

II. DEFINITION OF TERMS - For purposes of this Code, the following terms are defined as follows:

1. **Corporate Governance** - the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders.

Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior - reconciling long-term customer satisfaction with shareholder value - to the benefit of all stakeholders and society.

Its purpose is to maximize the organization's long-term success, creating sustainable value for its shareholders, stakeholders and the nation.

2. **Board of Directors** - the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties. The term shall also include Board of Trustees.

3. **Director** - as used in this Code shall also refers to a Trustee' 4. **Management** - a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation.

5. **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 judgment in carrying out his responsibilities as a director.

6. **Executive director** - a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.

7. **Non-executive director** - a director who has no executive responsibility and does not perform any work related to the operations of the corporation.

8. **Conglomerate** - a group of corporations that has diversified business activities in varied industries, whereby the operations of such businesses are controlled and managed by a parent corporate entity.

9. **Internal control** - a process designed and effected by the board of directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures.

10. **Enterprise Risk Management** - a process, effected by an entity's Board of Directors, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

11. **Entity** - shall also refer to a company.

12. **Related Party** - shall cover the company's subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the company exerts direct or indirect control over or that exerts direct or indirect control over the company; the company's directors; officers; shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the company.

13. **Related Party Transactions** - a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

14. **Shareholder** - refers to an owner of a share of stock in a company. For the purpose of this Code, the term shareholder shall also refer to a member of a nonstock non-profit entity.

15. **Stakeholders** - any individual, organization or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

CODE OF CORPORATE GOVERNANCE

FOR

INSURANCE COMMISSION REGULATED COMPANIES

AVENUES INSURANCE BROKERS, INC.

I. INTRODUCTION

1. The Code of Corporate Governance is intended to raise the corporate governance standards of Insurance Commission Regulated Companies (ICRCs) to a level at par with its regional and global counterparts. The latest G20I Organisation for Economic Co-operation and Development Principles of Corporate Governance, the Association of Southeast Asian Nations Corporate Governance Scorecard and the Code of Corporate Governance for Publicly Listed Companies issued by the Securities and Exchange Commission (SEC) were used as key reference materials in the drafting of this Code.
2. The Code will adopt the "comply or explain" approach. If a company cannot comply with the Code, it must identify any areas of non-compliance, explain the reasons, and provide action plan to address non-compliant areas in the annual corporate governance report. 3. The Code is arranged as follows: Principles, Recommendations and Explanations.
4. The Principles can be considered as high-level statements of corporate governance good practice, and are applicable to all companies.
5. The Recommendations are objective criteria that are intended to identify the specific features of corporate governance good practice that are recommended for companies operating according to the Code. Alternatives to a Recommendation may be justified in particular circumstances if good governance can be achieved by other means. When a Recommendation is not complied with, the company must disclose and describe this non-compliance, and explain how the overall Principle is being achieved. The alternative should be consistent with the overall Principle. The annual corporate governance report shall contain the descriptions and explanations written in plain language and in a clear, complete, objective and precise manner, so that shareholders and other stakeholders can assess the company's governance framework.
6. The Explanations strive to provide companies with additional information on the recommended best practice.

1 SEC Memorandum Circular No. 19, Series of 2016

7. The Code of Corporate Governance for Insurance Commission Regulated Companies is intended to cover all corporations in the Philippines under supervision of the Insurance Commission (IC).