

HSBC Insurance Brokers (Philippines) Inc.
Corporate Governance Report 2021



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Corporate Governance Report 2020

Introduction

Our holding company, HSBC Holdings plc, is a public limited company incorporated in England and Wales. Headquartered in London, HSBC is listed on the London, Hong Kong, New York and Bermuda stock exchanges. The entities that form the HSBC Group provide a comprehensive range of financial services.

HSBC has a matrixed management structure, by which we mean that the group is organised firstly by its global businesses and global support functions as well as by a regional and country oversight model. It uses a global subsidiary model, with locally incorporated subsidiaries complemented by branches in certain territories. The HSBC structure is also influenced by the regulatory framework which applies to it, with many of the group entities being locally regulated.

This global structure helps HSBC to address international, systemic challenges – such as financial crime risk – in a consistent and more effective way. It also helps ensure that each business and function adheres to the culture, the required conduct outcomes and values, with the tone and direction set by the Board through the leadership of the Group Chief Executive.

HSBC Insurance Brokers (Philippines) Inc. (“**INPH**” or the “**Company**”) was incorporated in The Philippines on 06 June 2002 and is a wholly-owned subsidiary of the Hongkong and Shanghai Banking Corporation Limited (“**HBAP**”), with HSBC Holdings plc (“**HSBC PLC**”) as the ultimate parent. The Company is licensed by the Insurance Commission Philippines (“**IC**”) as an insurance broker to engage insurance business in the Philippines.

The Company is guided in its practices by all applicable corporate governance regulations and guidelines that authorities may issue from time to time, as well as internal best practices to the fullest extent possible.

How We are Organised

As mentioned in the introduction, HSBC is organised by its global businesses and global support functions as well as by a regional and country oversight model.

The global businesses are Commercial Banking, Global Banking and Markets and Wealth and Personal Banking. *INPH forms part of the Wealth and Personal Banking Business (WPB).* WPB provides a full range of retail banking and wealth services from personal banking to ultra-high net worth individuals and their families. It offers locally-tailored products and services across multiple channels for customers’ everyday banking needs, as well as **insurance**, investment management and Private Wealth Solutions for those with more sophisticated requirements.

As an insurance broker in the Philippines, the Company distributes insurance products exclusively to WPB customers. INPH has partnerships with Pru Life of UK, Manulife Philippines, AZ PNB Life, Pioneer Insurance and Charter Ping An to distribute their accredited products.

The Company is supported by a number of corporate functions. The functions include Corporate Governance and Secretariat, Communications, Public Affairs, Finance, Compliance, Human Resources, Internal Audit, Legal, Marketing, Risk, Strategy and Planning, Sustainability and Digital Business Services (DBS). DBS provides real estate, procurement, technology and operational services to the business.

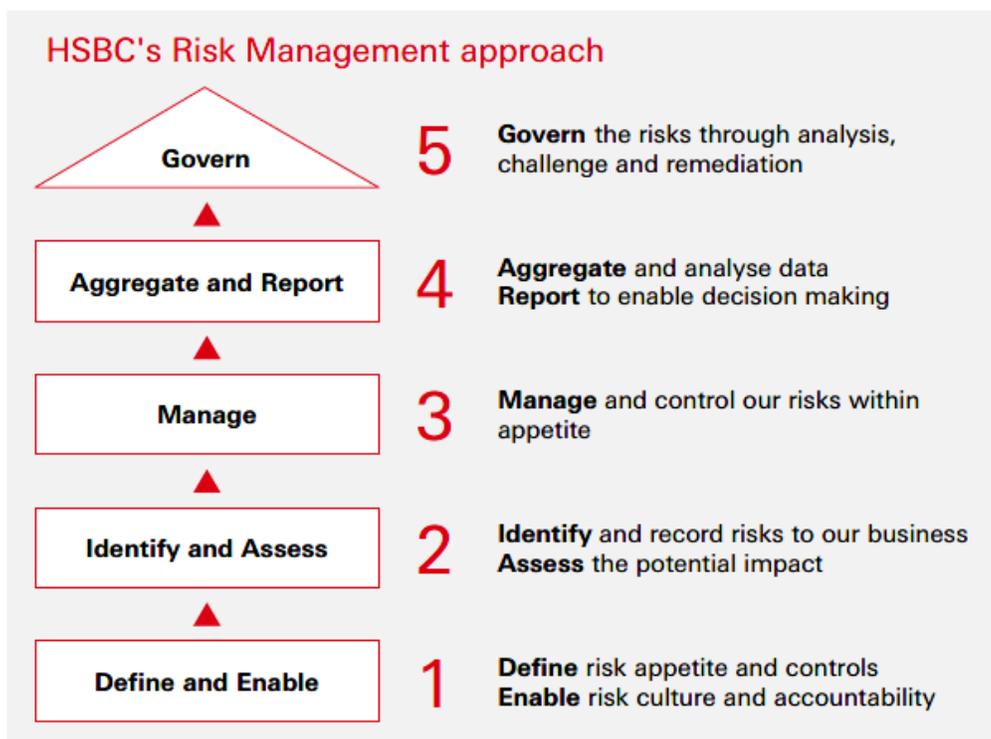
Approach to risk

As part of the HSBC Group, the Company recognises the importance of a strong culture, which refers to our shared attitudes, values and standards that shape behaviours related to risk awareness, risk taking and risk management. All our people are responsible for the management of risk, with the ultimate accountability residing with the Board. We seek to build our business for the long term by balancing social, environmental and economic considerations in the decisions we make. Our strategic priorities are underpinned by our endeavour to operate in a sustainable way. This helps us to carry out our social responsibility and manage the risk profile of the business. We are committed to managing and mitigating climate related risks, both

physical and transition, and continue to incorporate consideration of these into how we manage and oversee risks internally and with our customers.

The focus of our Risk Management Framework is to:

- Manage risk consistently across the HSBC Group
- Have a strong risk culture: managing risk is simply part of how we work
- Be aware of risks, identify our material risks and take better decisions as a result
- Have controls in place to ensure we only take the right type and amount of risk to grow our business safely and within our appetite
- Deliver fair outcomes for customers and help protect market integrity



Enterprise-wide application

Our risk appetite encapsulates the consideration of financial and non-financial risks. We define financial risk as the risk of a financial loss as a result of business activities. We actively take these types of risks to maximise shareholder value and profits. Non-financial risk is the risk to achieving our strategy or objectives as the result of failed internal processes, people and systems, or from external events.

The Company formally articulates risk appetite through Risk Appetite Statement (RAS). Setting out our risk appetite ensures that we agree a suitable level of risk for our strategy. The RAS consists of qualitative statements and quantitative metrics, covering financial and non-financial risks. It is applied to the development of the Company's strategic and business planning. The Company's performance against the

RAS is reported to the Executive Committee, Audit and Risk Committee alongside key risk indicators to support targeted insight and discussion on breaches of risk appetite and associated mitigating actions and escalated to the Board as and when necessary. This reporting allows risks to be promptly identified and mitigated, to drive a strong risk culture.

Risk management

We recognise that the primary role of risk management is to protect our customers, business, colleagues, shareholders and the communities that we serve, while ensuring we are able to support our strategy and provide sustainable growth. This is supported through our three lines of defence model described on the following pages. We also perform periodic risk assessments as and when necessary and use a comprehensive risk management framework across the organisation and across all risk types, underpinned

by our culture and values. This outlines the key principles, policies and practices that we employ in managing material risks, both financial and nonfinancial. The framework fosters continual monitoring, promotes risk awareness and encourages sound operational and strategic decision making. It also ensures a consistent approach to identifying, assessing, managing and reporting the risks we accept and incur in our activities. Our risk management framework The following diagram and descriptions summarise key aspects of the risk management framework, including governance and structure, our risk management tools and our culture, which together help align employee behaviour with our risk appetite.

Key components of our risk management framework.

HSBC Values and risk culture		
Risk governance	Non-executive risk governance	The Board approves the Group's risk appetite, plans and performance targets. It sets the 'tone from the top' and is advised by the Audit and Risk Committee
	Executive risk governance	Our executive risk governance structure is responsible for the enterprise wide management of all risks, including key policies and frameworks for the management of risk within the Company.
Roles and Responsibilities	Three lines of defence model	Our 'three lines of defence' model defines roles and responsibilities for risk management. An independent Local Risk function helps ensure the necessary balance in risk/return decisions.
Processes and tools	Risk Appetite Enterprise-wide risk management tools Active risk management: identification/assessment, monitoring, Management and reporting	The Company has processes in place to identify/assess, monitor, manage and report risks to help ensure we remain within our risk appetite
Internal Controls	Policies and procedures	Policies and procedures define the minimum requirements for the controls required to manage our risks.
	Control activities	Operational and resilience risk management defines minimum standards and processes for managing operational risks and internal controls.
	Systems and infrastructure	The Company has systems and/or processes that support the identification, capture and exchange of information to support risk management activities.

Our responsibilities

All our people are responsible for identifying and managing risk within the scope of their roles as part of the three lines of defence model.

Three lines of defence

To create a robust control environment to manage risks, we use an activity-based three lines of defence model. This model delineates management accountabilities and responsibilities for risk management and the control environment.

The model underpins our approach to risk management by clarifying responsibility and encouraging collaboration, as well as enabling efficient coordination of risk and control activities. The three lines of defence are summarised below:

- The first line of defence owns the risks and is responsible for identifying, recording, reporting and managing them in line with risk appetite, and ensuring that the right controls and assessments are in place to mitigate them.
- The second line of defence challenges the first line of defence on effective risk management, and provides advice and guidance in relation to the risk.
- The third line of defence is our Global Internal Audit function, which provides independent assurance that our risk management approach and processes are designed and operating effectively.

The Board

The Board is responsible for fostering the long-term success of the company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objective and the long-term best interests of its shareholders and other stakeholders.

As a wholly-owned subsidiary of HBAP, majority of the directors are from the Bank. This is to ensure full alignment of corporate objectives and strategies as this structure ensures that the guidelines, controls and policies established at the HSBC Group level are properly implemented. Independent non-executive independent directors are also part of the Board to add professional skills, provide an external perspective, oversight of managerial performance, including prevention of possible conflict of interests and balancing of competing demands of the corporation.

Relationship between the Board and the senior executive team

The roles of Chairman of the Board and Chief Executive Officer are separate, with a clear division of responsibilities between the running of the Board by the Chairman and executive responsibility for running INPH's business, which is undertaken by the Chief Executive Officer.

The Board delegates day-to-day management of the business and implementation of strategy to the Chief Executive Officer. To assist the Chief Executive Officer in her day-to-day management of the Company, she is supported by recommendations and advice from the Executive Committee, an executive forum comprising of senior HSBC management.

Biographical Details of Directors and Management Chairman and executive Directors

Graham David FitzGerald* (46)

Chairman and Non-Executive Director
British

Appointed to the Board: February 2019



Skills and experience: Graham has more than 16 years of experience in banking and financial services in Asia, Middle East and the UK.

Career: Graham held various senior management roles across HSBC since joining in 2004. He was most recently Chief Executive Officer of HSBC Brunei. He joined HSBC Philippines in 2018 as the Country CEO, which experienced a period of significant growth under his leadership. HSBC Philippines was recently awarded as People Asia's Bank of the Year for its extraordinary achievements in business during these challenging times

- President & CEO, HSBC Philippines since October 2018
- Chairman & Non-Executive Director, HSBC Savings Bank since 2018
- Director - HSBC Electronic Data Processing (Philippines), Inc. since 2018
- Chairman & Director, HSBC Finance (Brunei) Berhad until July 2019
- Senior Executive, HSBC International until October 2018
- CEO, HSBC Brunei until July 2018
- Regional Head of Corporate Banking, HSBC Middle East until July 2016
- Regional Chief Operating Officer, Commercial Banking, HSBC Middle East until March 2014
- Senior Manager Corporate, HSBC Hong Kong until December 2012
- Global Relationship Manager, HSBC New Zealand until July 2010
- Senior Commercial Manager, HSBC UK until December 2007
- Regional Manager, Northrop Grumman until January 2004
- Lieutenant – Warfare Officer, Royal Navy until April 2002
- Education: BS Physics University of Waikato

External Appointments:

- Director, European Chamber of Commerce of the Philippines
- Director, Bankers Association of the Philippines

**Graham David FitzGerald resigned as Director and Chairman of the Board effective 31 January 2022.*

Peter George Faulhaber (40)

Vice-Chairman & Non-Executive Director, EXCO Chairman,
Nomination Committee Member
American

Appointed to the Board: April 2019



Skills and experience: Peter has over 10 years of experience in the banking and financial services industry in Asia, Jersey Islands and Middle East.

Career: Peter held various management roles across HSBC since joining in 2010. He is currently the head of Wealth and Personal Banking, Philippines and Vice-Chairman and non-Executive Director of the HSBC Savings Bank.

- Head, Wealth & Personal Banking, Philippines since February 2019
- Vice Chairman & Non-Executive Director, HSBC Savings Bank since 2019
- Head – Retail Distribution Branch Network, Jersey Channel Islands until December 2018
- Regional Head – Retail Banking & Wealth Management Internal Audit, Asia Pacific, Hong Kong until August 2015
- Regional Head – Business Risk & Control Management, RBWM Middle East, Dubai, UAE until August 2013
- Premier Centre Manager, Premier Direct, RBWM Middle East, Dubai, UAE until November 2011
- Premier Team Leader, RBWM Middle East, Dubai, UAE until May 2010
- Associate, MarketBridge, Washington D.C., USA until June 2008
- Education: BA Middle East History, Georgetown University
- MBA – International Business, INSEAD

External Appointments:

- Director, TransUnion Philippines

Jennifer David Infante (47)

President & CEO, Executive Director, EXCO Member, Nomination Committee Chairman Filipino
Appointed to the Board: April 2014



Skills and experience: Jenni has 25 years of experience in the insurance industry, spanning from DMTM, marketing and sales, business development and strategy to deputy CEO.

Career: Prior to joining HSBC in 2006, Jenni held senior sales and marketing positions in Pru Life of UK and CIGNA Philippines. She joined HSBC as Assistant Vice President in Insurance Marketing and moved roles from sales to business development. She is currently the President and CEO of the Company and concurrently the Soliciting Official for both life including variable life and non-life insurance. Jenni held various management roles across HSBC since joining in 2008.

- President & CEO, HSBC Insurance Brokers (Philippines) Inc. since March 2014
- Soliciting Official for life including variable life and non-life since 2013
- Deputy CEO, HSBC Insurance Brokers (Philippines) Inc. in 2013
- Vice-President, Business and Development Strategy, HSBC Insurance Brokers (Philippines) Inc. until 2013
- Vice President-Insurance Sales Head, HSBC Insurance Brokers (Philippines) Inc. until 2012
- Asst. Vice-President-Insurance Marketing, HSBC Insurance Brokers (Philippines) Inc. until Oct 2008
- Asst. Vice-President-Insurance Marketing, HSBC Bank Philippines until Jan 2008
- Senior Manager-Direct Marketing/Telemarketing, Pru Life of UK until May 2006
- Senior Account Manager, CIGNA-INA until August 1999
- Education: BSC Business Management, St. Paul College of QC

External Appointments: None

Michelle Yambot Lopinto (47)**

Executive Director and Treasurer, EXCO Member Filipino
Appointed to the Board: February 2019



Skills and experience: Michelle is a Certified Public Accountant and has over 25 years of experience in the banking and finance industry.

Career: She is currently the Chief Accounting Officer of HSBC Bank Philippines and the Treasurer and Director of HSBC Insurance Brokers (Philippines) Inc.

- Treasurer and Director, HSBC Insurance Brokers (Philippines) Inc. since Feb 2019
- Chief Account Officer, HSBC Bank Philippines since December 2018
- First Vice President, Controller, RCBC Savings Bank until December 2018
- Vice President, Controller, RCBC Savings Bank until June 2018
- Vice President, Deputy Controller, RCBC Savings Bank until October 2016
- Senior Assistant Vice President-Head of Performance Management, Country Finance Standard Chartered Bank, until May 2015
- Assistant Vice President-Head of Consumer Banking Finance, Standard Chartered Bank until September 2013
- Business Finance Manager-Consumer Bank Finance, Standard Chartered Bank, until January 2009
- Manager-Department Head of Financial Reporting and Analysis Department, Equitable PCI Bank (now BDO) until June 2006
- Senior Assistant Manager-Department Head of Financial Reporting and Analysis Department, Equitable PCI Bank (now BDO) until December 2004
- Assistant Manager-Department Head of Financial Reporting and Analysis Department, Equitable PCI Bank (now BDO) until December 2002
- Junior Assistant Manager-Department Head of Financial Reporting and Analysis Department, Equitable PCI Bank (now BDO) until December 2000
- Education: Bachelor of Science in Accountancy, De La Salle University
- Certified Public Accountant

External Appointments: None

***separated from the Bank since November 2021.*

Colin Andrew Drummond (49)

Non-Executive Director, ARC Member
British

Appointed to the Board: November 2017



Skills and experience: Colin has 29 years of banking and financial services experience in Hong Kong, Singapore and in the UK and have worked in Retail, Commercial, Global Banking Markets and Private Banking and have had roles in all 3 lines of defense.

Career: Prior to joining HSBC, Colin spent 2 years in Singapore working for Standard Chartered. Before that, he worked for Royal Bank of Scotland for 22 years both in Hong Kong and the UK across a broad range of roles. Colin set up the Business Risk Control Management in HSBC Asia-Pacific before moving on to become the Head of Sales Quality. He then returned to the Asia Pacific team as Head of Business Oversight, before being appointed as Chief Control Officer. Currently, he is a non-Executive Director of the HSBC Savings Bank.

- Chief Control Officer, Retail Banking & Wealth Management Asia Pacific, HSBC Hong Kong since May 2017
- Non-Executive Director, HSBC Savings Bank since 2017
- Head of Business Oversight, Retail Banking & Wealth Management Asia Pacific, HSBC Hong Kong until April 2017
- Head of Private Banking, Standard Chartered Bank, Singapore until May 2012
- Head of Operational Risk, The Royal Bank of Scotland Group plc, Hong Kong until September 2010
- Acting Head of Wealth Management Operational Risk, The Royal Bank of Scotland Group plc, Hong Kong until November 2008
- Head of Operational Risk, Coutts UK, The Royal Bank of Scotland Group plc, Hong Kong until April 2008
- Manager, Wealth Management Operational Risk Review, The Royal Bank of Scotland Group plc until January 2006
- Education: Higher Level Education, Beath High School

Margarita Patricia Foronda (51)

Executive Director and Treasurer, EXCO Member
Filipino

Newly Appointed to the Board: November 2021



Skills and experience: Margot is a Certified Public Accountant. She started her career with HBAP Finance in 2001 as Assistant Manager of Regulatory Reports. Her professional experience spans for 20 years in the field of management information, financial reporting and advisory.

Career: She is currently the Vice President of Financial Control of HBAP Finance and the Treasurer and Director of HSBC Insurance Brokers (Philippines) Inc.

- Treasurer and Director, HSBC Insurance Brokers (Philippines) Inc. since Nov 2021
- Vice President, Financial Control since Mar 2020
- Vice President, Financial Reporting and Advisory since Mar 2016
- Vice President, Financial Reporting since Dec 2011
- Manager, ASP MI Policies and Special Projects since May 2011
- Vice President, Financial Reporting since May 2010
- Manager, Financial Reporting since Dec 2008
- Manager, Management Information since Nov 2006
- Education: Bachelor of Science in Business Administration major in Accounting, Miriam College
- Certified Public Accountant

Atty. Florina de Paz Tan (43)

Corporate Secretary

Filipino



Skills and Experience: Florina has significant governance experience in the financial and property industry.

Career: Florina spent twelve years at the Balgos and Perez Law Offices from associate before ascending to becoming the firm's partner in 2015. She was appointed as the Company's Corporate Secretary in 2013.

Independent non-executive Directors

Ma. Theresa Xerez-Burgos Loanzon (68)

Independent non-executive Director, ARC Member
Filipino

Appointed to the Board: July 2014



Skills and experience: Tess has more than 25 years of experience in the financial services industry, working in the retail banking industry.

Career: Tess began her banking career as branch manager for one of the largest local banks in country, Bank of the Philippine Islands. She joined HSBC in 2002 and held a number of senior roles in HSBC retail banking where she provided leadership, coaching, sales management and sustainable customer relationship management. She also handled branch audit and executed retail branch operations.

- Senior Vice President, Head of Area Retail Banking, HSBC Savings Bank (Philippines), Inc. until December 2009
- Vice President, Head of Area Retail Banking, HSBC Savings Bank (Philippines), Inc. until December 2008
- Premier Business Head - South, HSBC Savings Bank (Philippines), Inc. until March 2008
- Vice President, Personal Financial Services Sales, HSBC Savings Bank (Philippines), Inc. until August 2005
- Assistant Vice President, Personal Financial Services Sales, HSBC Savings Bank (Philippines), Inc. until March 2005
- Assistant Vice President, Sales HSBC Savings Bank (Philippines), Inc. until September 2002
- Assistant Vice President, Cluster Head (Alabang Branch) & Business Center Head (Alabang, Binondo and Quezon City), BA Savings Bank/ ABN-AMRO Savings Bank until 2002
- Branch Manager (Alabang Branch) & Senior Manager (AVP) - Head of Branches Conventional Systems, Bank of the Philippine Island until 1991
- Education:
 - Masters of Business Administration, De La Salle University, Manila
 - Liberal Arts Major in Mathematics, St. Theresa's College

External Appointments: None

- Director, Training & Education Company / LandCo Training Corporation until 1993

Homer Salangsang Figueroa (60)

Independent non-executive Director, ARC Chairman,
Nomination Committee Member
Filipino

Appointed to the Board: August 2020



Skills and experience: Homer is a Certified Public Accountant with more than 18 years of working experience in both corporate finance and internal audit. He also has an extensive knowledge of financial crime compliance.

Career: Homer served as Senior Vice-President of Management of Internal Control of HSBC Philippines and head of internal audit of HSBC Savings Bank Philippines between 2006 to 2013. After his career in HSBC, he joined a local bank, Bank of Commerce Philippines as the senior vice president of internal audit until 2014. Between 2016 to 2017, he provided financial crime compliance assurance services to HSBC.

- Finance Crime Compliance Specialised Assurance Lead - HSBC Philippines from May 2016 until Aug 2017
- Senior Vice President of Internal Audit – Bank of Commerce Philippines until Jun 2014
- Senior Vice President of Management of Internal Control – HSBC Philippines
- Head of Internal Audit – HSBC Savings Bank Philippines until Mar 2013
- Vice President of Management of Internal Control – HSBC Philippines until Aug 2006
- Vice President of Makati Branch – HSBC Philippines until May 2004
- Asst. Vice President Makati Branch – HSBC Philippines until December 2003
- Asst. Vice President Ortigas Branch – HSBC Philippines until Jul 2003
- Asst. Vice President Financial Accounting – HSBC Philippines until Aug 2001
- Manager, Financial Control, Personal Banking until Jul 1998
- Bank Examiner, Central Bank of the Philippines until 1990
- Branch Staff, Philippine National Bank until 1987
- Education:
 - Masters of Business Administration, De La Salle University
 - Bachelor of Science in Business Administration in Accounting, University of the East
 - Bachelor of Science in Business Administration major in Banking and Finance, University of the East
- Certified Public Accountant

External appointments: MIPOLCO (Minalin Poultry Cooperative), Executive Director

Management

The management comprises officers who support the President and CEO in the day-to-day management of the business and the implementation of strategy.

The management of regulatory compliance risk and financial crime risk resides with the Compliance Officer and Anti-Money Laundering Compliance Officer.

Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making. All our people have a role to play in risk management. These roles are defined using the three lines of defence model, which takes into account our business and functional structures.

The Chief Risk Officer, holds executive accountability for the ongoing monitoring, assessment and management of the risk environment and the effectiveness of the risk management framework. The Chief Risk Officer is also responsible for the oversight of reputational risk, with the support of the Group Reputational Risk Committee.

Stephanie Roque Acuyado[^] AML Compliance Officer	Maria Cathrina Ancheta^{^^} AML Compliance Officer	Veronica Arias Compliance Officer	Mary Ann Ramirez Risk Officer
 <p>Steph was appointed AML Compliance Officer of HSBC Insurance Brokers (Philippines) Inc. in 2011; the same year she was appointed as Senior Vice President in Financial Crime Compliance in HSBC Philippines. Steph was previously the Operations, Risk and Reports Officer of HSBC Insurance Brokers for 5 years.</p> <p><i>[^]resigned as AML Compliance Officer in June 2021.</i></p>	 <p>Rina was appointed AML Compliance Officer of HSBC Insurance Brokers (Philippines) Inc. in June 2021. She is currently the Head of Financial Crime and Money Laundering Reporting of the Bank. Prior to her current role, she was the Country Head of Financial Crime Threat Mitigation (FCTM) in HBAP. Her previous roles in HBAP were as Senior Financial Crime Compliance for ASP FCC CMB and Anti-Money Laundering Investigations Coordinator. She has been with HBAP since 2015</p> <p><i>^{^^}appointed by the Board in June 2021.</i></p>	 <p>Rona joined HSBC Philippines in 2010 working in the management of internal controls of the retail banking business prior to moving into regulatory compliance in 2013. She was appointed Local Compliance Officer of HSBC Insurance Brokers (Philippines) Inc. in 2015.</p>	 <p>Maan is the Senior Vice President, Country Head of Operational Risk of HSBC Philippines since 2018. She was appointed Chief Risk Officer of HSBC Insurance Brokers (Philippines) Inc. in 2019.</p>

How we are governed

As a member of the HSBC Group, the Company is required to operate at the highest possible standard, whether this standard is applied as a global approach by the HSBC Group or as a result of local regulatory expectation. Acknowledging that the HSBC Group's Company Secretary's Global Function maintains a fully developed Functional Instruction Manual which sets out a globally consistent approach to the application of corporate governance policy, processes. Procedure and practice, this applies only in so far as there is no conflict with any local legislative or regulatory requirements.

Operation of the Board

The Board is ordinarily scheduled to meet at least four times a year. The annual stockholders meeting is scheduled every June. The Board regularly reviews reports on performance against financial and other strategic objectives, key business challenges, risk, and business developments.

Board induction and training

On appointment, new Board members are provided with tailored, comprehensive induction programmes to fit with their individual experiences and needs. An early focus on induction supports good information flows within the Board and its committees and between senior management and non-executive Directors, providing a better understanding of our culture and way of operating.

Typical induction and training topics include those that focus on HSBC values, culture and leadership; governance arrangements and directors' duties.

Each non-executive independent director carries out mandatory training modules that mirror the training undertaken by all HSBC employees. Training is delivered through a specially designed mobile application so directors could access it easily. Modules included the following topics:

- the management of risk under the enterprise risk management framework, with a focus on operational risk;
- the importance of health, safety and well-being;
- data privacy and the protection of data of our customers and colleagues;
- combating financial crime, which involves understanding how we deal with money laundering, sanctions, and bribery and corruption risks; and
- the importance of our values and conduct.

Requirements for director appointments

Appointments to the Board are made on merit and candidates are considered against objective criteria, having regard to the benefits of a diverse board. A rigorous selection process is followed for the appointment of directors and senior employees. Directors are nominated for annual re-election via the Annual Stockholders Meeting held every June.

Role of the Board committees

Committees are smaller groups delegated by the full Board to provide advice on and oversight of the INPH's different activities. Only independent non-executive directors are able to be members of Board committees.

Group Audit and Risk Committee reviews matters relating to financial reporting and the effectiveness of internal financial control systems. It also safeguards the independence of the Group's internal audit function and oversees its performance as well as monitoring the effectiveness of the external auditor. It is also responsible for overseeing the Group's Whistleblowing Policy. It also undertakes oversight of enterprise risk management, risk governance and internal control systems (other than internal financial control systems). It also has responsibility for oversight of matters related to financial crime and system abuse, in particular anti-money laundering, sanctions, terrorist financing and proliferation financing and anti-bribery and corruption.

Nomination Committee leads the process for Board appointments and approves appointments to the boards of directors.

EXCO Committee assists the Board in fulfilling the day to day operation of the business of the Company by acting upon such matters as the Board may entrust to it for action.

Succession planning

The Company uses “Everyday Succession Management (ESM)”. This is the practice of identifying critical positions within the bank, identifying the capabilities and experience required to be successful in those positions and then identifying and developing potential successors.

Critical positions are those that:

- Compared to other positions at the same level, are strategically important and/or high risk. This could include positions which are expected to grow in scope and importance in the future; or
- Are required by the regulator; or
- Require a critical capability or skill for which there is a limited market supply internally or externally.

To ensure the robustness and validity of succession plans, leaders are asked to apply the following principles in the creation of succession plans:

- Potential successors are identified and categorized based on their readiness in assuming the target role:
 - a. Emergency Cover – temporarily hold the role while the process to identify and appoint a more permanent role holder is ongoing
 - b. Ready Now – may take on the role once it becomes vacant
 - c. Develop in Role – a few key development areas need to be addressed while in their current role
 - d. 1 to 2 Roles Away – would benefit from broader or deeper experience gained through taking on other roles in preparation for the target role
- Diversity – Potential successors should be drawn from the widest pool of talent in order to meet HSBC’s diversity and inclusion aspirations
- Transparency – Open conversations with all successors and their line managers should be held throughout the process
- Future-focused – The way in which the role is likely to change in the future should be taken into account in identifying relevant successors
- Enterprise view – Plan owners should engage in cross-business/function/region dialogue to ensure they nominate successors with an enterprise view in mind. They should also agree on any amendments made to previously agreed plans
- Development plans – identified successors should be supported to create robust individual development plans.

Managing Related Party Transactions

The Board is responsible for reviewing the Company’s transactions with its related parties to ensure these have been conducted in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations. To this end, the Board has set out procedures for the effective oversight of related party transactions

The Company refers to the HSBC Group Guidelines on Related Party Transactions. All employees are expected to assist in the identification of related party transactions, and in the prevention or management thereof, and to act with integrity and exercise good judgment with the requisite degree of independence and objectivity. They should raise any related party transactions or conflicts of interest in a prompt and appropriate manner, using available escalation channels. Loans entered into with a director, stockholder, officer, related interests or related parties, as well as exceptional transactions (other than loans) as defined in the guidelines, need to be reviewed and approved by the Board of Directors to ensure that these transactions are conducted on an arms’ length basis and that the terms and conditions thereof remain fair and equitable to the Company.

In the ordinary course of business, the Company has various transactions with its related parties which includes normal transactions and an agreement to provide services and use of equipment.



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