their regular audits for "Compliance with AML and Other Regulatory Issues". This component shall be one of the risk factors to be considered in their overall evaluation / rating of the unit.

Compliance will rate the concerned business units based on its rating matrix.

Scope of Compliance testing to be performed by both CD and IA shall include, but will not be limited to the following:

- a. Account Opening and Know-Your-Customers processes
- b. Updating of Customer Information
- c. Customers engaged in Money Service Business
- d. Recording of information relative to Manager's Check issuances
- e. Recording of information relative to foreign exchange and remittance transactions
- f. FATCA Compliance
- g. Compliance to Consumer Protection Program
- h. Compliance to Related Party Transactions (RPT) Policy
- i. Conduct of Inward and Outward Remittances
- j. Handling/Managing of High Risk Customers

Review of internal controls is performed by IA and does not form part of CD's compliance testing scope.

Sampling

As a starting point, 30 samples will be selected from the test data. Test data for assessing compliance of current processes with governing laws and regulations shall be data from the last three months prior to test cut-off date which could be extended to last 6 months if initial sample population will not reach 30. If the samples will not reach 30 despite extending the sampling period to six months, the reason for such shall be properly documented in the Test Sheet. For tests of compliance on the management of existing accounts, test data will be all accounts and their transactions that are active as of test cut-off date.

Minimum Testing Sample	Exception Resolution
30	<ul style="list-style-type: none">When significant exceptions are found early during testing, the Team shall re-assess whether to continue the tests. When controls are judged to be weak or needs improvement, there usually will be no need to continue testing, and these deficiencies will become immediate compliance issues that will be documented in the Compliance Report. However, at times it may be appropriate to continue testing to establish whether the initial findings arose from an isolated incident, rather than a systemic weakness.

On the bankwide clean-up and updating of customer information, Compliance shall validate, on a test basis, the completion of the customer information updating activities of business units concerned. Units that had been declared "100% complete as to clean-up and updating" by their unit heads will be considered for validation.

4. Frequency of Tests

Frequency and prioritization of compliance testing will be based on the results of the Enhanced Compliance Assessment Matrix (ECAM). Annual compliance testing will be conducted on business and support units with high compliance risk rating and high consequence ratings, every eighteen (18) months for those with medium risk rating and every two (2) years for those with low risk rating. However, should a unit fail in the Compliance Test or an audit review, a follow-up compliance test shall be scheduled within 6 to 12 months from the testing cut-off date. On the other hand, if a full Internal Audit (IA) review was recently conducted on the unit scheduled for a follow-up compliance test, Compliance may rely on the results of said audit after it had assessed the adequacy of the IA review.

The risk areas of Treasury, Distribution and Trust will be subjected to an annual compliance test as mandated by the BSP.

Ad hoc compliance testing may also be performed if deemed necessary or as requested by the Business/Support Unit or Senior Management.

Standard turn-around-time for Compliance Tests (CT) shall be established on or before June 30, 2019 after several compliance tests following the significantly enhanced CT procedures in 2018 have been completed.

5. Review Documentation

a. Compliance Review Planning Document

This is a standard document prepared by Compliance Assurance (CA) which states the objectives of the review, scope of the review, relevant regulations, major issues arising from previous examinations and audits, risk profile from the ECAM, review/sampling method and review timelines. The planning document should be approved by the CA Head and discussed with the Head of the unit subject for review on the first day of fieldwork.

b. Compliance Review Checklist

The review checklist is largely based on the ECAM, relevant Bank policy manuals and results of the latest audits. The checklist is composed of the following columns:

Column Title	Description
Process/Controls To Comply	Contains the procedures/expected activities that should be checked by the reviewer
Nature of Tests to be Conducted	Suggests the mode of tests to be used to perform the review, e.g. interviews, document verification, data interrogation
Documents to be Obtained/Checked	Lists the documents which should be checked and obtained that shows compliance/non-compliance to the activities listed under "Process/Controls to Comply" column

Column Title	Description
Contact Person	Resource person who handles the particular documentation or performs the expected activity
Review Comments	Where the reviewer indicates his comments on the items found deficient and the activity that was or is not being performed which resulted to such deficiency.
Result	Based on the review comments, indicate whether the unit's activity is "Ineffective" or "Effective"

c. Test Sheet

This is a standard template to document the results of the sample-checking where the reviewer records the sample size, sampling period, customer/transaction details and deficiencies noted.

d. Working Papers

Working papers serve as tools to aid the reviewer in performing his work, and as written evidence of the work done to support the compliance report. Copies or actual samples of various documents can be used as examples, for clarification, or as physical evidence to support a conclusion or prove the existence of an issue.

6. 2018 Compliance Testing Plan

A. Stores

The criteria used for the risk-based prioritization and their relative weights are as follows:

Criteria	Weight
Latest Compliance Testing Results	10
Latest Internal Audit rating (on AML)	10
Suspicious Transactions Reported/ Reports on Crimes and Losses	10
RCSA Rating	10
Operational Loss Database	10
Number of Complaints	7
Number of Alerts Generated for last 3 months	7

Criteria	Weight
Turnover of Service Head (frequency of change)	7
AOO reports	6
Number of accounts maintained	6
Volume of accounts opened in the 3 months	6
Store Opening Date	6
Safety & Security Rating	5
	100%

The test scope for 2018 will include test of the following:

- Handling/Management of Money Service Businesses in accordance to the MLPP
- Disposition of alerts and incomplete CTRs
- Handling/Management of Online Gaming accounts
- Account Opening and Know-Your-Customers processes
- Recording of information relative to Manager's Check issuances
- Recording of information relative to foreign exchange transactions
- FATCA compliance for newly opened accounts
- Transactions monitoring relative to AML compliance
- Compliance with policies on inward & outward remittances

B. Non-Stores

The CT for Non-Store units aims to assess the level of compliance of the different business units with applicable laws and regulations, review resolutions of audit exceptions (BSP, Internal Audit and Compliance), and validate the submitted Enhanced Compliance Assessment Matrix (ECAM).

Prioritization criteria used are as follows:

Criteria	Weight
BSP Findings	25
Previous Compliance Testing Result	15
Internal Audit Rating	15
Number of Valid Complaints	10
Complexity of operations (Core, direct support, support)	10
Latest ECAM Results	10
Change in Senior Officers (Group Head and Division Head)	5
RCSA Results	5
Amount of Operational Loss	5
Total	100

If applicable, disposition of alerts and incomplete CTRs and reporting of crimes and losses of a non-store will be considered in the prioritization.

C. Institutional

In addition to the compliance tests to be conducted on the prioritized non-store units, the expanded scope of CTs for 2018 will include reviews of the following compliance risk areas on an institutional basis:

- Implementation of the Consumer Protection Framework
- Implementation of the Related Party Transactions Policy and Outsourcing Policy
- Compliance to Regulatory Reporting
- Compliance with policies on inward and outward remittances
- Compliance with MLPP on the onboarding and monitoring of high risk customers
- Compliance with Social Media Risk Management

The CT prioritization for Non-Store units for 2018 is shown in Annex D with the criteria used and their relative weights.

D. Bank-wide Validation

- Assessment of alerts generated by Base60
- Validation of resolutions of BSP Findings and Directives
- Clean-up and Updating of Customer Records

E. Coordinated Compliance Tests with Internal Audit

Conduct of compliance tests will be closely coordinated with IA to maximize coverage and have a broader scope for the assessment of the state of compliance of the Bank.

As part of this arrangement, Compliance will directly handle the test of 112 Stores while Internal Audit will provide assistance in the test of 122 Stores. The combined coverage of 233 Stores comprises 60% of the total Stores of 389.

For Non-Stores, there are 15 risk/priority units identified. Seven (7) of these will be tested by Compliance, Internal Audit will provide assistance in the compliance test on five (5) units and the test of three (3) IT-related units will be outsourced to Information System Audit (ISAD) as presented in Annex D.

The terms of the coordination shall be as follows.

1. **Coverage.** Compliance will provide IA with their annual testing plan. IA will, in turn, provide Compliance with feedback on what areas in the Compliance testing plan will be covered in the IA plan. Compliance will then adjust their target coverage, accordingly to avoid any duplication.
2. **Test Procedures.** Compliance will provide IA with their Compliance Checklist or Compliance testing guides. IA will determine whether the testing procedures in the checklist are already included in their audit programs. Any gaps will be covered by Compliance in its Compliance Testing Plan.
3. **Validation of Tests.** IA will provide Compliance with test data necessary for Compliance to validate the test procedures conducted and the results thereof.
4. **Reporting.** After validating the compliance tests performed by IA and the results thereof, Compliance will include said results in a consolidated report to the CGCC. (Note: IA will include a separate section in their report that pertains to the results of their regulatory compliance review, including their rating of this risk area).

F. Progress Reporting to the CGCC

Compliance shall report on a bi-annual basis (April and October) the status of the conduct of compliance test versus plan, explaining any deviation to the approved plan and recommending changes for the balance of the year.

IV. Risk Assessment

The table below shows the risk rating given to a process based on the number of deficiencies noted during compliance testing in relation to the sampled population.

Occurrence of deficiencies in samples tested		
= > 25% of the sample population	25% < and > 10 % of the sample population	= < 10% of the sample population
High	Medium	Low

V. Reporting Procedures

1. Upon the conclusion of the evidence gathering, the Compliance Assurance Officer who performed the Compliance Test summarizes the observations, findings,

conclusions, and recommendations necessary for preparation of the compliance report/ discussion draft.

2. The report draft shall indicate the date when the "Management Response" to the compliance report shall be submitted.
3. Management's reply and action plans should be incorporated in the final report.
4. The final report will be prepared using the standard report format which shall include, but will not be limited to, the following:
 - a. Objectives of the review
 - b. Scope of the review
 - c. Overall assessment
 - d. Executive summary
 - e. Issues and recommendations.
5. An exit meeting with the BCO and DBCO of the unit tested will be conducted prior to the finalization of the report.
6. The final report will only be issued after the review of the Compliance Assurance Head and approval of the Chief Compliance Officer (CCO).
7. Copies of the final report will be distributed to the Department Head and Division Head copy the unit's BCO and DBCO.
8. The Chief Compliance Officer will report the results of all significant findings/ observations and recommendations and the response and action plans of the unit to the Corporate Governance and Compliance Committee (CGCC) in an executive summary.

VI. Resolution/ Escalation of Compliance Issues

1. Full compliance is expected from all units of the bank at all times. As such, the resolution of all Compliance issues shall be given priority.
2. Any compliance issue that cannot be immediately resolved shall be immediately escalated to the Chief Compliance Officer (CCO).
3. Any compliance issue known to the business or support unit but not reported to the CCO but subsequently discovered during the independent tests shall constitute a serious offense as defined in the Bank's Code of Discipline and Ethics and will be dealt with accordingly.
4. The respective BCO/ DBCO concerned shall be required to provide Compliance Division a regular update on the status of resolution efforts on outstanding issues.

5. All unresolved compliance issues pertaining to compliance risks with HIGH consequence ratings will be escalated to Senior Management and monitored at CGCC level on a regular basis.

VII. Issues Monitoring

1. Compliance Assurance will track issues and their resolutions to help ensure that appropriate action steps are implemented in a timely and relevant manner.
2. Compliance Issues will be logged in the Issues Monitoring worksheet at the time they were noted regardless of whether they had already been addressed prior to the issuance of the compliance report or not.
3. The actions taken to resolve the findings will be reviewed and validated by CA to ensure that the risk noted had been addressed and the desired results were achieved.
4. Major issues that remain unresolved after a month from report date will be reported to the CGCC.

VII. The Compliance Rating Scorecard

1. Features

- **Compliance Rating Scorecard (CRS)** is a measure of the effectiveness of the compliance risk management processes of a unit.
- Overall CRS is either *Acceptable*, *Below Acceptable* or *Unsatisfactory*
- The overall rating of the unit is determined by the severity of non-compliance of each issue identified during the review, presence of repeat findings and possibility of penalties to be imposed by regulators.
- CRS is based on the condition of the issues noted at the time compliance tests are conducted, not at the time of the report. The Rating will not be affected by addressing the issues before the audit report issuance. However, significant subsequent events addressing compliance issues that occur prior to the release of the Compliance Report will be cited in the report.
- The CRS will cover all compliance risks residing in the unit. Even if the risks emanated from other units but are present in the processes of the unit being tested this will be considered in the overall rating of the unit under review.
- The impact of the CRS on the unit and each employee's performance appraisal for the year shall be determined by Senior Management and presented to the Board of Directors.

2. The Compliance Ratings

- **Acceptable**
 - No high risk compliance deficiencies AND No unexpected major findings from BSP, Internal Audit or Compliance Reviews.
 - Equivalent grade of 85 and above.

• **Below Acceptable**

- Occurrence of deficiencies can be addressed by regularization of cited accounts, submission of missing information/documents. Possible exposure to significant penalties if the deficiencies remain uncorrected.
- Equivalent grade of 80-84

• **Unsatisfactory**

- Systemic non-compliance as seen in occurrence of high risk deficiencies and repeat findings which can be addressed by overall clean-up and/or redesign of procedure/policies.
- Equivalent grade of below 84

3. Compliance Rating Components

For STORES

Compliance Rating Components	Weight	
Compliance Testing Results		25
BSP Issues Resolution		25
AML Alerts Handling		
Timeliness	10	
Quality	10	20
Compliance Trainings		15
ECAM Updates		
Timeliness		5
Quality		10
Regulatory Reports		15
		<u>100</u>

**PASSING
GRADE**

85

85 and up – acceptable
80 to 84 – below
acceptable
Below 80 – unsatisfactory

For NON-STORES

Compliance Rating Components	Weight	
Compliance Testing Results		25
BSP Issues Resolution		25
AML Alerts Handling		
Timeliness	5	
Quality	5	10
Compliance Trainings		15
ECAM Updates		
Timeliness	10	
Quality	10	20
Regulatory Reports		5
		<u>100</u>

**PASSING
GRADE**

85

85 and up – acceptable
80 to 84 – below
acceptable
Below 80 – unsatisfactory

- Basis of weight distribution is regulatory consequence, particularly on the CAMELS rating.
- If component is not applicable to a particular unit, its weight will be allocated to the other components proportionately.
- Annex E presents how each component will be rated (using the Stores' rating template to illustrate)

Reference Number	:	PPM No.
Title	:	Learning and Development Policy
Issue Date	:	
Effectivity Date	:	IMMEDIATELY

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APPROVAL SHEET

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DISTRIBUTION LIST

EASTWEST BANK UNITS
All EastWest Bank Employees

DOCUMENT CONTROL

VERSION	ISSUE DATE	DESCRIPTION
1		The document provides guidance in the identification, design, development, delivery and evaluation of learning and development programs and opportunities in EastWest Bank.

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I. INTRODUCTION

Employee learning and development is a competitive weapon in producing a workforce that can surpass our competitors and exceed our customers' expectations. Learning and development should be a collective effort among employees, business leaders and learning and development function.

In this connection, EastWest Learning and Development provides a guidance on enabling employees and leaders in ensuring continuous and consistent approach in learning and development amidst rapidly changing and growing customer demands, increasing competitive pressures and requirements for continuous improvements of business processes.

The Learning and Development programs are anchored on the competencies required for employees to perform effectively in their current and future roles. The program categories are explained below.

A. Learning and Development Framework

1. **Mandatory Programs** - refer to programs that provide employees a common foundation knowledge of the company and its business and establish a strong culture of customer service, safety, risk management and legal compliance.
2. **Job-Related Programs** - refer to programs that will address required competencies for employees to perform their respective job functions.
3. **Management and Leadership Programs** - refer to developmental programs to enable employees become more effective performing their job level.

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B. Definition of Terms

Term	Definition
Learning and Development Solutions	Refer to different types of learning and development interventions. These can include but not limited to formal classroom sessions, coaching and mentoring, conferences, on-the-job learning, job-aids, job shadowing, revalida, action learning projects, reading books, community of practice and e-learning.
Learning Program	A learning program consists of modules which can use various learning and development solutions.
Learning Module	A learning module consists of various topics.
Learning and Development Lead	The resource from Learning and Development function assigned to partner with the Business Unit Head in identifying, addressing and evaluating the learning and development requirements of the assigned Business Unit.
Facilitator/ Speaker	Refers to the one who conducts the learning program who could be either be an internal or external resource.
Internal Facilitator	A resource who could be either from Learning & Development function or from the line.
Business Unit Lead	Could refer to any individual who has a stake in achieving the learning results of the employees.
Training Allowance	This is a subsidized amount to support required participants who will be coming from other provinces to attend any learning and development event/ program.
Training Honorarium	This is an incentive given to the members of the Faculty Development, or to the identified speakers, facilitators, coach or mentor within the Bank.

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C. Roles & Responsibilities

Role	Responsibility
EastWest Learning and Development Function	<ul style="list-style-type: none"> • Conduct learning needs analysis based on the competency requirements and the strategy and goals of the business unit. • Partner with the business in the design and delivery requirements and get their sign-off. • Strategize the most effective approach in designing and delivering programs (whether internal or external faculty, customized or generic, classroom or other methodologies). • Monitor effective delivery of the programs. • Evaluate effectiveness of the program and provide feedback to various business unit stakeholders. • Discuss with business unit stakeholders the learning evaluation results and provide recommendations on how to apply learning and sustain or improve performance.
Unit Heads/Division Heads/Business Unit Heads	<ul style="list-style-type: none"> • Together with the Learning and Development, identify competencies of each position in the unit and analyze competency gaps. • Identify competency gaps which can be addressed via learning and development. • Outline career development plans and learning path for his unit/division/department.
Facilitator/Speakers	<ul style="list-style-type: none"> • Primarily responsible for conducting the program/course. • If they are Subject Matter Experts, EW Learning and Development can work with them in the design and development of the learning program.
Participant	<ul style="list-style-type: none"> • Attend and complete the requirements of the learning program. • Are expected to adhere to the guidelines and procedures covered in this policy.

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II. GENERAL POLICIES AND PROCEDURES

A. Learning Needs Analysis

1. Learning and Development Lead conducts learning needs analysis in partnership with the Business Unit Lead before budget period to determine the learning programs for the following year. Below are the different data sources in determining and prioritizing the learning needs:
 - EastWest strategy
 - Business Unit Mandates, Activities and KRAs
 - Performance Appraisal results and Individual Development Plan
2. Evaluate the Business Unit learning and development needs if:
 - it can be addressed by the existing programs within EastWest bank
 - an existing program should be customized for this particular business unit
 - an existing external program can be conducted in-house
 - it requires developing a new program, whether with internal or external resources.
3. Discuss with the Business Unit Head their role and responsibility in the design, development, delivery and evaluation of the program.
4. Learning and Development Lead gets a sign-off from the business on the recommended learning and development program.

B. Learning Program Design and Development

1. The Learning and Development Leads gather the learning design requirements from their respective business unit leads or sponsors based on the following factors:
 - **Learning Outcome:** target level of learning – awareness, application and/ or performance
 - **Content:** stability, volatility, high-risk and impact
 - **Subject Matter Expert:** availability, location, cost
 - **Faculty:** availability, location, teaching skills
 - **Audience:** size, work schedule, location, diversity, motivation
 - **Budget:** development and delivery



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- **Curriculum strategy:** maturity of practice area
 - **Leadership support:** level of involvement and desire for innovation
2. Learning and Development Leads get sign-off from their business unit leads on the design and development approach based on the factors listed above.
 3. Learning and Development Leads design and develop the programs with either internal and/or external resources.
 4. Learning and Development Leads get final sign-off from the business unit lead on the program before roll-out.
 5. Learning and Development Leads pilot the program and revise based on the initial feedback of the participants.
 6. For existing programs: Learning and Development Leads should continuously review the effectiveness of the design based on the participants feedback and on any change in business unit's or organization's direction.

C. Learning Delivery and Administration

1. Inhouse learning and development programs shall be planned, organized and/or facilitated by EastWest Learning and Development in partnership with the Business Unit Leads.
2. Logistics such as venue, food, learning materials shall be prepared and organized by the Learning and Development.
3. All facilitators and Training vendor shall be thoroughly assessed through an accreditation process conducted by Learning and Development.
4. Some programs have their own respective guidelines which Learning and Development shall implement separately however still in adherence to the general guidelines as stated in this policy (i.e. cancellation, penalties and completion of the program.)



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5. All learning and development programs that a participant has attended shall be recorded by EastWest Learning and Development.
6. The Learning and Development portal contains all the data pertaining to learning and development programs attended by employees whether internal or external programs. Attendance records should be updated weekly.
7. Any employee inquiry on learning and development programs can be logged through Learning and Development SATS Omniflow.

D. Learning Evaluation

1. There are four levels of learning evaluation:
 - **Level 1: Reaction.** This measures how well the learning was received by the participants which is done right after the program completion.
 - **Level 2: Learning.** This measures increased in knowledge, skills, and behaviors as a result of the learning which can be done during or after the program completion.
 - **Level 3: Application.** This measures how far the participants have applied their learning at work which can be a pre-requisite for program completion or can be done months after depending on the program design.
 - **Level 4: Measures results.** This measures the improvement on individual performance and/or business results which can be a pre-requisite for program completion or can be done months after depending on the program design.
2. All programs will have level 1 and level 2 evaluation results. Level 3 and Level 4 will be applied based on the target learning outcomes of the program.

E. Learning Budget

1. Learning and Development Leads, in partnership with the Business Unit Leads determine the Learning and Development budget based on the learning needs analysis results.
2. Learning budget should include the following:
 - Participants Expenses: tuition fee, hotel accommodation, transportation for both internal and external programs, training allowances

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- Training Venue expenses
 - Training Vendor fees
 - Training materials and supplies
 - Honorarium for internal faculty from the business units
3. Budget allocation per head may vary per business based on the following factors:
 - Growth projection
 - Critical business direction
 - Highly specialized and technical roles
 4. Budget is centralized in Learning and Development but the actual expenses are charged back to the business.
 5. At the start of the year, the Business Unit Lead should be informed of the allocated budget for their functions for both internal and external learning programs.
 6. Finance provides monthly reports to Learning and Development and Business Unit Leads on their learning and development expenses.

III. PROCEDURES ON LEARNING DELIVERY

A. Eligibility and Enrolment Process

1. All employees of EastWest Bank are eligible to participate/attend in learning and development programs with the condition that it is part of their learning path.
2. No employee shall be excluded on the grounds of gender, ethnic or national origin, disability, age, religion, culture, sexual orientation, or marital status.
3. There are also learning and development programs that are only applicable to specific business units/ division/ department roles which employees outside of that restriction are not allowed to participate in.
4. See table below the eligibility and enrolment process for different learning and development programs.

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Type of Program	Eligibility	Enrolment
Mandatory Programs	<ul style="list-style-type: none"> All employees 	<ul style="list-style-type: none"> Group enrolment Nomination
Job-related Programs	<ul style="list-style-type: none"> Targeted function and roles Additional screening process depending on the program 	<ul style="list-style-type: none"> Nomination
Management and Leadership Programs	<ul style="list-style-type: none"> Targeted levels 	<ul style="list-style-type: none"> Group enrolment

B. External Training Programs

- i. External training programs are identified during the Learning Needs Analysis and included in the budget process. These external programs are provided by certifying bodies, academic or regulatory institutions and other independent training services provider. Below are the different types of external training
 - a. **Certification/License/Diploma/Degree & Similar Accreditation Programs** - these courses may be availed as part of employee's competency enhancement directed to their mandate in the bank.
 - b. **Conferences** - conferences may be attended only by Group Heads or designated roles for purposes of EastWest Bank's industrial visibility, knowledge acquisition, or networking. Participation to these formal meetings encourage cross functional involvement with respect to the different business units of the Bank. In which case, proper representation will be managed by Learning and Development to ensure consistent and fair process.
 - c. **Regulatory Programs** - these courses are mandatory courses or certifications required by governing bodies such as BSP, SEC, DOLE, etc. These are mandatory courses to ensure the bank's compliance and alignment with the regulator (e.g. BSP Circular 808, BSP Circular 871, etc.)

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- d. **Job-related Programs** - These are courses that may be identified in the Learning Needs Analysis, not available internally but are necessary to build/develop an employee's knowledge and skills to perform the function effectively and efficiently.
- Learning & Development will organize or in-house conduct of those programs if there is a critical mass, at least 15 participants.
 - If the program is not going to be conducted in-house, nomination of attendance to external training should be initiated by either the Unit Head of the employee or by the Learning and Development where endorsement should be based on the competency requirements of the position.
 - Regulatory for the role or function.
 - Relevance of course content to the competency gap identified.
 - Within the training budget allocation for each business unit.
 - The accomplished External Training Nomination Form, together with the supporting attachments (brochures, details of the program etc.), shall be submitted to the EastWest Bank Learning and Development Head for his/her evaluation and approval three (3) weeks before the start of the learning program.
 - The nomination form should include the following information:
 - Program Title
 - Provider / Organizer
 - Inclusive Dates
 - Training Investment (Gross Amount in PHP & USD)
 - Name of Participating Employee
 - Approving Group Head
 - Purpose of Attendance to Training
 - Competencies to Acquire/ Enhance served by the program
 - Impact of Training to employee's job (including risk and legal compliance consequence of non-attendance)
 - Approval Level for External Training Programs, whether budgeted or unbudgeted should be approved by the Vice Chairman and CEO.



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7. Upon approval, the participant will be asked to sign a training bond contract depending on the amount of the program/ learning event or if the type of learning event is a certification course/ program.
8. Participants to the external training programs will be required to answer an evaluation form and submit it to Learning and Development a day after the seminar.
9. Learning and Development shall also do the following:
 - a. Notifying the nominee, Unit Head and Group Head of the approval of the nomination.
 - b. Registering the nominee to the external training program by submitting the registration form to the training provider/ organizer, copying the nominee and his Unit Head.
 - c. Preparing the Request for Payment to cover the training fees and coordinating with Finance Group for the payment processing.
 - d. Coordinating with training provider/ organizer for other learning-related concerns.
 - e. Sending of training confirmation and program reminders to participants.
 - f. Payment of training fees to the vendor.
 - g. Collection of required documents related to training (i.e. scanned or photocopy of the Learning Certificate, copy of the handouts and accomplished learning evaluation form).
 - h. Learning and Development shall be responsible for monitoring the effectiveness of training program.
 - i. Learning and Development to regularly update database of external seminars which will be used as basis for future recommendation.

C. Cancellation, Replacement and No Shows

1. A participant, due to business exigencies or valid excuse may only be allowed to cancel his/her participation to the training program one (1) week prior to the training schedule of the program proper. Valid reasons acceptable are:
 - Illness, health or medical reasons (e.g. accidents, giving birth, under surgery, accidents, etc.)
 - Death of employee or employee's immediate family member

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2. In order to maximize training program investments, a replacement need to be provided by the cancelling unit, Learning and Development should be notified of the replacement three (3) days before the date of the seminar
3. Replacement can only be considered if the person has the same rank and role or job description of the initial enrollee/ participant
4. Replacement must have an approval of the immediate supervisor particularly if it is a classroom type of learning.
5. In the event that the participant did not show up, the cost of the training will be charged to the unit/ department/ division.

D. Training Bonds

1. Development programs that build the core competencies of the employees and in which the Bank invests time and funds for the program will require the participants to sign a contract together with a training bond.
2. EastWest Learning and Development in partnership with the Business Unit Lead, shall assess, define and approve the amount and period of the bond attached to certain development program.
3. The following training bond schedule shall be followed:

No	Training Investment (PHP)	Equivalent Service Years
1	PHP 50,000	6 months
2	PHP 51,000 - Php 100,000	1 year
3	PHP 101,000 and up	2 years

4. Participants of the development programs shall be required to sign contracts with the amount and period defined as bond.
5. Participants who failed to complete their attendance or decides to resign from the Bank within the period of the contract shall be required to pay the bond as defined in his contract.



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- The same guidelines apply for employees attending external training programs with budgets that the President and CEO has prior approval.

E. Transportation and Training Allowances

- An employee with approved enrolment to a learning and development event shall be allowed to travel as far where the event will be held. If approved, the event is considered an official business trip, for safety and guidance refer to the Travel Policy.
- For participants residing within the same province from where the learning and development program will be held, no reimbursements or allowance are provided (e.g. Residing within Metro Manila, training venue is within Metro Manila). However, if the learning and development program is held on the participant's rest day, the participant is eligible to avail of the following:
 - Reimbursement of actual transportation expense from residence to the learning and development event venue and back for commuters.
 - Reimbursement of mileage expense from residence to the learning and development event venue and back if participant used his personal vehicle or under car plan.
 - Refer to the latest Reimbursement Policy from Finance Department.
- For participants residing outside of the province from where the learning and development program will be held, training allowance shall be provided (e.g. Residing in Pampanga, training venue is in Metro Manila; or Residing in Metro Manila, training venue is in Pampanga). Refer to Attachments section of the policy document for training allowance amounts and eligibility table. The Per Diem policy guideline is not applicable for learning and development events or programs.
- No reimbursement shall be made if the company vehicle was used.
- When using personal vehicle or vehicle under car plan, reimbursement of mileage is allowed as per IOM-Finance, Local Travel Transportation.
- Reimbursement of food is not allowed if it has already been provided for in the program proper.

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- For learning and development programs outside of Metro Manila; or if the event/program is in Metro Manila and participants will be coming from the Visayas and Mindanao regions, participants are entitled to reimburse traveling and accommodation expenses (i.e. hotel accommodation, plane fare, terminal fees, transport from airport to hotel and back). Reason for travel shall indicate training.
- In the event that the Learning and Development has already arranged the hotel accommodation or lodging and the participant decided not to avail of or use it, no reimbursements shall be allowed. The cost shall be for the expense of the participant.
- Similarly, in the event that the Learning and Development has already arranged for the transportations needed from airport to hotel and back and the participant decided not to avail of or use it, no reimbursement shall be allowed. The cost shall be at the expense of the participant.

F. Learning Attire

- Participants shall observe uniform standards and corporate dressing policy when attending training during regular banking days (Monday-Friday).
- Participants may wear smart casual attire (not ragged, ripped, patched, faded) or as stated in the Code of Discipline of EastWest Bank when attending training during non-banking days/ on weekends (Saturday-Sunday).
- There may be learning and development events/ programs that will require participants to wear smart casual attire regardless if it's held on a banking or non-banking day. This will be prescribed and will be indicated in the event/ program's invitation from the Learning and Development.

G. Programs Conducted on Weekends or After Business Hours

- Facilitators or Subject Matter experts who are required to conduct training and development programs on weekends or after business hours shall be compensated through Training Honorarium.

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2. Employees under Learning and Development function or whose role is to conduct or develop trainings are not covered in this policy, and hence, are not eligible to claim any honorarium.
3. Employees who are required to attend learning and development programs are NOT entitled to overtime pay but shall be provided, if qualified, with transportation allowance and meals.

H. Honorarium

1. Training honorarium shall be given to officers or selected staff that are identified to conduct classroom training modules and/or sit down as panelists during seminars and presentations of a minimum range of at least three (3) hours a day.
2. Honorariums are applicable to both Metro Manila and provincial assignments, wherever the learning and development event/ program will be held.
3. The number of learning and development event/ program hours shall be on a per day basis, except for special situations (e.g. evening class schedules, participants are not available on a half or full day session), in which case the hours can be accumulated on a per module, per run or per batch basis.
4. The training hours for a certain module or run shall be determined by the Learning and Development before the actual session. However, cases below may be considered for the provisioning of the honorarium.
 - a. In case of session extension due to numerous questions/ clarifications, provision of extra exercises and examples as needed by the participants, actual number of hours shall be considered.
 - b. In case of shortened discussions because most participants are fast learners, facilitator has more efficient way of conducting sessions, systems error if it is a computer hands-on session, inclement weather and other emergencies, the number of hours initially set shall be considered.

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5. Those who will render less than 3 hours of training shall be entitled to transportation subsidy of PHP 200.00 per day (covering 2-way transportation) if training venue is outside the office of the facilitator/speaker.
6. The training honorarium, in some cases, are not applicable to the following:
 - a. Those who are with the Learning and Development or whose role is to conduct or facilitate training and development events/ programs. Apart from this guideline, some specific roles have been identified that are not entitled to have training honorarium:
 - Safety & Health Officer, Risk Officer and Compliance Officer – whose responsibility is to train the employees on Regulatory and Compliance matters.
 - Other Bank Officers – whose responsibility includes monitoring the quality of learning and development event/ programs, conduct programs and be as one of the panelist.
 - Project Managers and Product Officers (from Bank Marketing and Corporate Communications Division) – who are launching new systems, products and/or services.
 - Those who will conduct echo session for their respective units/ departments/ Division as part of their post-training requirements of external training program.
 - Those who join as observers or sit-ins in any training and development event/ program.
7. Refer to the attachments of this policy for the specific amounts, eligibility and privileges of the facilitator/speaker.



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IV. ATTACHMENTS

A. External Training Request

Dear Learning & Development,

We are requesting to send participant/s for external training. Please see email approval of Group Head (insert name and job title). Here are the details.

Title of Program/s	COURSE TITLE
Provider / Organizer	TRAINING PROVIDER OR NAME OF VENDOR
Inclusive Dates	COURSE DATE/S
Training Investment	Total <u>Php</u> AMOUNT (<u>Php</u> AMOUNT per head – please use the regular rate)
Has this training been budgeted?	Yes or No
Is this a regulatory course?	Yes or No
Is this a certification course?	Yes or No
Participant/s	PARTICIPANT, ROLE - UNIT
Approver/s	GROUP HEAD, JOB TITLE - UNIT

Purpose of Attending the Seminar (State specific benefit to employee, impact on job performance).

Why do you need this program?	Sample: The program will...
What competencies will you acquire or improve from this program?	Sample: The program will improve participants...
What will be the impact of this training to your job and for the team as well?	Sample: After this training, the participant will be able to...

As a result of attending this training, the participant/s is committing to submit the following post-training deliverables:

Post-Training Deliverable	Due Date
1. External Training Evaluation Form (see page 2)	MM-DD-YYYY
2. Scanned Copy of Training Handouts/Materials	<Indicate specific date, 7 days after training date>
3. Scanned Copy of Certificate	

Attached herewith are the supporting documents (flyers/brochures with course/program outline) for your reference:

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B. External Learning Evaluation

External Training Evaluation Form	
Course Name: _____	
Session Dates: _____	
Participant Name: _____	
We'd like to know what you think about this course. Use these rating scale in answering questions #1, #2, #6, #7 and #10.	
<ul style="list-style-type: none"> 5-Excellent 4-Very Satisfactory 3-Satisfactory 2-Fair 1-Needs Improvement NA-Not Applicable 	
RATE THE FOLLOWING (1-Needs Improvement, 5-Excellent)	RATING
1. Attainment of program objectives	
2. Completeness, adequacy and coverage of topics?	
PROVIDE FEEDBACK	
3. Please explain why you gave that rating to the program in terms of attainment of program objectives, completeness, adequacy and coverage of topics.	
4. What are the major learnings or skills you can apply back on the job?	
5. Would you recommend others to attend this program? Why?	
RATE THE FOLLOWING (1-Needs Improvement, 5-Excellent)	RATING
6. Trainer's knowledge of the subject matter	
7. Trainer's presentation and communication skills	
PROVIDE FEEDBACK	
8. Please explain why you gave that rating to the trainer in terms of knowledge of subject matter, presentation and communication skills.	
9. Would you recommend the speaker/s to conduct this program again? Why?	
RATE THIS (1-Needs Improvement, 5-Excellent)	RATING
10. Overall Program Rating	

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C. Training Allowances & Reimbursement Eligibility Matrix:

Origin	Travel Reimbursement Eligibility	Transportation Reimbursement Eligibility	Lodging/ Accommodation Reimbursement Eligibility	Training Allowance Eligibility
Residing in a province, training venue is in another province. (e.g. Metro Manila to Pampanga or Pampanga to Manila)	The participant required to attend training wherein venue is in another province is eligible to reimburse his travel tickets such as plane fare, bus fare or sea fare.	* If Learning and Development has arranged for the transportation from airport to hotel, hotel to airport, hotel to training venue, training venue to hotel, NO reimbursement shall be allowed.	* If Learning and Development has arranged the lodging/ accommodation, NO reimbursement shall be allowed.	PF: P= 200.00 per training day Officer: P= 300.00 per training day Same amount for weekend training 3 day
		* If no transportation was arranged by the Learning and Development, the participant is ELIGIBLE to reimburse the transportation expenses incurred within the locality. Refer to ICM Finance, Local Travel Transportation.	* If no lodging/ accommodation was arranged by the Learning and Development, the participant is ELIGIBLE to reimburse the expense.	
		* If in the event that the Learning and Development has arranged for the transportation within the locality, and the participant decided not to avail or use it, NO reimbursements shall be allowed.	* If in the event that the Learning and Development has arranged for the lodging/ accommodation and the participant decided not to avail or use it, NO reimbursement shall be allowed.	
		* If personal vehicle or vehicle under car plan is used, participant is ELIGIBLE to reimburse the mileage. Refer to ICM Finance, Local Travel Transportation.		
Residing in a province, training venue is in the same province of residence.		NO reimbursements shall be allowed.		

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D. Training Honorarium Eligibility and Privileges

Coverage	Rank Eligibility	Rate/Hour	Qualifier
<ul style="list-style-type: none"> Employees who are tapped as facilitators/co-lectors within Metro Manila and/or Provincial area. 	JD-M (and selected staff)	PHP 150	If complete meal is provided during training sessions as part of the accommodation package.
	M and Up	PHP 300	
	JD-M (and selected staff)	PHP 200	If complete meal is not provided during live-in training.
	M and Up	PHP 350	

Plus the following:

- * Actual two (2)-way transportation for Luzon provincial training
- * Actual two (2)-way plane fare for VISMN training
- * Actual cost of hotel accommodation for overnight or several days of stay
- * Snacks during live training

SECRETARY'S CERTIFICATE

The undersigned, **BENEDICTO M. VALERIO, JR.**, of legal age, Filipino and residing at No. 20 San Miguel Bay Drive, South Bay Gardens, Parañaque City, after being duly sworn, hereby deposes and states, That:

1. He is the Corporate Secretary of **East West Banking Corporation** (the "**Bank**"), a corporation duly organized and existing under and by virtue of Philippine Laws with principal office address at the 5th floor, Podium of the Beaufort Tower, 5th avenue cor, 23rd Streets, Bonifacio Global City, Taguig City;

2. In his capacity as such, he has custody of the corporate papers of the Bank;

3. During the Regular Meeting of the Board of Directors of the Bank held on 31 May 2018, the Board discussed the request of **Corporate Governance and Compliance Committee** dated May 24, 2018 to approve the proposed amendments to the Outsourcing Policy which are detailed in the document attached to the said request. The said amendment has been vetted by the CGCC Committee on its special meeting on May 24, 2018. Upon motion duly made and seconded, the Board adopted the following resolution:

RESOLUTION NO. 05-2018-04

"RESOLVED, to approve the proposed amendments to the Outsourcing Policy which are detailed in the document attached to the said request of the Corporate Governance and Compliance Committee dated May 24, 2018."

4. The above resolution is subsisting and has not been amended as of this date.


IN WITNESS WHEREOF, the undersigned has signed this Certificate this 31 MAY 2018 at Taguig City, Philippines.


ATTY. BENEDICTO M. VALERIO, JR.
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me in 31 MAY 2018 (his Makati City), by Atty. Benedicto M. Valerio, Jr., personally known to me, who is the same person who personally signed before me the foregoing affidavit and acknowledged that he executed the same.

Doc. No. 313 :
Page No. 64 :
Book No. XI :
Series of 2018.


ATTY. MA. ANNA LOURDES DIMAANO PAMBELL
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. 4436 until December 31, 2018
Roll No. 34263 / BSP Lifetime No. 07083
PTR No. 9514545 January 3, 2018

Reference Number	:	PPM 2016 - 002
Title	:	OUTSOURCING OF BANKING FUNCTIONS AND SERVICES
Issue Date	:	May 3, 2016
Effectivity Date	:	IMMEDIATELY

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APPROVAL SHEET

ACTION	NAME	UNIT	SIGNATURE	DATE
Prepared by	Ruby M. Perez	Compliance	On file	03/07/16
	Judy C. Zamora			
Endorsed by	Denise S. Corpuz	Finance-Business Process and Productivity Mgt.	On file	03/07/16
Concurred by	Francis Dennis R. Dungo	Administrative Services	Email approval on file	03/28/16
	Allan John M. Tumbaga	Bank Marketing and Corporate Communication	On file	03/30/16
	Ma. Bernadette T. Ratcliffe	Compliance	On file	03/07/16
	Jacqueline S. Fernandez	Consumer Lending	Email approval on file	04/21/16
	Ernesto T. Uy	Corporate Banking	Email approval on file	03/22/16
	Gina Marie C. Galta	Customer Service	Email approval on file	04/01/16
	Jeanette Yvonne M. Zagala	Distribution	On file	03/30/16
	Maria Corazon R. Vitegas	Finance-Business Process and Productivity Mgt.	Email approval on file	04/25/16
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	Gloria M. Villa	HR - Academy	Email approval on file	03/30/16
	Consuela V. Dantes	Human Resources	Email approval on file	04/14/16
	Randall Rogelio A. Evangelista	Information Technology	Email approval on file	03/28/16
	Roberto N. Fernandez	Investment Banking	Email approval on file	03/22/16
	Jose Emmanuel U. Hilado	Investment Cluster	On file	03/30/16
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	Gerónimo Nilo G. Jimenez	Project Management	On file	03/30/16
	Gerardo Sumarano	Retail Banking	On file	03/30/16
	Grace N. Ang	Risk Management	Email approval on file	04/22/16
	Alvin S. Dimla	Safety and Security	Email approval on file	03/30/16
	Chery Ann Vanessa C. Barasi-Kimpo	Treasury	On file	03/30/16
	Angel Marie L. Pacis	Trust	On file	03/30/16

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ACTION	NAME	UNIT	SIGNATURE	DATE
Approved by	Renata K. De Borja, Jr.	Office of the Chief Finance Officer	Email approval on file	04/25/16
	Antonio C. Mancupa, Jr.	Office of the President and CEO	Approval on file	04/25/16
Confirmed by	Board of Directors		Approval on file	04/28/16



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DOCUMENT CONTROL

VERSION	ISSUE DATE	DESCRIPTION
1	November 8, 2007	PPM No. 063-2007 under the Administrative Manual defines the policies and procedures which governs the outsourcing of banking functions and services.
2	May 3, 2016	This Manual covers the updated guidelines of the Bank on outsourcing in compliance with the Bangko Sentral ng Pilipinas (BSP) Circular No. 765 on the Revised Outsourcing Framework, Circular No. 899 on Amendments to Outsourcing Guidelines and Circular No. 900 on Operational Risk Management. This supersedes PPM No. 063-2007 of the same PPM title.

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I. INTRODUCTION

Banks have increasingly used outsourcing of select bank activities as a means to reduce operational costs, enhance performance in the delivery of quality service to customers, access competency/specialist expertise and industry best practices and devote its human resources to core banking businesses. Outsourcing, however, exposes banks to various risks, particularly, strategic, reputational, compliance, operational, legal, country and concentration risks.

Recognizing the benefits of outsourcing and its accompanying risks, the Bangko Sentral ng Pilipinas (BSP) has provided banks with an outsourcing framework and comprehensive guidelines to ensure the effective management of these attendant risks and the safe and sound conduct of outsourced activities.

II. OBJECTIVES AND SCOPE

This Manual aims to provide all business and operating units of EastWest Bank (the "Bank") with guiding principles and minimum standards for effective oversight, due diligence, and management of risks arising from outsourcing activities. This Manual also ensures the Bank's compliance with applicable laws, rules and regulations.

It shall be the responsibility of the business and operating units concerned to incorporate such principles and standards in its systems, processes and procedures to adequately identify, monitor and mitigate outsourcing-related risks in its operations.

This Manual shall be applicable for all outsourcing arrangements entered into by the Bank with qualified service providers located within and outside the Philippines.

III. DEFINITION OF TERM

For the purpose of this policy, **Outsourcing** refers to any contractual arrangement between the Bank and a qualified service provider (either an affiliated entity or external to the Filinvest Development Corporation/FDC group) for the latter to perform designated activities on a continuing basis on behalf of the Bank.

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To effectively manage attendant risks, the Bank considers an outsourcing arrangement as **material** if when disrupted, it has the potential to significantly impact the Bank's business operations, reputation, profitability or regulatory responsibilities.

IV. RISKS ASSOCIATED WITH OUTSOURCING

Outsourcing of banking services or select functions exposes the Bank to various risks which need to be evaluated and effectively managed and mitigated. Some of the key risks that may arise from outsourcing are:

1. Strategic Risks: The service provider may conduct business on its behalf which is not consistent with the overall strategic goals of the Bank.
2. Reputational Risks: Poor service from the service provider or its customer interaction may not be aligned with the Bank's customer experience standards.
3. Compliance Risks: Privacy, consumer protection, bank secrecy and other prudential laws may not be adequately complied with by the service provider. These also include exposure to penalties and sanctions from regulators.
4. Operational Risks: Such risks may arise from technology failure, fraud, error, inadequate operational and financial capacity of the service provider to fulfill its obligations to the Bank and its customers and/or provide appropriate remedies.
5. Information Security Risks: These may arise due to a lack of a comprehensive information security program that may result to exposure to risk of confidentiality, integrity and availability of customer and bank data.
6. Legal Risk: These include, but are not limited to, fines, penalties or punitive damages, as well as private settlements due to omissions and commissions of the service provider.
7. Country Risks: These may arise due to political, social or legal climate of the country where the service provider is located.
8. Concentration Risks: These may arise due to lack of control of the Bank over a service provider, especially when a considerable number of services of the Bank are offered by one service provider.

¹ An outsourcing arrangement would have a potential significant impact if its over-all risk assessment is rated at Medium Risk, at the minimum.

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To enable sound and responsive risk management practices of outsourcing activities, the following guiding principles and minimum standards shall be adopted by all business and operating units of the Bank.

V. OUTSOURCING POLICIES

A. Authority to Outsource

EastWest Bank may outsource designated activities without prior BSP approval provided that the Bank's CAMELS Composite Rating² is at least "3" and its Management Rating is not lower than "3".

If the Bank does not meet this regulatory requirement, the concerned Business Unit through Compliance Division shall secure BSP approval for each outsourcing arrangement.

The Bank shall not outsource the following inherent banking functions:

1. Services normally associated with placement of deposits and withdrawals including the recognition based on recording of movements in the deposit accounts;
2. Granting of loans and extension of other credit exposures;
3. Position-taking and market risk-taking activities;
4. Managing of risk exposures; and
5. Strategic decision-making.

B. Governance and Management of Outsourcing Risk

1. The business or operating unit head shall identify and evaluate an outsourcing activity. He shall conduct a risk assessment of an outsourcing arrangement taking into consideration the applicable key risk areas, at the minimum, identified in **Section IV above** and the following factors:

² CAMELS which stands for Capital Adequacy, Asset Quality, Management, Earnings, Liquidity & Sensitivity to market risk is rendered by the BSP Examination Team in its Report on Examination of the Bank as a result of its on-site examination of the Bank's operations.

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- 1.1. Level of importance to the Bank of the activity to be outsourced and potential impact on Bank's operations, financial condition, reputation, and ability to achieve its objectives, strategies and plans, should the service provider fail to perform the services;
 - 1.2. Outsourcing costs in proportion to total operating expenses and compared with costs of developing own infrastructure and expertise;
 - 1.3. Aggregate exposure to a particular service provider, in cases where the Bank outsources various functions to the same service provider;
 - 1.4. Ability to maintain appropriate internal controls and meet regulatory requirements, more so in cases where operational constraints of the service provider exist; and
 - 1.5. Exposure to risk of confidentiality, integrity and availability of customer and Bank data.
2. The Bank shall handle outsourcing with care and due diligence¹.
- 2.1. The proponent business or operating unit (Cluster/Division Head or his Designated Officer) shall conduct the appropriate evaluation of the service provider's technical capabilities, managerial skills, financial viability, familiarity with the financial services industry, and a demonstrated capacity to keep pace with innovation in the marketplace.
 - 2.2. Proposals to outsource shall include a rigorous Cost-Benefit analysis, taking into account both economic factors and potential impacts on existing processes and personnel.

The Cost-Benefit analysis shall include a comparison of cost between investing in creating an internal unit to handle the function and the cost of outsourcing it.
 - 2.3. Proposals shall be approved only where it is supported by a clear and achievable Business Case.

¹ Due diligence is the process of investigation by the Bank, into the details of potential engagement, such as examination of operations and management, as well as verification of material facts and screening against negative lists such as AML watchlist, NFS, etc.

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3. A **Business Case** for outsourcing a banking function/activity/service shall be prepared, detailing the factors enumerated in **Sections V.B.1 and V.B.2 above**.

- 3.1 The Business Case shall include the following:

- a. Description of Activity to be Outsourced
- b. Assumptions*
- c. Risk Assessment of Outsourcing Activity
- d. Cost-Benefit Analysis (including Cash Flow Projections, if applicable)
- e. Implementation Strategy
- f. Performance Monitoring and Review System
- g. List of Potential Service Providers and individual assessment based on accreditation criteria
- h. Recommendation
- i. Appendices

- 3.2 The Business Case shall be prepared and approved as follows:

RESPONSIBLE	RESPONSIBILITY
Proponent Business or Operating Unit - to be evaluated by the concerned Unit Head and endorsed by the Cluster/Division Head or his Designated Officer	<ul style="list-style-type: none"> • Draw up the Business Case • Present Business Case to the President and Board of Directors (Board)
President and CEO	<ul style="list-style-type: none"> • Reviews and approves Outsourcing Business Case
Board	<ul style="list-style-type: none"> • Approves Outsourcing Business Case

- 3.3 It shall be the responsibility of the proponent business or operating unit's Cluster/Division Head or his Designated Officer to secure the approval of the Board for the outsourcing arrangement.

* Examples are key parameters to be used for cost-benefit analysis and business conditions that may impact on outsourcing activity.

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The Minutes of the Board Meeting shall cite the discussion made on the outsourcing proposal, signed by the majority of the Board, certified by the Corporate Secretary.

- 3.4 Upon approval, the proponent business unit's Cluster/Division Head, his Designated Officer or assigned Project Manager (PM) shall develop the implementation strategy as enumerated in the Business Case and come up with a detailed implementation plan which includes among others, key activities/milestones, timelines, business continuity plan and the conduct of performance monitoring and review.
- 3.5 All outsourcing agreements shall be reviewed and cleared by the Legal Services Division (LSD) and when necessary (e.g. review of completeness of the outsourcing contract if in accordance with laws and regulations), by the Compliance Division.³

C. General Qualifications of a Service Provider

The following are the minimum standards in evaluating the qualifications of a service provider.

1. It must exhibit integrity in handling and servicing customers, both internal and external, which is consistent with the standards of the Bank as may be shown by its human resources policies, service philosophies and prior track record in providing services to other financial institutions.
2. It must have financial capacity to fulfill its duties and obligations pursuant to the outsourcing agreement as may be evidenced by its financial statements duly audited by SEC-accredited and Board of Accountancy (BOA)-accredited accounting firms and certified public accountants (CPAs).
 - 2.1 Proof of financial capability such as bank statements or latest internal financial statements shall be submitted by service providers which have been in the business for less than one year for their initial accreditation. Audited financial statements shall then be submitted for continued accreditation and annual performance assessment.

³ Compliance review shall be conducted in accordance with the latest Service Level Agreements.

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3. It must have the technical expertise in carrying out the expected performance and obligations in the outsourcing agreement that may be shown by comprehensive demonstration of its technical capability.
4. It must have the operational capability in the proper handling of the outsourced activity, as may be supported by its defined internal control structure, policies in the prevention of fraud, errors and lapses, audit mechanism and business continuity management.
5. If the service provider is a contractor within the meaning of Department of Labor and Employment ("DOLE") Department Order No. 18-A, Series of 2011 ("DO 18-A"), it (a) must have a valid business permit issued by the Office of the Mayor in the place of business, (b) must have a valid and subsisting registration as a contractor pursuant to DO 18-A, and (c) is an independent business enterprise duly licensed to engage in the business of providing the services for which it has been contracted the Bank.

D. Minimum Documentary Requirements

1. The proponent business or operating unit shall prepare a folder containing necessary documentation to show that an outsourcing arrangement has been properly reviewed and the appropriate due diligence has been undertaken prior to its implementation. This folder shall be safekept by a Designated Officer within the unit and shall be made available during examination by Compliance Division, Internal Audit or BSP examiners.

The unit's Designated Officer shall forward a soft copy of the signed outsourcing contract to LSD for centralized filing of all outsourcing contracts.

2. The following documents shall be kept in the outsourcing folder.
 - 2.1 Final Service Contract duly signed by the authorized signatories of the Bank and the service provider;
 - 2.2 Secretary's Certificate certifying the minutes of meeting of the Bank's Board of Directors, explicitly approving the activity to be outsourced, the determination of whether the outsourcing arrangement is considered material or non-material and the specific service provider with which the Bank is entering into an outsourcing contract;

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- 2.3 When applicable, Secretary's Certificate on the minutes of the meeting of the Service Provider's Board of Directors, approving engagement of the outsourced activity to the Bank in accordance to the terms and conditions in the Final Service Contract;
 - 2.4 Profile of the service provider (i.e. track record, list of clients);
 - 2.5 Business Papers
 - 2.5.1 For Corporation: Articles of Incorporation and By-Laws
 - 2.5.2 For Partnership: Articles of Partnership
 - 2.5.3 For Sole Proprietorship: Department of Trade and Industry (DTI) Certificate of Registration of Business Name
 - 2.6 Audited Financial Statements duly audited by a SEC-accredited auditing firm or BOA-accredited accounting firm or CPA or proof of financial capability as described in C.2.1 above, if applicable;
 - 2.7 Latest Income Tax Return (ITR), if applicable;
 - 2.8 Business/ Mayor's permit;
 - 2.9 Department of Labor and Employment (DOLE) Certificate of Registration or Exemption Certificate, if applicable; and
 - 2.10 Bureau of Internal Revenue (BIR) Certificate of Registration.
- Additional documentary requirements for outsourcing of face-to-face and gathering of KYC documents shall also be in the outsourcing folder
- 2.11 Certification of customer identification system and training program or certified true-copy of their KYC policy; and
 - 2.12 Certification of KYC training conducted, including copies of training materials, hand-outs, attendance etc. The same requirement shall apply should the business or operating unit decide to conduct the training for the counterparty.

E. Minimum Provisions of Outsourcing Agreements

- 1. The following shall be the minimum provisions of any outsourcing agreement.

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- 1.1. Scope or complete description of the work to be performed or services to be provided;
- 1.2. Fee structure;
- 1.3. Provisions governing amendments and pre-termination of contract;
- 1.4. Responsibility, fines, penalties and accountability of the service provider for errors, omissions and frauds;
- 1.5. Confidentiality clause covering all data and information; solidary liability of service provider and Bank for any violation of R.A. No. 1405 [the Bank Deposits Secrecy Law]; actions that the Bank may take against the service provider for breach of confidentiality or any form of disclosure of confidential information; and the applicable penalties;
- 1.6. Segregation of the data of the Bank from that of the service provider and its other clients;
- 1.7. Disaster recovery/business continuity plans and procedures;
- 1.8. Guarantee that the service provider will provide necessary levels of transition assistance if the Bank decides to convert to other service provider or other arrangements;
- 1.9. Access to the financial information of the service provider;
- 1.10. Access of internal and external auditors to information regarding the outsourced activities/services which they need to fulfill their respective responsibilities;
- 1.11. Access of BSP to the operations of the service provider in order to review the same in relation to the outsourced activities/services;
- 1.12. Provision which requires the service provider to immediately take the necessary corrective measures to satisfy the findings and recommendations of BSP examiners and those of the internal and/or external auditors of the Bank and/or the service provider;

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- 1.13. Remedies for the Bank in the event of change of ownership, assignment, attachment of assets, insolvency, or receivership of the service provider;
 - 1.14. Provisions allowing the Bank to cancel the contract by contractual notice of dismissal or extraordinary notice of cancellation if so required by the BSP; and
 - 1.15. Contingency and termination conditions to ensure that both parties have remedies in case of default or non-delivery of required services/obligations.
2. If the Service Provider is a Contractor within the meaning of DO 18-A, the Service Agreement shall include the following:
- 2.1. The specific description of the job, work, or service being subcontracted.
 - 2.2. The place of work and terms and conditions governing the contracting arrangement, to include the agreed amount of the services to be rendered, the standard administrative fee of not less than ten percent (10%) of the total contract cost.
 - 2.3. Provisions ensuring compliance with all the rights and benefits of the employees under the Labor Code and these Rules on: provision for safe and healthful working conditions; labor standard such as, service incentive leave, rest days, overtime pay, 13th month pay and separation pay; retirement benefits; contributions and remittance of SSS, Philhealth, Pag-ibig Fund, and other welfare benefits; the right to self-organization, collective bargaining and peaceful concerted action; and the right to security of tenure.
 - 2.4. A provision on the Net Financial Contracting Capacity of the contractor, which must be equal to the total contract cost.
 - 2.5. A provision of the bond/s as defined in Section 3(m) of the DQLE Order, renewable every year.
 - 2.6. The contractor or subcontractor shall directly remit monthly the employers' share and employees' contribution to the SSS, ECC, Philhealth and Pag-ibig.
 - 2.7. The term or duration of engagement.

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3. All agreements, as well as any amendments thereto, shall be subject to the review and clearance of the Compliance Division and LSD prior to their execution.
4. Additional conditions for outsourcing agreement of face-to-face and gathering of KYC documents:
 - 4.1. For Covered Institution Counterparty
 - a. Written Service Level Agreement approved by the Board of Directors of the Bank and the covered institution counterparty.
 - b. The counterparty has a reliable and acceptable customer identification system and training program in place.
 - c. All identification information and/or documents shall be turned over to the Bank within a period of ninety (90) calendar days, which in turn shall review the documents and conduct the necessary risk assessment of the customer.
 - 4.2. For Non-Covered Institution Counterparty
 - a. All conditions required for covered institution counterparty.
 - b. The Bank shall likewise ensure that the employees or representatives of the counterparty establishing the true and full identity of the customer undergo the equivalent training program as that of the Bank.
 - c. Annual monitoring and review by the Bank of the performance of the counterparty to determine whether or not to continue with the arrangement.
5. Additional details applicable to Information Technology (IT) outsourcing
 - 5.1. Provisions regarding on-line communication availability, transmission line security, and transaction authentication;

¹ Refer to Rule 3.a. of the (RIRR) Revised Implementing Rules and Regulations of RA no. 9160, as amended by RA 9194 and RA 10267 and Section 1 of RA 10365.

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- 5.2. Responsibilities regarding hardware, software and infrastructure upgrades;
- 5.3. Mandatory notification by the service provider of all systems changes that will affect the Bank;
- 5.4. Details of all security procedures and standards;
- 5.5. Adequate insurance for fidelity and fire liability; and
- 5.6. Ownership/maintenance of the computer hardware, software (program source code), user and system documentation, master and transaction data files.

F. Performance Review and Assessment

1. The Cluster/Division Head or his Designated Officer shall conduct the following procedures to assess the business relationship of the Bank with the service provider and the latter's performance vis-à-vis the terms and conditions of the contract.
 - 1.1. At the minimum, conduct an annual evaluation of the performance of the service provider based on the following criteria:

Quality Indicator	Measure
a. Efficiency	<ul style="list-style-type: none"> • Ability to perform the task
b. Effective	<ul style="list-style-type: none"> • Ability to plan for the output of a process
c. Quality	<ul style="list-style-type: none"> • Whether a unit of work was done correctly
d. Timeliness	<ul style="list-style-type: none"> • Whether a unit of work was done on time
e. Productivity	<ul style="list-style-type: none"> • The amount of resources used to deliver the expected work
f. Cost	<ul style="list-style-type: none"> • Ability to stay within budget
g. Compliance with Bank-prescribed risk controls and banking regulations	<ul style="list-style-type: none"> • Any sanctions or penalties imposed

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- 1.2. Depending on the complexity and criticality of the outsourced service or activity as determined in the risk assessment conducted by the business unit, performance assessment may be done more frequently.
2. Conduct continuous monitoring of the service provider's operational and financial performance to mitigate the risk factors associated with outsourcing relationships by evaluating the following factors and reports:
 - 2.1. The service provider's business dealings, contingency planning, support provision and financial condition.
 - 2.2. Audit reports, as well as regulatory examination reports, of the service provider, if available.
3. The Service Level Agreement shall be evaluated annually or depending on the frequency specified per service agreement to determine the quality, efficiency, effectiveness, timeliness, productivity and cost of service rendered by the service provider, and the areas of improvement.
4. All Performance Review and Assessment Reports for a service provider shall be filed in the folder which contains all the supporting documents for the engagement of the service provider (**refer to Section V.D.2**).
5. An independent validation of the service provider's operation shall be conducted when necessary as determined by the Cluster/Division Head or his Designated Officer overseeing the outsourced operation to ensure that the services are being delivered in a manner that is consistent with the Bank's objectives.

G. Intra-Group Outsourcing

1. The guidelines, standards and requirements stated in this Policy Manual shall also be observed when outsourcing within the FDC and banking group (including head office, another branch or related company/ (intra-group outsourcing).
2. The Bank may render services in the ordinary course of its banking business to:

¹ As defined in the Bank's Related Party Transaction Policy.

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- 2.1 Its subsidiaries, affiliates and companies related to it by at least 5% common ownership; or
- 2.2 its own depositors on account of the Bank being a depository.
3. The Bank as a service provider within its group, shall always uphold the:
 - 3.1 Confidentiality of deposits and investments in government bonds as defined under Republic Act No. 1405, as amended;
 - 3.2 Prohibition on cross-selling except as allowed under applicable regulations.

H Off-Shore Outsourcing

1. Policies on Intra-Group Outsourcing above shall also apply in cases of Offshore Outsourcing. Offshore outsourcing exists when the service provider is located outside the country. This is only permitted when the service provider operates in a jurisdiction which upholds confidentiality.
2. When the service provider is located in other countries, the Bank should take into account and closely monitor, on continuing basis, government policies and other conditions in the country where the service provider is based as well as develop appropriate contingency and exit strategies.
3. BSP examiners shall be given access to the service provider and those relating to the outsourced domestic operations of the Bank.
4. BSP may require the Bank to terminate, modify or make alternative outsourcing arrangements or re-integrate the outsourced activity into the Bank, as may be necessary, if confidentiality of customer information, effective customer redress mechanisms or the ability of the BSP to carry out its supervisory functions cannot be assured.

I Reporting

1. All units which engage the services of third party service providers considered as outsourcing shall be required to submit a **Quarterly Report** to Compliance Division duly signed by the Business Compliance Officer and Deputy Business Compliance Officer of the unit **on or before the 10th banking day** of the following month after the reference quarter representing the report of the previous quarter.

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2. The report shall contain the following information. Please see **Annex A** for the report template.
 - 2.1. Name of the Service Provider
 - 2.2. Contract Date, Term and Expiry
 - 2.3. Services outsourced
 - 2.4. Status^a
 - 2.5. Remarks, if needed (ex. Date of termination of agreement; reason for termination)
3. Compliance Division shall prepare a consolidated quarterly report for Business Unit's reference.

J. Termination of Services

In the event that the evaluation and assessment conducted on a service provider resulted to an unsatisfactory rating, the overall qualification of the service provider shall be further evaluated by the business or operating unit to determine if it would warrant recommendation for pre-termination or termination of service contract on the ground that further continuance of the service being rendered by the contractor will be detrimental to the overall operations of the Bank.

Recommendation for pre-termination or termination of contract shall be handled in accordance with the following general guidelines:

- i). A recommendation for pre-termination of outsourcing contracts shall require prior clearance from LSD. The recommendation must state clearly grounds for such pre-termination to enable LSD to assess possible legal risk. Termination of contract on the expiry date or non-renewal thereof will not require clearance from LSD.

^a Status : Active – Within contract and is currently providing services to EWBC; Inactive – Within contract but no services being rendered at the moment; and Terminated – Contract already ended / Terminated due to poor service or non-adherence to what was written in the SLA.

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2. The termination or pre-termination of outsourcing contracts, however, shall be included in the Quarterly Report on Outsourcing Contracts to be submitted to Compliance Division.

K. Transition Management

1. Should the Bank decide to convert to another service provider⁷ or other arrangements, the following shall be considered:

- 1.1. Business Continuity
- 1.2. Impact on Affected Workforce, if applicable
- 1.3. Time-to-Benefit Requirement

2. The proponent business or operating unit shall ensure that the normal operations of the Bank shall not be affected by the transition of the functions to the service provider by drawing up a transition plan of action that shall address the following requirements:

- 2.1. Avoid disruption of existing operations
- 2.2. Maintain/ Improve current service levels
- 2.3. Ensure business controls and regulatory compliance system are in place
- 2.4. Manage change related to operating model, roles and responsibilities
- 2.5. Manage risk at people, process and paper/ technology levels

3. If transition program will impact on some employees of the Bank, Human Resources shall be involved early in the process to ensure that issues on the affected workforce shall be addressed properly and legally. Appropriate communication approach shall be applied in informing the employees concerned.
4. A planned but flexible approach to transition shall be formulated, implemented and reviewed to ensure that the defined objective of speed and cost savings are balanced.

⁷ New service provider should have undergone the same evaluation process as the previous service provider to qualify as replacement.

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L. Redress of Grievances

While the Bank remains ultimately accountable to its customers and counterparties who may be affected by the outsourcing arrangements, it shall hold the third party service provider as principally responsible for any failure to comply with the terms and conditions of their engagement.

Complaints relative to services rendered by a service provider to the internal and external customers of the Bank, received through any of the Bank's communication channels, shall be handled as follows:

1. The complaint shall be communicated to the concerned business or operating unit.
2. The concerned unit shall notify the service provider of the complaint and require the latter to submit a formal answer thereto.
3. The Cluster/Division Head or his Designated Officer shall evaluate the complaint received and the answer of the service provider. He shall refer to the terms of the Contract of Service to determine appropriate sanction to be imposed.
4. The results of such evaluation shall be forwarded to the unit that received the complaint. A formal reply to the customer on his complaint shall then be sent.

Code of Discipline and Ethics (CODE) COMMITTEE CHARTER

I. PURPOSE

CODE Cases :

The Code of Discipline and Ethics (CODE) Committee is responsible in reviewing, deliberating and rendering a fair assessment of alleged administrative violation(s) and in providing a recommendation on the appropriate sanction against erring employee(s) proven to have committed violation(s) against the Bank's policies as embodied in the provisions of the Code of Discipline and Ethics.

The CODE Committee has sole jurisdiction on the following administrative cases:

1. Cases involving fraud regardless of whether or not attendant with loss
2. Operational lapses and or negligence resulting in actual or probable loss(es) equal to or more than Php500,000.00
3. Grave abuse of discretion
4. Conflicts of interest
5. Incidents involving regulatory and reputational risks.

A CODE Hearing Committee shall be created to handle the cases which are under the CODE Committee's jurisdiction and shall be accountable to the CODE Committee.

The CODE Hearing committee shall be composed of four (4) permanent members from Human Resources, Legal, Compliance and Internal Audit Departments and one (1) non- permanent member from the department of the erring employee/ subject of complaint, preferably two (2) ranks higher than the highest-ranking employee in a particular case.

The CODE Hearing Committee shall conduct administrative hearing meetings to enable concerned staff the opportunity to explain his/her side as part of due process and hear witnesses who will provide information about their knowledge of the case.

Further, the CODE Hearing Committee submits to the CODE Committee a summary of their findings and recommendation on the sanction to be imposed, if any.

The recommendation of the CODE Committee is submitted to the CEO and Vice Chairman for final approval.

LINE CASES

For cases involving operational lapses and or negligence resulting in actual or probable loss(es) less than Php 500,000.00, violation of personnel policies and norms of conduct shall be handled by the Head of ER and the Head of Unit concerned and these shall be tagged as **Line cases**.

Human Resources Department shall take the lead in handling Line cases through the Employee Relations Unit.

An administrative hearing committee if warranted shall be organized by Human Resources and composed of at least 5 members that shall be created by Human Resources on an adhoc basis with representatives from the following departments: Legal , Compliance, Audit ,Risk ,Human Resources - Resource person(s) from unit concerned may be invited as necessary. A simple majority of the members shall be required to constitute a quorum and proceed with the hearing.

In handling line cases, the Head of Employee Relations and Head of Units concerned shall be responsible in reviewing, deliberating and rendering a fair assessment of alleged administrative violation(s) and in providing a recommendation on the appropriate sanction against the erring employee(s) concerned following due process.

The sanction shall be reviewed and approved by the Group Head and Human Resources Head.

II. MEMBERSHIP

CODE Committee:

The Code of Discipline and Ethics (CODE) shall be comprised of five (5) voting members and three (3) non – voting members

Five (5) voting members shall be composed of the following:

Chairperson:	Chief Risk Officer
Vice – Chairperson:	Chief Compliance Officer
Members:	Head, Human Resources
	Two(s) Appointees of the CEO/ Vice -Chairman and current(s):
	1. Head, Customer Service
	2. Head, Credit

Three (3) non – voting members to act as resource persons:

- Head, Legal or Deputy
- Internal Audit Head or representative thereof
- Supervising Officer of the involved Unit (Division Head)

Secretariat:

Employee Relations Head
Employee Relations Manager

III. DUTIES and RESPONSIBILITIES

CODE Committee:

1. The Committee shall hold a regular monthly meeting or may convene for special meeting (s) if circumstances warrant.
2. The Committee shall review all documents (incident report, Notice to Explain Memo, Erring Employee's (s) Response to Notice of Explain, attestations, etc. and all other pertinent facts and details gathered by the Investigating / Code of Discipline and Ethics Hearing Committee and by other parties concerned (i.e. Audit) to gain a full view and understanding of case.
3. The Committee shall also review the recommendation of the Code of Discipline and Ethics Hearing Committee and the Line Manager(s) who attended the hearing (s).
4. Based on the recommendations of the Line Manager and the CODE Hearing Committee and the various information obtained as stated in no. 2, the CODE Committee shall deliberate on the merits of the case and renders a recommendation on the appropriate sanction.
The recommendation of the CODE Committee along with its supporting justification and details of the case shall be consolidated and summarized by the Secretariat for submission to the Vice - Chairman and CEO within five (5) banking days from CODE Committee deliberation / decision for final approval.
5. The CODE Committee shall reconvene to further deliberate on the case and submit its final recommendation depending on the opinion or advice rendered by the Vice - Chairman and CEO.
Once the decision of the CODE Committee is approved by the Vice-Chairman and CEO, the Employee Relations Head prepares a resolution/ sanction memo within three (3) days from receipt of the Vice Chairman and CEO's approval.

IV. QUORUM and CONFLICT OF INTEREST:

1. Quorum: Presence of either the Chairperson or the Vice- Chairperson and a simple majority of the Voting Members in attendance (physically or through telephone / video conference) shall constitute a quorum
2. Conflict of Interest: If a committee member is deemed to have a conflict of interest in a matter that is being considered during the deliberation, member concerned shall inhibit him/herself or be excused from Committee discussion on the issue where a conflict of interest may exist.
In lieu of the CODE Committee and at the discretion of the Vice chairman and CEO, an AD Hoc Committee may be formed to handle cases involving Officers with rank of Vice President and above.

V. APPEAL

1. Appeal on sanctions imposed from the approved decision of the CODE Committee shall be addressed to and decided by the Vice - Chairman and CEO.
2. Appeal shall be submitted within five (5) banking days from receipt of resolution / sanction notice.
3. Under CODE Section XIII Appeals, if there is no action from the Vice- Chairman and CEO within ten (10) days from receipt of the appeal or reconsideration then the decision of the CODE Committee shall be deemed final and executory.

VI. GOVERNANCE

I. Fact Finding: Initial Investigation and Incident Report

2.1 The Unit involved undertakes initial investigation and prepares the Incident Report for submission to the Employee Relations under Human Resources. The incident report must contain the following:

- a. Acts and omissions charged
- b. Policy (ies) violated (Code of Ethics and Discipline, Manual and other Bank policy rules or procedures)
- c. Observations and Findings

Minimum requirement to initiate an administrative investigation shall be an Incident Report issued by the Supervisor, Unit Head or Department Head with endorsement of the highest Senior Officer of the Unit (CEO's and or President's one down)

2.2 If the case involves more than one department, losses equal to or more than Php 500,000 arising from operational lapses or negligence, regulatory or reputational risks, account manipulation, fraud, or other complex issues, the investigation will be delegated to the Internal Audit Group. This does not preclude Internal Audit to conduct its own investigation regardless of the amount involved.

2.3 For other cases, the following units may be tasked to conduct initial investigation:

- I. Cases involving security issues- Security Office
- II. Cases involving systems and information technology – IT Risk Management Office
- III. Fraud and other irregularities involving cards- Fraud Control Department
- IV. Violation of Personnel Policies/ Norms of Conduct – Human Resources

2. Administrative Hearing and Responsibility of Hearing Committees:

CODE CASES:

The CODE Hearing Committee shall conduct an administrative hearing meetings to enable concerned staff the opportunity to explain his/her side as part of due process and hear witnesses who will provide information about their knowledge of the case.

The CODE Hearing Committee submits to the CODE Committee a summary of their findings and recommendation on the sanction to be imposed, if any.

LINE CASES:

The Hearing committee shall conduct the hearing sessions with the erring staff concerned, hear witnesses and decide on the appropriate sanction for the case.

The Employee Relations team shall handle coordination of the meetings including preparation of all documents needed for the hearing and implement the decision of the LINE Hearing Committee.

3. DUE PROCESS

The 4 -step procedural due process in administrative proceedings whether these are Line or CODE cases shall be complied with at all times and the following steps should be followed upon submission of the incident report and completion of the initial investigation:

3.1 Issuance of a Notice To Explain (NTE) or Show Cause Memo indicating a summary of the incident, alleged violation of the erring employee (the actual provision from the CODE should be quoted) , the corresponding sanction (based on the CODE) thereof if it is proven that the employee concerned has violated the Bank's policy/ procedures or Code of Ethics and Discipline and the amount of time given to submit a lead reply which is 5 banking days from receipt of the Notice to Explain . It should also be stated that non-submission of a response would be construed as waiver of right to be heard and that the Bank shall decide based on available facts and information.

The NTE shall be served at least two (2) banking days from date of assumption of jurisdiction by either the CODE Committee or LINE.

3.2 Submission of a response to the Notice to Explain within the prescribed period. The erring employee concerned may request for an extension when necessary

3.3 Administrative Hearing – this shall be held with or without a reply within 5 banking days from the due date of the written reply or extension thereof.

During the hearing the employee concerned may bring a counsel representative of his / her choice. However, the counsel cannot address the Hearing Committee. The employee

may confer with the counsel or representative and the latter can replay the message to the Hearing Committee.

3.4 Issuance of a Decision which shall contain at least the synopsis of the case which include findings, alleged violation, corresponding sanction based on the CODE, and the final decision.

For CODE Cases, the final approval shall be rendered by the CEO and Vice Chairman while for Line cases, the final approval on the sanction to be imposed shall be undertaken by the Group Head and the Head of Human Resources.

For both CODE and line cases, the decision letter shall be signed off by the Head of Human Resources and released by the Line Manager concerned.

4. **SECRETARIAT:**

CODE Committee:

The Secretariat shall schedule all committee meetings, prepare the agenda and provide the CODE Committee members with all pertinent documents such as summary of the case (s), results of due process, Line Manager recommendation, CODE Hearing Committee recommendation, etc. and arrange logistical requirements. Likewise, the Secretariat shall prepare minutes of meeting, maintain case documentation, registry and database of disposition of cases and shall coordinate all activities necessary for the disposition of cases.

Line Cases:

The Employee Relations team with the same responsibilities as outlined above shall act as secretariat for line cases if and when administrative hearings are held.

5. **REPORTS:** Semi - annual report on both CODE and Line cases shall be submitted to the Audit Committee by the Employee Relations Head.

VII. **MEETING OF THE CODE and Hearing Committees:**

1. The Committee shall hold a regular monthly meeting or may convene for special meeting (s) if circumstances warrant.
2. Presence of either the Chairperson or the Vice Chairperson and a simple majority of the Voting members in attendance (physically or through telephone / video conference) shall constitute a quorum to deliberate and to decide on the cases included in the agenda
3. Minutes on the discussions and deliberations during meetings shall be prepared by the Employee Relations team.

4. A member who is unable to attend the meeting may still enter his or her opinion / comment on any case by conveying them to the Chairman through email or other electronic means. The opinion/ comment shall be taken into consideration in the discussion
5. Where the Voting member is the Supervising Officer of the Unit involved, he/ she shall inhibit himself/ herself from voting
6. On a case to case basis specially for simple case that need urgent dispositions, the recommendations may be routed among the Members of the Committee for approval