CR05101-2022

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Philippine National Bank
PNB

PSE Disclosure Form 17-18 - Other SEC Forms/Reports/Requirements

Form/Report Type	Manual on Corporate Governance
Report Period/Report Date	Jul 25, 2022

Description of the Disclosure

We are pleased to furnish the Exchange a copy of the Manual on Corporate Governance of the Bank.

We trust you will take note accordingly. Thank you.

Filed on behalf by:

Name	Ruth Pamela Tanghal
Designation	Corporate Secretary

Corporate Secretary's Office
Direct Line/Telefax No.: 8834-07-80
Trunk Lines: 8891-6040 to 70
Local: 4582

CERTIFICATION

I, **RUTH PAMELA E. TANGHAL**, Corporate Secretary of the Philippine National Bank ("PNB"), a universal banking corporation duly registered under and by virtue of the laws of the Republic of the Philippines with SEC Registration No. ASO96-005555, and with principal office address at the PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City, Metro Manila, on oath state:

1. That I have caused this Manual on Corporate Governance to be prepared on behalf of PNB;

2. That I read and understood its contents which are true and correct based on my own personal knowledge and/or on authentic records;

3. That the company, PNB, will comply with the requirements set forth in SEC Notice dated May 12, 2021 to effect a complete and official submission of reports and/or documents through electronic mail;

4. That I am fully aware that submitted documents which require pre-evaluation and/or payment of processing fee shall be considered complete and officially received only upon payment of the filing fee; and

5. That the e-mail account designated by the company pursuant to SEC Memorandum Circular No. 28, s. 2020 shall be used by the company in its online submission to CGFD.

IN WITNESS WHEREOF, I have hereunto set my hand on JUL 25 2022 in Pasay City, Metro Manila, Philippines.

RUTH PAMELA E. TANGHAL
Corporate Secretary

SUBSCRIBED AND SWORN to before me on JUL 25 2022 in Pasay City, affiant exhibited to me her TIN 216-805-132.

Doc. No. 188
Page No. 39
Book No. XIV
Series of 2022.

ATTY. MICHELLE A. PAHATI
Notary Public for Pasay City
Commission No. 21-14; valid until 12-31-22
Roll No. 45737/Lifetime Member No. 013500
PTR No. 7700529/ 05 January 2022/ Pasay City
PNB Financial Center, Pres. Macapagal Blvd., Pasay City

COVER SHEET

A	S	O	9	6	-	0	0	5	5	5	5

S.E.C. Registration Number

PHILIPPINE NATIONAL BANK

Company's Full Name)

9th Floor PNB Financial Center

Macapagal Blvd., Pasay City

Metro Manila

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

RUTH PAMELA E. TANGHAL Corporate Secretary Contact Person	**8834-0780** Company Telephone Number

1 2	**3 1**	**Manual on Corporate Governance**	**April 26**
Month	*Day*	FORM TYPE	*Month* *Day*
Fiscal Year			Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.	Amended Articles Number/Section

Total amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number	LCU
Document I.D.	Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

Philippine National Bank

July 20, 2022

MS. RACHEL ESTHER J. GUMTANG-REMALANTE
Director, Corporate Governance and Finance Department
Securities and Exchange Commission
G/F Secretariat Building
PICC Complex, Roxas Boulevard
Pasay City

Dear Ms. Gumtang-Remalante:

We are pleased to submit Philippine National Bank's ("PNB", the "Bank") Manual on Corporate Governance, duly approved by the Board of the Directors in its meeting held on June 24, 2022.

The provisions of this Manual have been updated to align with the requirements of the following rules and regulations:

1. BSP Circular No. 1129, Series of 2021 on the Amendments to Corporate Governance Guidelines for BSP-supervised financial institutions (BSFIs)
2. BSP Circular No. 1136, Series of 2022 on the Amendments to the Regulations on Confirmation of the Election/Appointment of Directors/Trustees/Officers

The amendments and revisions introduced in the latest review of the Manual include:

1. Policy on directors' interlocking positions as an officer and/or director
    - Incorporated the policy statement and coverage of the policy.
    - Specified the roles and responsibilities of the Corporate Secretary's Office (CSO), Subsidiaries and Affiliates Division (SAAD), International Banking and Remittance Group (IBRG), and Global Compliance Group (GCG) in the processing and cancellation of directors' interlocking positions.
    - Enumerated reporting requirements on interlocking positions pursuant to applicable BSP regulations.

2. Confirmation of the election or appointment of directors and officers
    - Incorporated the amended provision on confirmation of the election or appointment of directors and officers.
    - The amendments aim to limit the coverage of Bangko Sentral confirmation of appointment of officers of supervised financial institutions and to streamline the

documentary requirements in the confirmation of election/appointment of directors and officers of the Bank.

Should you wish further information or clarification regarding the Manual, please do not hesitate to contact us. Thank you very much.

Very truly yours,

FEDERICO C. PASCUAL
Chairman of the Board of Directors

ISAGANI A. CORTES
Executive Vice President and Chief Compliance Officer

Philippine National Bank

2022 Corporate Governance Manual

IMPORTANT: This document is proprietary to Philippine National Bank and no part of this material should be shared or disclosed to third parties without the express written authorization of Philippine National Bank, Global Compliance Group.

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I. Policy Statement

Philippine National Bank ("PNB", the "Bank") subscribes to the highest standards of corporate governance as we believe that good governance supports long-term value creation. PNB adheres to the values of integrity, ethics, and good governance in the conduct of its business and affairs in order to strengthen the safety and soundness of its operations, which in turn, increases public confidence and trust.

PNB is committed to a corporate governance framework guided by the principle that:

"Good governance needs to be embedded in the corporate culture as deeply as the desired corporate goals of achieving the revenue targets and expense management and in the process preserve the franchise value of the Bank."

Our corporate governance framework is anchored on accountability, prudence, ethics, and responsible business practices cutting across all levels of the enterprise. This framework is designed to provide a solid foundation for the consistent conduct of our affairs and withstand the demands of strict and rigorous supervision, examination, disclosure, and best practices.

This Corporate Governance Manual and the policies contained herein document PNB's obligations and expectations in institutionalizing the principles of good corporate governance in the entire PNB Group. These are reinforced regularly at all levels of the Bank.

Furthermore, this Manual provides guidance for employees on good corporate governance practices. Generally, these guidelines are principles-based and are not prescriptive. Hence, directors, advisors, officers and employees are expected to exercise judgment in evaluating whether heightened standards should be adopted, taking into consideration the nature and complexity of the particular area of responsibility.

The provisions of this Manual are aligned and consistent with the requirements of the following laws, rules, regulations and prevailing best practices:

a. Relevant provisions of the Manual of Regulations for Banks (MORB), as amended, and other issuances of the BSP not yet incorporated in the MORB;
b. SEC Memorandum Circular No. 19, Series of 2016: Code of Corporate Governance for Publicly Listed Companies;
c. Republic Act No. 11232 otherwise known as the Revised Corporation Code of the Philippines, and its implementing rules and regulations;
d. ASEAN Corporate Governance Scorecard; and
e. PNB's Amended By-laws, Articles of Incorporation, and other internal policies and procedures

The provisions of this Manual apply to the Bank's directors, advisors, officers, and employees in the head office, domestic branches and subsidiaries, and, if applicable depending on the host country rules, overseas branches/offices and foreign subsidiaries as well.

II. Corporate Governance Structure

Good governance is led from the top by the Board of Directors and cascaded throughout PNB. The Board serves as the governing body elected by shareholders to exercise the corporate powers of the Bank and conduct all its business. PNB Board is vested with the focal responsibility of promoting a culture of strong governance in the organization, through adopted policies and displayed practices.

A. Board of Directors

1. Definition of Directors

Directors shall include[1]:

1.1. directors who are named as such in the articles of incorporation;

1.2. directors duly elected in subsequent meetings of the stockholders; and

1.3. those elected to fill vacancies in the board of directors.

2. Classification of Directors

2.1. An executive director is a person who has executive responsibility of day-to-day operations of a part or the whole of the Bank[2].

2.2. A non-executive director is a person who has no executive responsibility and does not perform any work related to the operations of the corporation. It shall refer to those who are not part of the day to day management of operations and shall include the independent directors. However, not all non-executive directors are considered independent directors[3].

2.3. An independent director is 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

[1] Section 131, Manual of Regulations for Banks (MORB)

[2] Section 131, Manual of Regulations for Banks (MORB)

[3] Section 131, Manual of Regulations for Banks (MORB)

independent judgment in carrying out his responsibilities as a director[4]. It shall refer to a person who[5] –

2.3.1. is 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;

2.3.2. is 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;

2.3.3. is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the Board of Directors of the Bank, or in any of its related companies or of its majority corporate shareholders;

2.3.4. is not a close family member of any director, officer or stockholder holding shares of stock sufficient to elect one (1) seat in the Board of Directors of the Bank or any of its related companies or of any of its substantial stockholders;

2.3.5. is 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;

2.3.6. is 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;

2.3.7. is 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;

[4] Definition of Terms, SEC Memorandum Circular 19, Series of 2016
[5] Section 131, Manual of Regulations for Banks (MORB)

2.3.8. was 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 of Directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his appointment;

2.3.9. is not affiliated with any non-profit organization that receives significant funding from the Bank or any of its related companies or substantial shareholders; and

2.3.10. is not employed as an executive officer of another company where any of the Bank's executives serve as directors.

3. Composition of the Board

3.1. Size and Composition

The Board should be composed of directors with a collective working knowledge, experience or expertise that is relevant to the company's industry/sector. The Board should always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction[6].

Pursuant to Sections 15 and 17 of Republic Act No. 8791 otherwise known as The General Banking Law, the Bank's Board of Directors is composed of fifteen (15) members, commensurate to the size and complexity of the Bank's operations. The directors shall be elected by the stockholders entitled to vote during the annual meeting of the stockholders and shall hold office for one (1) year and until their successors are elected and qualified in accordance with the Bank's By-Laws.

To the extent practicable, the members of the Board of Directors shall be selected from an extensive pool of qualified candidates. Non-executive directors, who shall include independent directors, shall comprise at least

[6] Recommendation 1.1, SEC Memorandum Circular 19, Series of 2016

majority of the Board of Directors to promote the independent oversight of management by the Board[7].

3.2. Board Diversity[8]

Board diversity is not an end of itself. Instead, it is a means to develop an enabling environment which allows the Bank to leverage on the diverse background and expertise of its individual directors, foster innovation, and achieve a balanced approach in making sound and objective board decision. As such, the Bank recognizes and welcomes diversity in the Board of Directors to avoid groupthink and ensure that optimal decision-making is achieved.

In designing the Board's composition, diversity shall be considered from various aspects including but not limited to age, gender, ethnicity, cultural and educational background, skills, competence and knowledge. These variables shall be taken into account in the selection and nomination of candidates to the Board. The Board shall also strive to ensure that there is appropriate representation of women in the Board.

Moreover, the Board shall recognize that both social diversity (e.g., gender, race/ethnicity, and age diversity) and professional diversity are both important for bringing diverse perspectives in order to arrive at thorough and sound decisions on matters that require the Board's approval.

3.3. Nomination and Election of Directors[9]

The Corporate Governance Committee, acting as the Bank's Nomination Committee and assisted by the Corporate Secretary, shall observe the following process and criteria for receiving and evaluating nominations to the Board in accordance with the Bank's By-Laws and applicable requirements stipulated under existing laws including, but not limited to, the Revised Corporation Code and its implementing rules and regulations.

The Corporate Governance and Sustainability Committee, assisted by the Corporate Secretary, shall promulgate guidelines and procedures governing

[7] Section 132, Manual of Regulations for Banks (MORB)

[8] Recommendation 1.4, SEC Memorandum Circular 19, Series of 2016

[9] Recommendation 2.6, SEC Memorandum Circular 19, Series of 2016

the conduct of the nomination and election of directors, which shall be disclosed in the Bank's information statement which is submitted to the Securities and Exchange Commission (SEC).

3.3.1. **Procedure for the Nomination of Directors**

3.3.1.1. All shareholders shall have the right to nominate, elect, remove and replace directors in accordance with the Revised Corporation Code[10].

3.3.1.2. In addition to inviting the Bank's shareholders to nominate candidates to the Board, the Corporate Governance and Sustainability Committee, assisted by the Corporate Secretary, may make use of professional search firms or other external sources in sourcing out potential and qualified candidates to the Board[11].

3.3.1.3. Shareholders who wish to nominate a person for election as a director of the Bank may submit a written notice of the nomination to the Corporate Secretary at least sixty (60) days prior to the Bank's Annual Stockholders' Meeting.

3.3.1.4. The written notice of nomination, duly signed by the nominating stockholder and the nominee, must clearly set out the names and contact information of both the nominating stockholder and the nominee, and must be supported by the biographical data of the nominee, including his or her relevant qualifications and experiences.

3.3.1.5. Upon receipt of the relevant documents (e.g. bio-data/CVs and other documents related to the qualification, background, and expertise of the nominees), the Corporate Governance Committee, in its discretion, shall initially screen and review the qualifications of all nominees taking into account the needs of the Board in terms of relevant industry experience, knowledge, skills, educational

[10] Section 23, Revised Corporation Code of the Philippines
[11] Bonus Section, ASEAN Corporate Governance Scorecard (ACGS)

background and professional experience relevant and beneficial to the business of the Bank. An initial list of nominees shall be prepared based on the results of the preliminary screening conducted.

3.3.1.6. The Corporate Secretary shall inform each shortlisted nominee that he is included in the initial list of nominees based on the results of the preliminary screening conducted by the Corporate Governance Committee and that he will be subjected to the Bank's fit and proper due diligence, as required by the BSP, upon obtaining the written consent of the nominee.

3.3.1.7. Once the initial list of nominees is finalized, the Corporate Secretary shall:

- Request the Corporate Security Group (CSG) and the Property Valuation & Credit Information Division (PVCID) under the Credit Management Group (CMG) to conduct a background and credit check on the shortlisted nominees concerned in order to ascertain the veracity and authenticity of the nominees' education, employment history, and other past activities. CSG and PVCID shall notify and transmit to the Corporate Secretary the results of background and credit check, including any adverse findings found.

- Request the Corporate Governance Division under the Global Compliance Group (GCG) to confirm whether the shortlisted nominees possess all the qualifications and none of the disqualifications for directors as stipulated under the Bank's Corporate Governance Manual, Manual of Regulations for Banks (MORB), and other applicable requirements under existing laws and BSP regulations. GCG shall notify and transmit to the Corporate Secretary the results of its independent review based on the

information provided in the nominees' biodata/curriculum vitae (CV).

- Request the Human Resource Group (HRG) to gather information on the shortlisted nominees using the Fit and Proper System (FITPRO) of the BSP. HRG shall notify and transmit to the Corporate Secretary the information gathered on the system, including any adverse findings found.

3.3.1.8. The Corporate Secretary shall consider the results of the background and credit check conducted by CSG and PVCID, internal review conducted by GCG, the results of the search on FITPRO performed by HRG, in determining whether the profile of the nominee will be endorsed to the Corporate Governance Committee for further screening.

3.3.1.9. The Corporate Secretary shall present the shortlisted nominations to the Corporate Governance Committee together with the profile of each nominee which includes, among others, their qualifications and experiences, academic and professional backgrounds, and expertise.

3.3.1.10. The Corporate Governance Committee shall thereafter endorse the Final List of nominees for Board approval.

3.3.1.11. Upon approval by the Board of Directors, the Corporate Secretary shall submit all relevant/requisite information about the nominees to the SEC and to all stockholders through the filing and distribution of the Information Statement.

3.3.1.12. Only nominees whose names appear on the final list of candidates shall be eligible for election. No other nominations shall be entertained after the final list of candidates shall have been prepared; and no further

nominations shall be entertained or allowed on the floor during the annual stockholders' meeting[12].

3.3.2. **Criteria**

The Corporate Governance and Sustainability Committee shall review and evaluate the qualifications of all persons nominated to the Board, including whether candidates:

3.3.2.1. Possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and in light of the Bank's business and risk profile;

3.3.2.2. Have a record of integrity and good repute;

3.3.2.3. Have sufficient time to carry out their responsibilities;

3.3.2.4. Have the ability to promote a smooth interaction between members of the Board; and

3.3.2.5. Contribute to the diverse background, expertise, and composition of the Board consistent with the Board Diversity Policy.

Nominees shall also possess all of the qualifications and none of the disqualifications for directors as stipulated under the Bank's Corporate Governance Manual, Manual of Regulations for Banks (MORB), and other applicable requirements under existing laws and BSP regulations.

3.3.3. **Procedure for the Election of Directors[13]**

3.3.3.1. The manner of election and the counting of the votes to be cast shall be under the supervision of the Corporate Secretary.

3.3.3.2. For purposes of electing directors, the system of cumulative voting shall be followed. Each stockholder is entitled to such number of votes equal to the number of shares he owns

[12] 2 Item E, Section 5.5, PNB's Amended By-laws
[13] Recommendation 2.6, SEC Memorandum Circular 19, Series of 2016

multiplied by the number of directors to be elected. Under this voting system, the stockholder has the option to (i) cast all his votes in favor of one (1) nominee, or (ii) distribute those votes under the same principle among as many nominees as he shall see fit.

3.3.3.3. Only candidates duly nominated shall be voted upon by the stockholders entitled to vote or by their proxies.

3.3.3.4. The fifteen (15) nominees garnering the highest number of votes from the stockholders present or represented by proxy shall be elected directors for the ensuing year.

3.4. Confirmation of the Election or Appointment of Directors and Officers[14]

3.4.1. The election/appointment of the directors/officers shall be subject to the confirmation of the following confirming authority:

<table>
<tr><th>Confirming Authority</th><th>Covered Individuals</th></tr>
<tr><td>Monetary Board</td><td>Directors and CEO</td></tr>
<tr><td>Financial Supervision Sector (FSS) Committee</td><td>(i) Heads of the following operating functions with the rank of at least Senior Vice President (SVP) and directly reporting to the CEO/President:
<table>
<tr><th>Operating Functions as per BSP Circular No. 1136, Series of 2022</th><th>Equivalent Position under the current PNB structure</th></tr>
<tr><td>Controllership/Finance</td><td>Financial Management Sector Head</td></tr>
<tr><td>Lending</td><td>Institutional Banking Sector Head
Retail Banking Sector Head</td></tr>
<tr><td>Treasury</td><td>Global Banking and Markets Sector Head</td></tr>
<tr><td>Branch Banking</td><td>Retail Banking Sector Head</td></tr>
<tr><td>Information Technology</td><td>Information Technology Group Head</td></tr>
</table>
(ii) Officers regardless of rank:
<table>
<tr><th>Position</th><th>Equivalent Position under the current PNB structure</th></tr>
</table></td></tr>
</table>

[14] Section 137, Manual of Regulations for Banks (MORB)

		Trust Officer	Chief Trust Officer/Head, Trust Banking Group
		Head of Internal Audit	Chief Audit Executive/Head, Internal Audit Group
		Head of Risk Management	Chief Risk Officer/Head, Risk Management Group
		Head of Compliance	Chief Compliance Officer/Head, Global Compliance Group

3.4.2. The Bank shall report to the appropriate supervising department of the Bangko Sentral, any succeeding resignation, retirement, or replacement of directors/officers as mentioned within twenty (20) banking days after such resignation/retirement/replacement.

3.4.3. The election/appointment of abovementioned directors/officers shall be deemed to have been confirmed by the Bangko Sentral, if after sixty (60) banking days from receipt of the complete required reports, the appropriate supervising department of the Bangko Sentral does not advise the Bank concerned against said election/appointment.

3.4.4. However, the confirmation by the Monetary Board/FSS Committee of the election/appointment to abovementioned position levels shall not be required in the following cases:

3.4.4.1. Re-election of a director (as a director) in the Bank or election of the same director in another bank, quasi bank (QB), trust corporation, and non-bank financial institution (NBFI) with trust authority within a banking group;

3.4.4.2. Re-election of an independent director (as an independent director or not) in the Bank or election of the same director (as an independent director or not) in another bank, QB, trust corporation, and NBFI with trust authority within a banking group; and

3.4.4.3. Promotion of an officer, other than to that which requires (a) prior Monetary Board confirmation, or (b) a different set of minimum qualifications, or (c) a different level of confirming authority as provided under Item 3.4.1. above, in the Bank or appointment/transfer to another bank, QB, trust corporation, and NBFI with trust authority within a banking group:

Provided, That the subject director/officer has been previously confirmed by the Monetary Board, or if previously confirmed by the FSS Committee of the Bangko Sentral, his/her re-election/promotion/transfer requires the same level of confirming authority as provided under Item 3.4.1. above, Provided, further, that said director/officer has had continuous service within the Bank or banking group. This exemption shall apply to directors/officers confirmed by the Bangko Sentral starting 01 January 2011.

3.4.5. The appointment of officers other than those mentioned in the table/matrix shall not be subject to Bangko Sentral confirmation.

3.5. Documentary Requirements for Newly Elected Directors[15]

3.5.1. The following documentary requirements shall be submitted to the BSP within twenty (20) banking days from the date of election in support of the Bank's request for confirmation of newly elected directors:

3.5.1.1. Letter-request for Bangko Sentral confirmation signed by authorized officer with an affirmative statement that the institution has conducted a fit and proper test on the director/s concerned;

3.5.1.2. Secretary's Certificate attesting to the resolution of the stockholders or board of directors approving the election;

3.5.1.3. Bio-data with a photograph (2" x 2") taken within the last six (6) months;

3.5.1.4. Certification under oath of the director concerned that he/she possesses all the qualifications and none of the disqualifications to become a director;

3.5.1.5. Certification under oath of compliance with Bangko Sentral-prescribed syllabus on onboarding/orientation program;

3.5.1.6. Certification under oath that the director has received copies of the general responsibility and specific duties and responsibilities

[15] Appendix 101, Manual of Regulations for Banks (MORB)

of the board of directors and of a director that he/she fully understands and accepts the same;

3.5.1.7. Duly accomplished and notarized authorization form for querying the Bangko Sentral watchlist file from the director concerned; and

3.5.1.8. For independent directors, certification under oath that he/she is an independent director as defined in Bangko Sentral regulations.

3.5.2. Any succeeding requests for information and other supporting documents relative to the Bank's request for confirmation of directors shall be handled by the Corporate Secretary. Submission to the BSP of such additional requested information/supporting documents shall be coursed by the Office of the Corporate Secretary through GCG.

3.6. Vacancies in the Board[16]

3.6.1. Any vacancy occurring in the Board (other than by removal or expiration of term) may be filled by the vote of at least a majority of the remaining directors, if still constituting *a quo*rum; otherwise, said vacancies must be filled by the stockholders in a regular or special meeting called for that purpose. The election must be held no later than forty-five (45) days from the time the vacancy arose.

3.6.2. When the vacancy arises as a result of removal by the stockholders, the election may be held on the same day of the meeting authorizing the removal and this fact must be so stated in the agenda and notice of said meeting.

3.6.3. A director elected to fill the vacancy shall be referred to as replacement director and shall serve only for the unexpired term of the predecessor in office.

3.7. Retirement Policy[17]

[16] Section 28, Revised Corporation Code of the Philippines
[17] Recommendation 2.4, SEC Memorandum Circular 19, Series of 2016

As a matter of policy, a Board member is expected to remain fit and proper for the position of a director for the duration of his term, in accordance with the requirements and qualifications set out in the MORB. Towards this end, the Bank believes that adopting a fixed limit on director tenure is counterproductive as it may lead to retirement of qualified and well-seasoned directors.

The director has the burden to prove that he possesses all the minimum qualifications and none of the disqualifications set forth in this MORB. He shall continue to be mentally and physically fit to perform his responsibilities, manifested by his attendance and active participation during Board meetings, continuing training and education, and continued dialogue with other directors and key officers of the Bank, among others.

In the event a director no longer has the required fitness, he shall inform the Board of his intent to retire or refrain from seeking re-election.

4. Chairman of the Board

4.1. Roles of the Chairman of the Board

The Chairman of the Board of Directors shall provide leadership in the Board of Directors. He shall ensure effective functioning of the Board of Directors, including maintaining a relationship of trust with members of the Board. He shall[18]:

4.1.1. ensure that the meeting agenda focuses on strategic matters including key governance concerns, discussion on overall risk appetite, considering the developments in the business and regulatory environments, and contentious issues that will significantly affect operations;

4.1.2. ensure a sound decision-making process;

4.1.3. encourage and promote critical discussion;

[18] Section 132, Manual of Regulations for Banks (MORB)

4.1.4. ensure that dissenting views can be expressed and discussed within the decision-making process;

4.1.5. facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors[19];

4.1.6. ensure that members of the Board of Directors receive accurate, timely, and relevant information;

4.1.7. ensure the conduct of proper orientation for first-time directors and provide training opportunities for all directors; and

4.1.8. ensure conduct of performance evaluation of the Board of Directors at least once a year.

4.2. Qualifications of the Chairman of the Board[20]

To promote checks and balances, the Chairman of the Board 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.

In exceptional cases, former CEO of the Bank shall be allowed to immediately assume the position of Chairman of the Board, provided, that:

- This is consistent with the provisions of its succession plan; and
- There are no major supervisory concerns in the quality of the Bank's governance, risk management systems, internal controls and compliance system, and the Bank is not subject to escalated enforcement action[21].

5. Chief Executive Officer (CEO)

5.1. Roles of the Chief Executive Officer (CEO)

[19] Recommendation 2.3, SEC Memorandum Circular 19, Series of 2016
[20] Section 132, Manual of Regulations for Banks (MORB)
[21] BSP Circular No. 1129, Series of 2021: Amendments to Corporate Governance Guidelines for BSFIs

In accordance with the Bank's By-Laws, the CEO shall be the President who shall be elected by the Board of Directors from among its members[22].

He shall be the overall-in-charge for the management of the business and affairs of the BSFI governed by the strategic direction and risk appetite approved by the Board of Directors.

The CEO be primarily accountable to the Board of Directors in championing the desired conduct and behavior, implementing strategies, and in promoting the long-term interest of the Bank[23]. He shall[24]:

5.1.1. determine the Bank's strategic direction and formulate and implement its strategic plan on the direction of the business;

5.1.2. communicate and implement the Bank's vision, mission, values and overall strategy and promote any organization or stakeholder change in relation to the same;

5.1.3. oversee the operations of the Bank and manage human and financial resources in accordance with the strategic plan;

5.1.4. develop a good working knowledge of the Bank's industry and market and keep up-to-date with its core business purpose;

5.1.5. direct, evaluate and guide the work of the key officers of the Bank;

5.1.6. manage the Bank's resources prudently and ensure a proper balance of the same;

5.1.7. provide the Board with timely information and interface between the Board and the employees;

5.1.8. build the corporate culture and motivate the employees of the Bank; and;

[22] Article VI, PNB's Amended By-laws
[23] Section 134, Manual of Regulations for Banks
[24] Recommendation 5.4, SEC Memorandum Circular 19, Series of 2016

5.1.9. serve as the link between internal operations and external stakeholders.

6. Separation of the Roles of the Chairman of the Board and Chief Executive Officer (CEO)

The positions of Chairman of the Board and CEO shall not be held by one (1) person to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making[25].

In exceptional cases where the position of chairperson of the Board of Directors and CEO is allowed to be held by one (1) person as approved by the Monetary Board, a lead independent director shall be appointed[26].

For this purpose, the Board shall define the responsibilities of the lead independent director. The Board shall ensure that the lead independent director functions in an environment that allows him to effectively challenge the CEO as circumstances may warrant. The lead independent director shall perform a more enhanced function over the other independent directors and shall: (1) lead the independent directors at Board of Directors' meetings in raising queries and pursuing matters; and (2) lead meetings of independent directors, without the presence of the executive directors[27].

7. Duties and Responsibilities of the Board of Directors[28]

The Board of Directors has the fiduciary responsibility to the Bank and all its shareholders including minority shareholders. It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework.

7.1. The Board of Directors shall define the Bank's corporate culture and values. It shall establish a code of conduct and ethical standards in the Bank and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body. In this regard, the Board of Directors shall:

7.1.1. Approve a code of conduct or code of ethics, which shall articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the

[25] Recommendation 5.4, SEC Memorandum Circular 19, Series of 2016
[26] Section 132, Manual of Regulations for Banks
[27] Section 132, Manual of Regulations for Banks
[28] Section 132, Manual of Regulations for Banks

expense of the Bank as well as the corresponding disciplinary actions and sanctions. The code of conduct shall explicitly provide that directors, officers, and all personnel are expected to conduct themselves ethically and perform their job with skill, due care, and diligence in addition to complying with laws, regulations, and company policies.

7.1.2. Consistently conduct the affairs of the Bank with a high degree of integrity and play a lead role in establishing the Bank's corporate culture and values. The Board of Directors shall establish, actively promote, and communicate a culture of strong governance in the Bank, through adopted policies and displayed practices. The Board of Directors shall ensure that the CEO and executive team champion the desired values and conduct, and that they face material consequences if there are persistent or high profile conduct and value breaches.

7.1.3. Oversee the integrity, independence, and effectiveness of Bank's policies and procedures for whistleblowing. It shall allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the Board of Directors or to any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the Board of Directors itself. It shall prevent the use of the facilities of the Bank in the furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.

7.2. The Board of Directors shall be responsible for approving Bank's objectives and strategies and in overseeing management's implementation thereof. In this regard, the Board of Directors shall:

7.2.1. Ensure that the Bank has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.

7.2.2. Approve the Bank's strategic objectives and business plans. These shall take into account the Bank's long-term financial interests, its level of risk tolerance, and ability to manage risks effectively. In this respect, the Board

of Directors shall establish a system for measuring performance against plans.

7.2.3. Actively engage in the affairs of the Bank and keep-up with material changes in the Bank's business and regulatory environment as well as act in a timely manner to protect the long-term interests of the Bank.

7.2.4. Approve and oversee the implementation of policies governing major areas of the Bank's operations. The Board of Directors shall regularly review these policies, as well as evaluate control functions (e.g., 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.

7.3. The Board of Directors shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel. In this regard, the Board of Directors shall:

7.3.1. Oversee selection of the CEO and other key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise, and experience in the Bank's business, either current or planned, shall be the key considerations in the selection process. Moreover, since mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy, vision and core values of the Bank.

7.3.2. Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy. The policy should be consistent with the long-term strategic objectives and financial soundness of the Bank and should promote good performance, convey acceptable risk-taking behavior, and reinforce the Bank's operating and risk culture.

7.3.3. Oversee the performance of senior management and heads of control functions:

7.3.3.1. The Board of Directors shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards.

7.3.3.2. The Board of Directors shall hold members of senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the Board of Directors' performance expectations. These expectations shall include adherence to the Bank's values, risk appetite and risk culture, under all circumstances.

7.3.3.3. The Board of Directors shall regularly meet with senior management to engage in discussions, question, and critically review the reports and information provided by the latter.

7.3.3.4. Non-executive board members shall meet regularly, other than in meetings of the audit, risk oversight, corporate governance, and related party transactions committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.

7.3.4. Engage in succession planning for the CEO and other critical positions, as appropriate. In this respect, the Board of Directors shall establish an effective succession planning program. The program should include a system for identifying and developing potential successors for the CEO and other critical positions.

7.3.5. Ensure that personnel's expertise and knowledge remain relevant. The Board of Directors shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of developments relevant to their areas of responsibility.

7.4. The Board of Directors shall be responsible for approving and overseeing implementation of the Bank's corporate governance framework. In this regard, the Board of Directors shall:

7.4.1. Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed:

7.4.1.1. The Board of Directors shall structure itself in a way, including in terms of size and frequency of meetings, so as to promote efficiency, critical discussion of issues, and thorough review of matters. The Board of Directors shall meet regularly to properly discharge its functions, and likewise have discussions on values, conduct, and behaviors.

7.4.1.2. The Board of Directors shall create committees to increase efficiency and allow deeper focus in specific areas. The number and nature of board-level committees would depend on the size of the Bank and the Board of Directors, the Bank's complexity of operations, as well as the Board of Directors' long-term strategies and risk tolerance.

7.4.1.3. The Board of Directors shall regularly review the structure, size and composition of the Board of Directors and board-level committees with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation of the structure, size and composition of the Board of Directors and board-level committees shall be adopted which shall include, but not limited to, benchmark and peer group analysis. The results of assessment shall form part of the ongoing improvement efforts of the Board of Directors.

7.4.1.4. The Board of Directors shall adopt policies aimed at ensuring that the members of the Board are able to commit to effectively discharge their responsibilities, which shall include policy on the number of directorship positions and/or other internal/external professional commitments that a director may have, commensurate with the responsibilities placed on the director, as well as the nature, scale and complexity of the Bank's operations.

7.4.1.5. The Board of Directors shall ensure that individual members of the Board and the shareholders are accurately and timely informed of a comprehensive and understandable assessment of the Bank's performance, financial condition, and risk exposures. All members of the Board shall have reasonable access to any information about the Bank at all times. The Board shall also

ensure that adequate and appropriate information flows internally and to the public.

7.4.1.6. The Board of Directors shall 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 itself, which may be facilitated by the Corporate Governance Committee or external facilitators. This exercise shall cover the assessment of the ongoing suitability of each board member taking into account his or her performance in the Board of Directors and board-level committees.

7.4.1.7. The Board of Directors shall maintain appropriate records (e.g., meeting minutes or summaries of matters reviewed, recommendations made, decisions taken and dissenting opinions) of its deliberations and decisions. The Board of Directors shall also ensure that independent views in meetings of the Board shall be given full consideration and all such meetings shall be duly minuted.

7.4.2. Develop a remuneration and other incentives policy for directors that shall be submitted for approval of the stockholders. The Board of Directors shall ensure that the policy is consistent with the long-term interest of the Bank, does not encourage excessive risk-taking, and is not in conflict with the director's fiduciary responsibilities.

7.4.3. Adopt a policy on retirement for directors and officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power.

7.4.4. Conduct and maintain the affairs of the Bank within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe or unsound banking.

7.4.5. Maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities. The Board of Directors shall ensure that the Bank's organizational structure facilitates effective decision-making and good

governance. This includes clear definition and delineation of the lines of responsibility and accountability.

7.4.6. Oversee the development, approve, and monitor implementation of corporate governance policies. The Board of Directors shall ensure that corporate governance policies are followed and periodically reviewed for ongoing improvement.

7.4.7. Approve an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged. In this regard:

7.4.7.1. The Board of Directors shall approve all material RPTs, those that cross the materiality threshold, and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the board of directors. 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 details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders' meetings and duly reflected in the minutes of Board of Directors and stockholders' meetings.

7.4.7.2. The Board of Directors shall delegate to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the Board of Directors. This shall, however, exclude DOSRI transactions, which are required to be approved by the Board. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.

7.4.7.3. The Board of Directors shall establish an effective system to:

7.4.7.3.1. Determine, identify and monitor related parties and RPTs;

7.4.7.3.2. Continuously review and evaluate existing relationships between and among businesses and counterparties; and

7.4.7.3.3. Identify, measure, monitor and control risks arising from RPTs. The system should be able to define related parties' extent of relationship with the Bank; assess situations in which a non-related party (with whom the Bank has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the type and amount of exposures to a particular related party. The said system will facilitate submission of accurate reports to the regulators/supervisors. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance functions and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the Bangko Sentral and audit functions for review. Any changes in the policies and procedures shall be approved by the Board of Directors.

7.4.7.4. The Board of Directors shall maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/stress tests under the capital planning process shall also capture RPTs in order to determine whether the Bank is well-insulated from any going concern issue of related parties.

7.4.7.5. The Board of Directors shall oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The Board of Directors should ensure that senior management addresses legitimate issues on RPT that are raised. The Board should take responsibility for ensuring that staff who raise concerns are protected from detrimental treatment or reprisals.

7.4.8. Define an appropriate corporate governance framework for group structures, which shall facilitate effective oversight over entities in the group. The Board of Directors shall ensure consistent adoption of corporate governance policies and systems across the group. In this regard:

7.4.8.1. The Board of Directors shall define and approve appropriate governance policies, practices and structure that will enable effective oversight of the entire group, taking into account the nature and complexity of operations, size and the types of risks to which the Bank and its subsidiaries are exposed. The Board shall also establish means to ensure that such policies, practices and systems remain appropriate in light of the growth, increased complexity and geographical expansion of the group. Further, it shall ensure that the policies include the commitment from the entities in the group to meet all governance requirements.

7.4.8.2. The Board of Directors shall define the risk appetite for the group, which shall be linked to the process of determining the adequacy of capital of the group.

7.4.8.3. The Board of Directors shall ensure that adequate resources are available for all the entitles in the group to effectively implement and meet the governance policies, practices and systems.

7.4.8.4. The Board of Directors shall define and approve policies and clear strategies for the establishment of new structures.

7.4.8.5. The Board of Directors shall understand the roles, the relationships or interactions of each entity in the group with one another and with the parent company. The Board shall understand the legal and operational implications of the group structure and how the various types of risk exposures affect the group's capital, risk profile and funding under normal and contingent circumstances. The Board shall ensure that the group's corporate governance framework includes appropriate processes and controls to identify and address potential intragroup conflicts of interest, such as those arising from intragroup transactions.

7.4.8.6. The Board of Directors shall develop sound and effective systems for generation and sharing of information within the group, management of risks and effective supervision of the group.

7.4.8.7. The Board of Directors shall require the risk management, compliance function and internal audit group to conduct a

periodic formal review of the group structure, their controls and activities to assess consistency with the Board of Directors approved policies, practices and strategies and to require said groups to report the results of their assessment directly to the Board.

7.5. The Board of Directors shall be responsible for approving Bank's risk governance framework and overseeing management's implementation thereof. In this regard, the Board of Directors shall:

7.5.1. Define the Bank's risk appetite. In setting the risk appetite, the Board of Directors shall take into account the business environment, regulatory landscape, and the Bank's long-term interests and ability to manage risk.

7.5.2. Approve and oversee adherence to the risk appetite statement (RAS), risk policy, and risk limits.

7.5.3. Oversee the development of, approve, and oversee the implementation of policies and procedures relating to the management of risks throughout the Bank.

7.5.4. Define organizational responsibilities following the three lines of defense framework. The business line functions will represent the first line of defense, the risk management and compliance functions for the second line of defense, and the internal audit function for the third line of defense. In this regard:

7.5.4.1. The Board of Directors shall ensure that the risk management, compliance and internal audit functions have proper stature in the organization, have adequate staff and resources, and carry out their responsibilities independently, objectively and effectively.

7.5.4.2. The Board of Directors shall ensure that non-executive board members meet regularly, with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit and risk oversight committees, in the absence of senior management.

B. Directors

1. Qualifications[29]

A director shall have the following minimum qualifications:

1.1. He must be fit and proper for the position of a director. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: 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; sufficiency of time to fully carry out responsibilities; and concurrent positions in the Bank and interlocking positions in other entities that may pose conflict of interest[30].

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

An elected director has the burden to prove that he possesses all the foregoing minimum qualifications and none of the cases mentioned under Section 138 of the MORB on the Persons Disqualified to become Directors.

A director shall submit to the Bangko Sentral the required certifications and other documentary proof of such qualifications using Appendix 101 of the MORB as 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.

The Bangko Sentral shall also consider its own records in determining the qualifications of a director.

[29] Section 132, Manual of Regulations for Banks
[30] BSP Circular No. 1129, Series of 2021: Amendments to Corporate Governance Guidelines for BSFIs

The members of the Board shall possess the foregoing qualifications in addition to those required or prescribed under Republic Act No. 8791 otherwise known as The General Banking Law of 2001 and other applicable laws and regulations.

1.2. He must have attended a seminar on corporate governance for board of directors. 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: Provided, That the following persons are exempted from complying with the aforementioned requirement[31]:

1.2.1. Filipino citizens with recognized stature, influence and reputation in the banking community, including directors of publicly listed companies in the Philippines, and whose business practices stand as testimonies to good corporate governance. In this respect, the Bangko Sentral shall consider results of supervisory assessments in evaluating the eligibility of the candidate for exemption;

1.2.2. Distinguished Filipino and foreign nationals who served as senior officials in central banks and/or financial regulatory agencies. For this purpose, senior officials in the Bangko Sentral shall refer to those who assumed Managing Director or higher; or

1.2.3. Former Chief Justices and Associate Justices of the Philippine Supreme Court;

Provided, further, That this exemption shall not apply to the annual training requirements for the members of the Board.

2. Disqualifications[32]

The following are disqualified from becoming directors/officers:

2.1. Permanent Disqualification

[31] BSP Circular No. 1129, Series of 2021: Amendments to Corporate Governance Guidelines for BSFIs

[32] BSP Circular 1076, Series of 2020: Amendments to the Regulations on the Disqualifications and Watchlisting of Directors/Officers

2.1.1. Persons who have been convicted by final judgment:

2.1.1.1. 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 (Anti Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9150, as amended (Anti-Money Laundering 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);

2.1.1.2. of a court or other tribunal for violation of securities and banking laws, rules and regulations;

2.1.1.3. for cases filed against them for offenses under R.A. No. 3591, as amended (PDIC Charter);

2.1.1.4. of a court for offenses which involves moral turpitude, or for offenses which they were sentenced to serve a term of imprisonment of more than six (6) years;

2.1.1.5. or order by a competent judicial or administrative body of any crime that: (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

2.1.2. Persons who have been judicially declared with finality as insolvent, spendthrift or incapacitated to contract;

2.1.3. Persons who were found to be culpable for the bank's closure, as determined by the Monetary Board;

2.1.4. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the BSP, where a penalty of removal from office is imposed, and which resolution of the Monetary Board has become final and executory; and

2.1.5. Persons found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct, or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution has become final and executory

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

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

2.1.7. Other grounds provided under the SEC Memorandum Circular 19, Series of 2016: Code of Corporate Governance for Publicly Listed Companies;

2.1.8. Other grounds as the SEC may provide.

2.2. Temporary Disqualification

2.2.1. Persons who have shown unwillingness to settle their financial obligations, as evidenced by, but not limited to, the following circumstances:

2.2.1.1. the person has failed to satisfy any financial obligation that has been adjudicated by a court;

2.2.1.2. the person has filed for insolvency or suspension of payments that adversely affects his/her fitness and propriety as director, officer; or

2.2.1.3. a person who is delinquent in the payment of: an obligation with a bank where he/she is a director or officer; or at least two (2) obligations with other banks/financial institutions

Financial obligations as herein contemplated shall include all borrowings obtained by:

(a) A person for his/her own account or where he/she acts as a guarantor, endorser or surety for loans;

(b) The spouse, except when incurred after legal separation of properties or when the property regime governing the spouses is absolute separation of properties or except when incurred prior to the marriage;

(c) Any debtor whose borrowings or loan proceeds were credited to the account of, or used for the benefit of, the person described under item 2.2.1 above;

(d) A partnership of which a person, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and

(e) A corporation, association or firm wholly-owned or majority of the capital of which is owned by any or a group of individuals/entities mentioned in items (a), (b) and (d).

They shall remain temporarily disqualified until the financial obligations have been settled or satisfied.

2.2.2. Persons involved in the closure of banks pending their clearance by the Monetary Board;

2.2.3. Persons confirmed by the Monetary Board to have committed acts or omissions, which include failure to observe/discharge their duties and responsibilities prescribed under existing regulations, that:

2.2.3.1. caused undue injury or disadvantage to the bank through manifest partiality, evident bad faith or gross inexcusable negligence;

2.2.3.2. caused or may have caused material loss or damage to the bank, its depositors, creditors, investors, stockholders, to the BSP or to the public in general; or

2.2.3.3. exposed the safety, stability, liquidity or solvency of the bank to abnormal risk or danger;

2.2.4. Persons found to have been involved in any irregularity/violation which constitutes a just cause for dismissal/termination as defined under the Labor Code of the Philippines, as amended, regardless of any action taken by the bank;

2.2.5. Persons certified by, or in the official files of, foreign financial regulatory authorities, financial intelligence units, or similar agencies or authorities of foreign countries, as charged with commission of, or having committed, irregularities or violations of any law, rule or regulation, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;

2.2.6. Persons, other than those covered under item "h" of this Section (Persons disqualified to become directors/officers), who after conduct of investigation by domestic financial or commercial regulatory authorities, financial intelligence units, or similar agencies or authorities such as the Securities and Exchange Commission (SEC),

Anti-Money Laundering Council (AMLC), or the Philippine Deposit Insurance Corporation (PDIC), have complaints filed against them by the afore cited authorities/units/agencies pending before a court of law or quasi-judicial body, or convicted by said court or quasi-judicial body but whose conviction has not become final and executory, for offenses involving violation of laws, rules and regulations, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;

2.2.7. Persons with cases pending before a court or other tribunal, or those convicted by said court or tribunal but whose conviction has not become final and executory, for offenses involving:

2.2.7.1. 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 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering 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); or

2.2.7.2. violation of securities and banking laws, rules and regulations;

2.2.8. Persons who have been convicted by a court for an offense involving moral turpitude, and persons who have been sentenced to serve a term of imprisonment of more than six (6) years for other crimes but whose conviction has not yet become final and executory;

2.2.9. Persons with pending cases for offenses under R.A. No. 3591, as amended (PDIC Charter), or those who have been convicted for said cases but whose conviction has not yet become final and executory;

2.2.10. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the BSP, where a penalty of removal from office is imposed, and which resolution of the Monetary Board is on appeal, unless execution or enforcement thereof is restrained by the appellate court;

2.2.11. Persons against whom a formal charge has been filed or who are found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution is on appeal, unless execution or enforcement thereof is restrained by the appellate court; and

2.2.12. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the BSP, where a penalty of suspension from office or fine is imposed, unless the finding is on appeal and the execution of enforcement thereof is restrained by the appellate court.

Resignation or retirement from his/her office shall not exempt the person from being permanently or temporarily disqualified under BSP Circular 1076, Series of 2020: Amendments to the Regulations on the Disqualifications and Watchlisting of Directors/Officers.

In addition, the following may be grounds for temporary disqualification of a director as provided under the SEC Memorandum Circular 19, Series of 2016: Code of Corporate Governance for Publicly Listed Companies:

2.2.13. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any 12-month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification should apply for purposes of the succeeding election;

2.2.14. Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;

2.2.15. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with; and

2.2.16. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

3. Specific Duties and Responsibilities of a Director[33]

The position of a director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the Bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The members of the Board of Directors should exercise their "duty of care" and "duty of loyalty" to the institution.

3.1. To remain fit and proper for the position for the duration of his term. A director is expected to remain fit and proper for the position for the duration of his term. He should possess unquestionable credibility to make decisions objectively and resist undue influence. He shall treat board directorship as a profession and shall have a clear understanding of his duties and responsibilities as well as his role in promoting good governance. Hence, he shall maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities that the bank is engaged in or intends to pursue as well as the developments in the banking industry including regulatory changes through continuing education or training.

3.2. To conduct fair business transactions with the BSFI and to ensure that personal interest does not bias board decisions. Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institution cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that would compromise his impartiality.

[33] Section 132, Manual of Regulations for Banks

3.3. To 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. A director must always act in good faith, with the care which an ordinarily prudent man would exercise under similar circumstances. While a director should always strive to promote the interest of all stockholders, he should also give due regard to the rights and interests of other stakeholders.

3.4. To devote time and attention necessary to properly discharge their duties and responsibilities. Directors should devote sufficient time to familiarize themselves with the institution's business. They must be constantly aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the board's work. They must attend and actively participate in board and committee meetings, request and review meeting materials, ask questions, and request explanations. If a person cannot give sufficient time and attention to the affairs of the institution, he should neither accept his nomination nor run for election as member of the board.

3.5. To act judiciously. Before deciding on any matter brought before the board of directors, every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.

3.6. To contribute significantly to the decision-making process of the board. Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of such board.

3.7. To exercise independent judgment. A director should view each problem/situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollarily, he should support plans and ideas that he thinks will be beneficial to the institution.

3.8. To have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of its articles of incorporation and by-laws, the requirements of the Bangko Sentral and where applicable, the requirements of other regulatory agencies. A director should also keep

himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness.

3.9. To observe confidentiality. Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the board.

The Corporate Secretary shall furnish first-time directors with a copy of the specific duties and responsibilities of the Board of Directors and as an individual director prescribed under Section 132 of the MORB, upon election. The Corporate Secretary must keep on file certification under oath of the directors concerned that they have received copies of such specific duties and responsibilities and that they fully understand and accept the same.

4. Term Limit[34]

4.1. An independent director of the Bank may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director in the Bank, but may continue to serve as regular director.

4.2. The nine (9) year maximum cumulative term for independent directors shall be reckoned from 2012.

5. Code of Ethics for Directors[35]

The Bank is steadfast and dedicated in upholding and promoting ethics, integrity, and accountability in the conduct of its business. It is consistent in its adherence to a strict moral and ethical code manifested through honesty, professionalism, fairness, prudence and respect for the law.

The Code of Ethics for Directors serves as a guide of principles designed to enable the Bank's individual directors to exercise its powers, duties and responsibilities in accordance with the fit and proper standards.

6.1. The objectives of the Code are:

[34] Section 132, Manual of Regulations for Banks
[35] Part E: Responsibilities of the Board, ASEAN Corporate Governance Scorecard

6.1.1. Define the behavior and conduct of the Bank's individual directors in performing its duties and responsibilities. The Code is designed to allow the directors to fulfill its duties and responsibilities while staying within the boundaries of laws, rules, and regulations.

6.1.2. Articulate expected behaviors and conduct in the interaction of directors with various stakeholders, including the Management, employees, customers, investors, creditors, regulators, and the public at large.

6.1.3. Provide ethical benchmark that the directors shall observe in order to ensure the integrity of business operations, and to comply with regulatory requirements and expectations.

6.1.4. Reinforce best practices in corporate governance and existing regulatory frameworks governing the Board's governance responsibilities.

6.2. The coverage and application of the Code are as follows:

6.2.1. The provisions of the Code shall apply to all members of the Board of Directors, whether executive, non-executive or independent, of PNB. All members of the Board are expected to observe and uphold the principles set out in this Code.

6.2.2. Executive directors, having executive responsibility on the day-to-day operations of the Bank, shall be covered by this Code and the Code of Conduct for employees.

6.2.3. The Corporate Governance Division under the Global Compliance Group shall act as the custodian of this Code. It shall be responsible for reviewing the Code regularly to ensure its continuing suitability, adequacy and effectiveness.

6.3. The Code provides the following standards which shall guide and govern the conduct and behavior of directors, including their decisions and actions when performing their respective duties and responsibilities:

6.3.1. Compliance with laws, rules and regulations. A director shall uphold compliance in the conduct of business, ensuring that everything it does is within the boundaries of laws, rules, and regulations. In this regard, the director shall:

6.3.1.1. Promote the safety and soundness of the Bank's operations by maintaining an environment that is governed by high standards and best practices of good corporate governance; and

6.3.1.2. Ensure adherence to banking laws, rules, regulations, and guidelines issued and mandated by the Bank's various regulators.

6.3.2. Fit and proper. A director shall remain fit and proper to hold the position for the duration of his term. In this regard, the director shall:

6.3.2.1. Possess unquestionable credibility to make decisions objectively and resist undue influence;

6.3.2.2. Treat board directorship as a profession and shall have a clear understanding of his duties and responsibilities as well as his role in promoting good governance;

6.3.2.3. Maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities of the Bank;

6.3.2.4. Attend a program on corporate governance at least once a year in compliance with annual continuing training requirement of the BSP and SEC;

6.3.2.5. Possess competencies relevant to his directorship, such as knowledge and experience, skills, diligence and independence of mind; and

6.3.2.6. Possess all of the qualifications and none of the disqualifications set forth in the MORB and other applicable laws and regulations.

6.3.3. Discharge of duties and responsibilities. A director shall devote time and attention necessary to properly discharge his duties and responsibilities. In this regard, the director shall:

6.3.3.1. Devote sufficient time to familiarize himself with the business of the Bank;

6.3.3.2. Be constantly aware of the Bank's condition and be knowledgeable enough to contribute meaningfully to the Board's work;

6.3.3.3. Evaluate the issues thoroughly, ask questions and seek clarifications before deciding on any matter brought before the Board;

6.3.3.4. Have a working knowledge of the statutory and regulatory requirements affecting the Bank, including the content of the Bank's Articles of Incorporation and By–Laws, the Corporate Governance Manual, and the corporate governance requirements of the BSP and other regulatory bodies; and

6.3.3.5. Attend and actively participate in all regular and special meetings of the Board in person or through modern technologies such as, but not limited to, teleconferencing and video conferencing.

6.3.4. Independence. A director shall exercise independent judgment on corporate affairs requiring the decision or approval of the Board. In this regard, the director shall:

6.3.4.1. View each problem and situation objectively;

6.3.4.2. Not be afraid to take a position even though it might be unpopular;

6.3.4.3. Support plans and ideas that he thinks will be beneficial to the Bank; and

6.3.4.4. In the case of independent directors, be 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.

6.3.5. Confidentiality. A director shall preserve the confidentiality and integrity of information. In this regard, the director shall:

6.3.5.1. Observe the confidentiality of non–public information acquired by reason of their position as directors;

6.3.5.2. Not disclose such information to any other person without consent of the Board of Directors; and

6.3.5.3. Comply with the Bank's policies and applicable laws governing the protection of information confidentiality.

6.3.6. Conflict of interest. A director shall avoid actual or potential conflicts of interest. In this regard, the director shall:

6.3.6.1. Disclose to the Board whether he directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Bank. Directors with personal interest in the transaction shall abstain from the discussion and approval of such transaction or matter affecting the Bank; and

6.3.6.2. Adhere to the provisions of the Bank's Related Party Transaction (RPT) Policy Manual.

6.3.7. Honesty and good faith. A director shall act on a fully informed basis, honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of his stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and the general public. In this regard, the director shall:

6.3.7.1. Be dedicated to the virtues of honesty and integrity, with a high sense of prudence, responsibility and efficiency in the conduct of their duties;

6.3.7.2. Conduct the affairs of the Bank with a high degree of integrity and play a lead role in establishing the Bank's corporate culture and values; and

6.3.7.3. Act in good faith, with care which an ordinarily prudent man would exercise under similar circumstances. While a director should always strive to promote the interest of all

stockholders, he should also give due regard to the rights and interests of other stakeholders.

6.3.8. Diversity. A director shall respect and value differences among the members of the Board and other stakeholders. In this regard, the director shall:

6.3.8.1. Value and embrace diversity in all aspects of the Bank's activities and respect others without regard to race, color, religion, sex, national origin, age, disability, sexual orientation, or political affiliation; and

6.3.8.2. Refuse to engage in or tolerate any other form of discrimination or harassment.

6.3.9. Disclosure and transparency. A director shall promote transparency and disclosure to the public & observe relevant disclosure requirements of the Bank's regulators. In this regard, the director shall:

6.3.9.1. Commit to fully disclose material information pertaining to his dealings for the interest of the stakeholders;

6.3.9.2. Fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications and assess any potential conflicts that might affect their judgment; and

6.3.9.3. Advise the Corporate Secretary of his shareholdings in the Bank within three (3) business days after his appointment or any acquisition, disposal, or change in the shareholdings.

6.3.10. Whistleblowing. It is the policy of the Bank to encourage reporting of any infractions of and deviations from the Bank's Code of Conduct, policies and procedures. Some examples are abuse of authority, bribery, destruction / manipulation of records, fixing, malversation, misappropriation of assets, commission of theft, commission of fraud, noncompliance of legal and regulatory requirements and/or policies. In this regard, the director shall:

6.3.10.1. Report suspected or actual occurrence of misconduct / unethical and improper practices / retaliatory behavior as provided in the Bank's Whistleblower Policy; and

6.3.10.2. Allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices to an independent unit.

6.3.11. Relationship with stakeholders. A director is expected to maintain cordial and harmonious relationship with the stakeholders of the Bank. In this regard, the director shall:

6.3.11.1. Manifest genuine concern and affection for the Bank, its business, and its core constituents;

6.3.11.2. Foster solid relationships based on mutual trust and respect;

6.3.11.3. Respect the rights of stockholders as specified in the Bank's Corporate Governance Manual, Articles of Incorporation, By-Laws, and internal policies and procedures;

6.3.11.4. Make positive contributions to the community and promote sustainable development; and

6.3.11.5. Work closely with the regulators by instituting a proactive dialogue and maintaining an overall banking climate that fully adheres to banking laws, rules, and regulations.

6.3.12. Protection and proper use of assets. A director is expected to properly use, protect from damage or loss and conserve the properties and assets of the Bank. He is authorized to use Bank properties and assets for legitimate business purposes only. The use of any Bank property for private purpose or personal benefit is strictly prohibited.

6.4. Implementation of the Code:

6.4.1. The Corporate Governance and Sustainability Committee shall be primarily responsible for the implementation of the Code.

6.4.2. All directors must understand and strictly comply with the Code of Ethics, along with the Corporate Governance Manual, Amended Articles of

Incorporation, Amended By-Laws, and internal policies and procedures that supplement the Code, be they in written or non-written form.

6.4.3. A director is encouraged to contact the Global Compliance Group when in doubt about the best course of action in a particular situation relating to a subject of the Code.

C. Board Advisors

The Board of Directors may appoint and retain Board Advisors as it determines appropriate in order to receive advisory support and guidance and increase the confidence of the Board in making decisions.

The Corporate Governance and Sustainability Committee shall assess and evaluate prospective Board Advisors and shall secure the approval of the Board for the appointment of Board Advisors.

1. Role of Board Advisors

1.1. Board Advisors shall engage in a strategic dialogue and participate in robust discussions that will enable the Board to arrive at sound decisions on matters that require their approval;

1.2. Board Advisors shall advise and make non-binding recommendations to the Board of Directors with respect to matters within the areas of their experience and expertise; and

1.3. Board Advisors shall attend meetings of the Board and board committee but shall not have the authority to vote on corporate matters.

D. Board Committees

1. Creation of Committees

1.1. The Board of Directors shall delegate some of its functions, but not its responsibilities, to board committees. The establishment of board

committees allows for specialization in issues and leads to a better management of the Board's workload[36].

1.2. The Board of Directors shall constitute, at a minimum, the following committees pursuant to Section 133 of the MORB:

1.2.1. Audit Committee
1.2.2. Risk Oversight Committee
1.2.3. Corporate Governance Committee
1.2.4. Related Party Transactions Committee

1.3. The scope of authority, duties, and responsibilities of each board committee shall be adequately defined, documented, and clearly communicated in their respective charters. The designated secretariats of each board committee shall regularly review, update, and secure the approval of the Board, at least annually or whenever there are significant changes therein, the respective charters of each committee that set out its mandate, scope and working procedures. The charters of each committee shall articulate how the committee will report to the Board of Directors, what is expected of the committee members, and tenure limits for serving in the committee[37].

1.4. At present, the Board of Directors has created eight (8) board committees to increase its efficiency and allow deeper focus in specific areas of the Bank's operations:

1.4.1. Board Audit and Compliance Committee (BACC)
1.4.2. Corporate Governance and Sustainability Committee
1.4.3. Risk Oversight Committee (ROC)
1.4.4. Board Oversight RPT Committee (BORC)
1.4.5. Executive Committee
1.4.6. Trust Committee
1.4.7. Board IT Governance Committee (BITGC)
1.4.8. Board Strategy and Policy Committee (BSPC)

1.5. The following offices shall serve as the secretariat of each board committee:

Committee	Secretariat

[36] Section 133, Manual of Regulations for Banks
[37] Section 133, Manual of Regulations for Banks

Board Audit and Compliance Committee	Internal Audit Group
Corporate Governance and Sustainability Committee	Corporate Secretary's Office
Risk Oversight Committee	Risk Management Group
Board Oversight RPT Committee	Global Compliance Group
Executive Committee	Corporate Secretary's Office
Trust Committee	Trust Banking Group
Board IT Governance Committee	Information Technology Group
Board Strategy and Policy Committee	Corporate Secretary's Office

2. Composition of Committees

2.1. The Board of Directors shall appoint members of the committees taking into account the optimal mix of skills and experience to allow the Board, through the committees, to fully understand and objectively evaluate the relevant issues.

2.2. In order to promote objectivity, the Board of Directors shall appoint independent and non-executive members of the Board to the greatest extent possible.

2.3. The Board of Directors shall review the chairmanship, membership and overall composition of each board committee at least annually during the Board's organizational meeting to be held after the annual stockholders' meeting.

2.4. The Corporate Secretary may request the assistance of the Corporate Governance Division under the Global Compliance Group (GCG) to determine whether the proposed chairmanship, membership and overall composition of each board committee complies with the requirements stipulated under the Bank's Corporate Governance Manual, Manual of Regulations for Banks (MORB), and other applicable requirements under existing laws and BSP regulations.

2.5. Upon request of the Corporate Secretary, GCG shall review the proposed chairmanship, membership and overall composition of each board committee vis-à-vis the requirements provided under the Bank's Corporate Governance Manual, MORB, and other applicable requirements under existing laws and BSP regulations. GCG shall notify and transmit to the Corporate Secretary the results of its independent review.

2.6. The Corporate Secretary shall consider the results of GCG's independent review in determining the official chairmanship, membership and overall composition of each board committee.

2.7. The Corporate Secretary shall disclose the results of the organizational meeting of the Board of Directors to the Philippine Stock Exchange (PSE) and BSP within the day of the said meeting.

3. Minutes of Meetings

3.1. The Board of Directors shall ensure that each committee maintains appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions[38].

4. Performance Evaluation

4.1. The Board of Directors shall conduct an annual review of the performance of each committee through a self-assessment exercise.

4.2. The results of performance evaluation shall be reported to the Board through the Corporate Governance and Sustainability Committee.

4.3. Details of the performance evaluation can be found under IV. Board and Committee Evaluation Process.

5. Board Audit and Compliance Committee (BACC)[39]

5.1. Mandate. The BACC shall assist the Board of Directors in the performance of its oversight responsibility relating to financial reporting process, systems of internal control, information technology security, audit and compliance processes. The Committee shall:

5.1.1. assist the Board in the performance of its oversight responsibility by providing independent advice and guidance on the adequacy of organization's initiatives relating to values and

[38] Section 133, Manual of Regulations for Banks
[39] Board Audit and Compliance Committee (BACC) Charter

ethics, governance structure, risk management, internal control framework, financial reporting process, audit process and monitoring of compliance with applicable laws, rules and regulations;

5.1.2. provide oversight functions over internal, external auditors and ensure that the internal, external auditors act independently from each other;

5.1.3. provide oversight over compliance functions and/or oversee the compliance program;

5.1.4. perform annual independent audit of PNB's financial statements, the engagement of the external auditors and the evaluation of the external auditor's qualifications, independence and performance; and

5.1.5. provide oversight functions over compliance by PNB with legal and regulatory requirements, including PNB's disclosure controls and procedures.

5.2. Chairmanship, membership and overall composition:

5.2.1. The BACC shall be composed of at least three (3) members of the Board of Directors, who shall all be non-executive directors, must have accounting, auditing or related financial management expertise, majority shall be independent directors including the Chairman and another non-executive director with audit experience[40].

5.2.2. The Chairman of the BACC should not be the Chairman of the Board of Directors or of any other board committee[41].

6. Corporate Governance and Sustainability Committee[42]

[40] Section 133, Manual of Regulations for Banks
[41] Section 133, Manual of Regulations for Banks
[42] Corporate Governance Committee Charter

6.1. Mandate. The Corporate Governance and Sustainability Committee shall assist the Board of Directors in the performance of its governance responsibilities, including the functions of the Nomination and Remuneration Committee, ensuring compliance with and proper observance of good corporate governance. The Committee shall:

6.1.1. oversee the design and implementation of the corporate governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to the Bank's size, complexity and business strategy, as well as its business and regulatory environments;

6.1.2. oversee the periodic performance evaluation of the Board, its committees, and individual directors;

6.1.3. oversee the nomination and election process for members of the Board of Directors and for positions appointed by the Board; and

6.1.4. oversee the design and implementation of the remuneration and other incentives policy for the directors and officers.

6.2. Chairmanship, membership and overall composition:

6.2.1. The Corporate Governance Committee shall be composed of at least three (3) members of the Board of Directors, all of whom shall be independent directors, including the Chairman[43].

7. Risk Oversight Committee (ROC)[44]

7.1. Mandate. The ROC shall assist the Board of Directors to oversee the risk profile and approve the risk management framework of PNB and its subsidiaries and affiliates. The Committee shall:

7.1.1. oversee the enterprise risk management framework and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans;

7.1.2. ensure that the current and emerging risk exposures are consistent with the bank's strategic direction and overall risk appetite;

[43] Part E: Responsibilities of the Board, ASEAN Corporate Governance Scorecard (ACGS)
[44] Risk Oversight Committee (ROC) Charter

7.1.3. be responsible for the selection, appointment, remuneration, and dismissal of the Chief Risk Officer (CRO); and

7.1.4. ensure that the risk management function has adequate resources and effectively oversees the risk-taking activities of the Bank.

7.2. Chairmanship, membership and overall composition:

7.2.1. The ROC shall be composed of at least six (6) members of the Board of Directors, majority of whom shall be independent directors including the Chairman.

7.2.2. The Chairman shall not be the Chairman of the Board of Directors, or any other board committee[45].

7.2.3. The members of the ROC shall possess a range of expertise as well as adequate knowledge of the Bank's risk exposures.

8. Board Oversight RPT Committee (BORC)[46]

8.1. Mandate. The BORC shall assist the Board of Directors in performing its oversight functions in monitoring and managing potential conflicts of interest. The Committee shall:

8.1.1. oversee the evaluation of related party transactions that present the risk of potential abuse and ensure that rules and regulations are considered to properly and effectively implement the Bank's RPT policy guidelines;

8.1.2. exercise sound and objective judgment on the related party transactions for the best interest of the Bank; and

8.1.3. ensure that the processes and approvals of related party transactions are conducted at arm's length basis.

8.2. Chairmanship, membership and overall composition:

[45] Section 133, Manual of Regulations for Banks
[46] Board Oversight RPT Committee (BORC) Charter

8.2.1. The BORC shall be composed of at least three (3) non-executive members of the Board of Directors, two (2) of whom shall be independent directors, including the Chairman[47].

8.2.2. The Chief Compliance Officer (CCO) and the Chief Audit Executive (CAE) shall sit as non-voting members of the BORC.

9. Executive Committee[48]

9.1. Mandate. The Executive Committee shall assist the Board of Directors in the review of proposals regarding credit facilities, investments in financial assets, budget appropriation, borrowings, and other credit or transactional matters in line with the Bank's strategic goals. The Committee shall:

9.1.1. endorse or approve loan recommendations from the Corporate Banking Group (CBG), Commercial Banking Group (ComBG), Retail Banking Group (RBG), and Consumer Finance Group (CFG), as endorsed by the appropriate Management Committee;

9.1.2. evaluate, approve and endorse for Board approval investments in bonds, shares of stock or other financial assets; any borrowings, issuance of capital market instruments and bonds;

9.1.3. approve restructuring, payment plan, compromise settlement or write-off of past due, problematic and remedial accounts, as endorsed by the appropriate Management Committee; and

9.1.4. endorse for the approval of the Board applicable contracts, or renewals thereof, of which the Bank is a party to, including the approval of the required budget; and

9.1.5. endorse for the approval of the Board the establishment, relocation, renovation or closure of domestic and overseas branches/offices including the approval of the needed budget.

9.2. Chairmanship, membership and overall composition:

[47] Section 133, Manual of Regulations for Banks
[48] Executive Committee Charter

9.2.1. The Executive Committee shall be composed of at least six (6) regular directors, including the President of the Bank.

9.2.2. Independent directors may be appointed as non-voting members of the Executive Committee and may assume an advisory capacity. Non-voting members shall not vote with respect to any determination and proposal requiring the approval or notation of the Executive Committee and shall not count towards a quorum at any meeting.

10. Trust Committee[49]

10.1. Mandate. The Trust Committee shall oversee the fiduciary activities of the Bank and ensures that these are conducted in accordance with applicable laws, rules and regulations, and prudent practices. The Committee shall:

10.1.1. adopt an appropriate organizational structure and staffing pattern and operating budgets that shall enable the Trust Banking Group to effectively carry out its functions;

10.1.2. oversee and evaluate the performance of the Trust Officer;

10.1.3. ensure that fiduciary activities are conducted in accordance with applicable laws, rules and regulations, and prudent practices;

10.1.4. ensure that policies and procedures that translate the Board's objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive and effective;

10.1.5. oversee the implementation of the risk management framework and ensure that internal controls are in place relative to the fiduciary activities;

10.1.6. conduct regular meetings at least once every quarter, or more frequently as necessary, depending on the size and complexity of the fiduciary business; and

[49] Trust Committee Charter

10.1.7. report regularly to the Board of Directors on matters arising from fiduciary activities.

10.2. Chairmanship, membership and overall composition[50]:

10.2.1. The Trust Committee shall be composed of at least five (5) members including the President, the Head of Trust Banking Group, and the remaining members, including the Chairman, may be any of the following:

10.2.1.1. non-executive directors or independent directors who are both not part of the Board Audit and Compliance Committee (BACC); or

10.2.1.2. those considered as qualified "independent professionals"

10.2.2. In case of more than five (5) trust committee membership, majority shall be composed of qualified non-executive members.

10.2.3. A qualified *"independent professional"* shall refer to a person who:

10.2.3.1. is not a director/officer/employee of the Bank during the last twelve (12) months counted from the date of committee membership;

10.2.3.2. is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any executive director or those involved in the day to day management of institution's operations or officer of the bank; and

10.2.3.3. is not engaged or does not engage in any transactions with the bank whether by himself or with other persons or through a firm of which he is a partner, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment.

[50] Section 412, Manual of Regulations for Banks

10.2.4. Directors, Trust Committee members and officers charged with the administration of trust and other fiduciary activities shall, in addition to meeting the qualification standards prescribed for directors and officers of banks or for qualified "independent professionals", possess the necessary technical expertise and relevant experience in such business which may be indicated by any of the following[51]:

10.2.4.1. at least one (1) year of actual experience in trust, other fiduciary business, or investment management activities;

10.2.4.2. at least three (3) years of professional experience in relevant field such as banking, finance, economics, law, and risk management;

10.2.4.3. completion of at least ninety (90) training hours on trust, other fiduciary business, or investment management activities acceptable to the Bangko Sentral; or

10.2.4.4. completion of a relevant global or local professional certification program.

10.2.5. A Trust Committee member should be familiar with Philippine laws, rules and regulations on trust business, as well as uphold at all times ethical and good governance standards.

11. Board IT Governance Committee (BITGC)[52]

11.1. Mandate. The BITGC shall assist the Board of Directors in performing its oversight functions in reviewing, approving and monitoring the IT Risk Management Framework and IT Strategic Plan of the PNB Group. The Committee shall:

11.1.1. oversee the development of the Enterprise IT Strategic Plan;

11.1.2. ensure that IT laws, regulatory guidelines and corporate standards are considered in the proper and effective implementation of IT risk management policies;

[51] Section 412, Manual of Regulations for Banks
[52] Board IT Governance Committee (BITGC) Charter

11.1.3. review and approve within its authorized limits under the Manual of Signing Authority (MSA) for projects that require any IT hardware, software, maintenance support and services, and endorse those in excess of its authorized limits the needed budget for final approval by the Board; and

11.1.4. review and approve the renewal of IT contracts that are part of the overall IT budget.

11.2. Chairmanship, membership and overall composition:

11.2.1. The BITGC shall be composed of at least three (3) members of the Board of Directors.

11.2.2. The Chairman of the Committee shall be a non-executive director.

12. Board Strategy and Policy Committee (BSPC)[53]

12.1. Mandate. The BSPC shall serve as the governing board committee in exercising authority and delegating to Management the implementation of the Board-approved strategic plans and policies. The Committee shall:

12.1.1. review, evaluate, approve and/or endorse for Board approval the monthly report on the Bank's financial performance and ensure its alignment with approved business plans and strategies;

12.1.2. evaluate and endorse for Board approval annual strategic forecasts, plans and budget;

12.1.3. review, evaluate, approve and/or endorse for Board approval new products, amendments to products, marketing programs, and policies pertaining thereto; and

12.1.4. provide oversight on the formulation of policy guidelines.

[53] Board Strategy and Policy Committee (BSPC) Charter

12.2. Chairmanship, membership and overall composition:

12.2.1. The BSPC shall be composed of at least seven (7) members of the Board of Directors.

E. Corporate Secretary

1. The Board of Directors shall ensure that it is assisted in its duties by a Corporate Secretary, who should be a separate individual from the Chief Compliance Officer. The Corporate Secretary should not be a member of the Board of Directors and should annually attend a training on corporate governance[54].

2. The Corporate Secretary is primarily responsible to the corporation and its shareholders, and not to the Chairman or President of the Bank. The Corporate Secretary shall[55]:

2.1. Assist the Board and the appropriate board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;

2.2. Safekeep and preserve the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;

2.3. Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advise the Board and the Chairman on all relevant issues as they arise;

2.4. Work fairly and objectively with the Board, Management and stockholders and contribute to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;

2.5. Advise on the establishment of board committees and their terms of reference;

2.6. Inform members of the Board, in accordance with the Bank's By-Laws, of the agenda of their meetings at least five (5) working days in advance, and ensure

[54] Recommendation 1.5, SEC Memorandum Circular 19, Series of 2016
[55] Recommendation 1.5, SEC Memorandum Circular 19, Series of 2016

that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

2.7. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;

2.8. Perform required administrative functions;

2.9. Oversee the drafting of the By-Laws and ensure that they conform with the requirements of the law and regulators; and

2.10. Perform such other duties and responsibilities as may be provided by the SEC.

F. Officers

1. Qualifications of an officer[56]:

1.1. An officer must be fit and proper for the position he is being appointed to. In determining whether a person is fit and proper for a particular position, the following matters must be considered: integrity/probity, education/training, possession of competencies relevant to the function such as knowledge and experience, skills and diligence, and concurrent positions in the Bank and interlocking positions in other entities that may pose conflict of interest[57].

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

1.3. An appointed officer has the burden to prove that he possesses all the foregoing minimum qualifications and none of the cases mentioned under BSP Circular 1076, Series of 2021: Amendments to the Regulations on the Disqualifications and Watchlisting of Directors/Officers.

[56] Section 134, Manual of Regulations for Banks
[57] BSP Circular No. 1129, Series of 2021: Amendments to Corporate Governance Guidelines for BSFIs

1.4. An officer, through the Human Resource Group (HRG), shall submit to the Bangko Sentral the required certifications and other documentary proof of such qualifications using Appendix 101 as guide within twenty (20) banking days from the date of meeting of the Board of Directors in which the officer is appointed/promoted.

1.5. Non-submission of complete documentary requirements within the prescribed period shall be construed as his/her failure to establish his/her qualifications for the position and results to his/her removal therefrom.

2. Persons prohibited to become officers[58]:

2.1. The spouses or relatives within the second degree of consanguinity or affinity holding officership positions across the following functional categories within the Bank:

2.1.1. Decision making and senior management function, e.g., the President, Chief Executive Officer (CEO), Chief Operating Officer (COO), General Manager, and Chief Financial Officer (CFO);

2.1.2. Treasury function, e.g., Treasurer or Treasury Head;

2.1.3. Recordkeeping and financial reporting functions, e.g., Controller and Chief Accountant

2.1.4. Safekeeping of assets, e.g., Chief Cashier;

2.1.5. Risk management function, e.g., Chief Risk Officer (CRO);

2.1.6. Compliance function, e.g., Chief Compliance Officer (CCO); and

2.1.7. Internal audit function, e.g., Chief Audit Executive (CAE).

The spouse or a relative within the second degree of consanguinity or affinity of any person holding the position of manager, cashier, or accountant of a branch or branch-lite unit of the Bank or their respective equivalent positions is prohibited from holding or being appointed to any of said positions in the same branch or branch-lite unit.

2.2. Any appointive or elective official, whether full time or part time, except in cases where such service is incidental to the financial assistance provided by the

[58] BSP Circular 1076, Series of 2020: Amendments to the Regulations on the Disqualifications and Watchlisting of Directors/Officers

government or government-owned or-controlled corporations (GOCCs) in cases allowed under existing laws.

3. Duties and responsibilities of officers[59]:

   3.1. To set the tone of good governance from the top. Officers shall promote the good governance practices within the Bank by ensuring that policies on governance as approved by the Board of Directors are consistently adopted across the Bank.

   3.2. To oversee the day-to-day management of the Bank. Officers shall ensure that the Bank's activities and operations are consistent with the Bank's strategic objectives, risk strategy, corporate values and policies as approved by the Board of Directors. They shall establish a bank-wide management system characterized by strategically aligned and mutually reinforcing performance standards across the organization.

   3.3. To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency. Officers shall establish measurable standards, initiatives and specific responsibilities and accountabilities for each bank personnel. Officers shall oversee the performance of these delegated duties and responsibilities and shall ultimately be responsible to the Board of Directors for the performance of the Bank.

   3.4. To promote and strengthen checks and balances systems in the Bank. Officers shall promote sound internal controls and avoid activities that shall compromise the effective discharge of their functions. Further, they shall ensure that they give due recognition to the importance of the internal audit, compliance and external audit functions.

G. President

1. The President of the Bank shall, among other powers and duties inherent in his office, execute and administer the policies, measures, orders and resolutions approved by the Board of Directors, and direct and supervise the operations and administration of the Bank. Particularly, he shall have the power and duty to[60]:

   1.1. execute all contracts and enter into all authorized transactions in behalf of the Bank;

[59] Section 134, Manual of Regulations for Banks
[60] Section 6.3, PNB's Amended By-laws

1.2. exercise, as Chief Executive Officer, the power of supervision and control over decisions or actions of subordinate officers and all other powers that may be granted by the Board;

1.3. appoint, promote, or remove employees and officers of the Bank, except those who by the provisions of the Bank's By-Laws are to be appointed or removed by the Board of Directors;

1.4. transfer, assign and reassign officers and personnel of the Bank in the interest of the service;

1.5. report periodically to the Board of Directors on the operations of the Bank; Submit annually a report on the results of the operations of the Bank to the stockholders; and

1.6. delegate any of his powers, duties and functions to any official of the Bank, with the approval of the Board of Directors.

H. Chief Compliance Officer (CCO)

1. Qualifications of the Chief Compliance Officer (CCO)[61]:

1.1. The Board of Directors shall appoint a Chief Compliance Officer (CCO) who shall serve on a full-time basis and shall functionally report to the Board Audit and Compliance Committee (BACC).

1.2. The CCO shall serve as the Head of Global Compliance Group (GCG).

1.3. The CCO should have the necessary qualifications, experience, and professional background and should have a sound understanding of relevant laws and regulations and their potential impact on the Bank's operations. The CCO should be up-to-date with the developments in laws, rules and standards maintained through continuous training.

1.4. An appointed CCO has the burden to prove that he possesses all the minimum qualifications and none of the disqualifications by submitting to the Bangko Sentral proof of such qualifications. Non-submission of complete documentary requirements within the prescribed period shall be construed as his failure to establish his qualifications for the positions and results in his removal as CCO.

[61] Section 162, Manual of Regulations for Banks

2. Duties and responsibilities of the CCO[62]:

   2.1. oversees the identification and management of the Bank's compliance risk and supervises the compliance function staff;

   4.1. liaises with the Bangko Sentral on compliance related issues and is be responsible for ensuring the integrity and accuracy of documentary submissions to the Bangko Sentral;

   4.2. ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others)[63];

   4.3. monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, the Code of Corporate Governance, rules and regulations and all governance issuances of regulatory agencies;

   4.4. reports the matter to the Board or the BACC if violations are found and recommends the imposition of appropriate disciplinary action;

   4.5. ensures the integrity and accuracy of documentary submissions to regulators;

   4.6. appears before the SEC when summoned in relation to compliance with the Code of Corporate Governance for Publicly Listed Companies;

   4.7. collaborates with other departments to properly address compliance issues, which may be subject to investigation;

   4.8. identifies possible areas of compliance issues and works towards the resolution of the same;

   4.9. ensures the attendance of board members and key officers to relevant trainings; and

   4.10. performs such other duties and responsibilities as may be provided by the regulators.

3. Independence and Objectivity

[62] Section 162, Manual of Regulations for Banks
[63] Recommendation 1.6, SEC Memorandum Circular 19, Series of 2016

3.1. The CCO shall report directly and functionally to the BACC and may report administratively to the President and CEO.

I. Chief Risk Officer (CRO)

1. Qualifications of the Chief Risk Officer (CRO)[64]:

1.1. The Board of Directors shall appoint a CRO to head the Bank's Risk Management Group (RMG) who shall serve on a full-time basis and shall functionally report to the Risk Oversight Committee (ROC).

1.2. The CRO shall have sufficient stature, authority, and seniority within the Bank. He shall be independent from executive functions and business line responsibilities, operations and revenue-generating functions, and shall have access to such information as he deems necessary to form his judgment. The CRO shall have direct access to the Board of Directors and the ROC without any impediment.

1.3. The CRO should have the knowledge and skills necessary to oversee the Bank's risk management activities. This will be assessed based on the ability of the CRO to influence decisions that affect the Bank's exposure to risk. The CRO should have the ability to interpret and articulate risk in a clear and understandable manner and, without compromising his independence, can engage in a constructive dialogue with the Board of Directors, chief executive officer, and other senior management on key risk issues.

2. Duties and responsibilities of the CRO[65]:

2.1. be responsible for overseeing the risk management function and shall support the Board of Directors in the development of the risk appetite and risk appetite statement of the Bank and for translating the risk appetite into a risk limits structure;

2.2. proposes enhancements to risk management policies, processes, and systems to ensure that the Bank's risk management capabilities are sufficiently robust and effective to fully support strategic objectives and risk-taking activities;

2.3. supervises the entire enterprise risk management (ERM) process and spearhead the development, implementation, maintenance and continuous improvement of ERM processes and documentation[66];

[64] Section 142, Manual of Regulations for Banks
[65] Section 162, Manual of Regulations for Banks
[66] Recommendation 12.5, SEC Memorandum Circular 19, Series of 2016

2.4. communicates the top risks and the status of implementation of risk management strategies and action plans to the Risk Oversight Committee;

2.5. collaborates with the CEO in updating and making recommendations to the Risk Oversight Committee;

2.6. suggests ERM policies and related guidance, as may be needed; and

2.7. Provides insights on the following:

2.7.1. Risk management processes are performing as intended;

2.7.2. Risk measures reported are continuously reviewed by risk owners for effectiveness; and

2.7.3. Established risk policies and procedures are being complied with.

J. Chief Audit Executive (CAE)

1. Qualifications of the Chief Audit Executive (CAE)[67]:

1.1. The Board of Directors shall appoint a Chief Audit Executive (CAE) who shall serve as the Head of the Internal Audit Group (IAG).

1.2. The CAE must have an unassailable integrity, relevant education/ experience/ training, and an understanding of the risk exposures of the Bank, as well as competence to audit all areas of its operations.

1.3. The CAE must be a Certified Public Accountant (CPA) or a Certified Internal Auditor (CIA) and must have at least five (5) years experience in the regular audit (internal or external) of a Universal or Commercial Bank as auditor-in-charge, senior auditor or audit manager. He must possess the knowledge, skills, and other competencies to examine all areas in which the institution operates. Professional competence as well as continuing training and education shall be required to face up to the increasing complexity and diversity of the Bank's operations.

2. Duties and Responsibilities of the CAE[68]:

[67] Section 163, Manual of Regulations for Banks
[68] Section 163, Manual of Regulations for Banks

2.1. demonstrates appropriate leadership and have the necessary skills to fulfill his responsibilities for maintaining IAG's independence and objectivity;

2.2. be accountable to the Board Audit and Compliance Committee (BACC) on all matters related to the performance of its mandate as provided in the internal audit charter. The CAE shall submit a report to the BACC on the status of accomplishments of the IAG, including findings noted during the conduct of the internal audit as well as status of compliance of concerned departments/units;

2.3. ensures that the IAG complies with sound internal auditing standards such as the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics;

2.4. develops an audit plan based on robust risk assessment, including inputs from the Board of Directors, BACC and senior management and ensures that such plan is comprehensive and adequately covers regulatory matters. The CAE shall also ensure that the audit plan, including any revisions thereto, shall be approved by the audit committee;

2.5. ensures that the IAG has adequate human resources with sufficient qualifications and skills necessary to accomplish its mandate. In this regard, the CAE shall periodically assess and monitor the skill-set of the internal audit function and ensure that there is an adequate development program for the internal audit staff that shall enable them to meet the growing technical complexity of banking operations;

2.6. periodically reviews the internal audit charter and presents it to senior management and the BACC for approval[69];

2.7. communicates the IAG's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the BACC for review and approval;

2.8. spearheads the performance of the internal audit activity to ensure it adds value to the organization;

2.9. reports periodically to the BACC on the internal audit activity's performance relative to its plan; and

[69] Recommendation 12.3, SEC Memorandum Circular 19, Series of 2016

2.10. presents findings and recommendations to the BACC and gives advice to senior management and the Board on how to improve internal processes.

3. Independence and Objectivity

3.1. The CAE shall report directly and functionally to the BACC and may report administratively to the President and CEO.

K. Chief Trust Officer (CTO)

1. Qualifications of the Chief Trust Officer (CTO). The Board of Directors shall appoint a CTO who shall possess any of the following[70]:

1.1. at least five (5) years of actual experience in trust operations;

1.2. at least three (3) years of actual experience in trust operations and must have:

1.2.1. completed at least ninety (90) training hours in trust, other fiduciary business, or investment management activities acceptable to the Bangko Sentral; or

1.2.2. completed a relevant global or local professional certification program; or

1.3. at least five (5) years of actual experience as an officer of a bank and must have:

1.3.1. completed at least ninety (90) training hours in trust, other fiduciary business, or investment management activities acceptable to the Bangko Sentral; or

1.3.2. completed a relevant global or local professional certification program.

For the purpose of this Section, actual experience refers to exposures in trust operations either as officer of a trust entity or member of Trust Committee.

2. Duties and Responsibilities of the CTO[71]:

[70] Section 412, Manual of Regulations for Banks
[71] Section 412, Manual of Regulations for Banks

2.1. ensure adherence to the basic standards in the administration of trust, other fiduciary and investment management accounts pursuant to Appendix 86 of the MORB;

2.2. develops and implements relevant policies and procedures on fiduciary activities;

2.3. observes sound risk management practices and maintain necessary controls to protect assets under custody and held in trust or other fiduciary capacity;

2.4. carries out investment and other fiduciary activities in accordance with agreements with clients and parameters set by the Trust Committee as approved by the Board of Directors;

2.5. reports regularly to the Trust Committee on business performance and other matters requiring its attention;

2.6. maintains adequate books, records and files for each trust or other fiduciary account and provides timely and regular disclosure to clients on the status of their accounts; and

2.7. submit periodic reports to regulatory agencies on the conduct of the trust operations.

L. External Auditor

1. Appointment of External Auditor

1.1. The Board Audit and Compliance Committee (BACC) has the primary authority to select, evaluate, appoint, dismiss, replace and reappoint the Bank's external auditors[72], subject to the approval of the Board of Directors and ratification of stockholders, based on fair and transparent criteria such as[73]:

1.1.1. core values, culture and high regard for excellence in audit quality;

1.1.2. technical competence and expertise of auditing staff;

1.1.3. independence;

[72] Board Audit and Compliance Committee (BACC) Charter
[73] PNB's Definitive Information Statement

1.1.4. effectiveness of the audit process; and

1.1.5. reliability and relevance of the external auditor's reports.

1.2. The external auditor and/or auditing firm shall be changed, or the lead and concurring partner shall be rotated every five (5) years or earlier.

2. Duties and Responsibilities of the External Auditor:

2.1. Enable an environment of good corporate governance as reflected in the financial records and reports of the Bank;

2.2. Undertake an independent audit of the Bank, and shall provide an objective assurance regarding the manner under which the financial statements are prepared and presented to the stockholders;

2.3. Form an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework based on an evaluation of the conclusions drawn from the audit evidence obtained; and express that opinion clearly through a written report that also describes the basis for the opinion;

2.4. Identify and assess the risks of material misstatement in the Bank's financial statements, taking into consideration the Bank's operations, control environment and its components as well as the Bank's financial reporting systems. The assessment shall also take into account qualitative aspects of the Bank's accounting practices, including indicators of possible biases in management's judgments; and

2.5. Assess and communicate to the BACC the results of its assessment on the capability of management, the strength of the control environment, and the adequacy of the accounting/information systems to comply with financial and prudential reporting responsibilities.

III. Meetings of the Board and Board Committees

Directors should 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 SEC, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, directors should

review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations[74].

1. Schedule of Board Meetings

    1.1. Pursuant to the Bank's By-Laws, the Board of Directors shall hold regular meetings at such particular date, hour or place within the Philippines as the Board may from time to time fix. The Corporate Secretary shall prepare a Board calendar before the start of the financial year.

    1.2. The Corporate Secretary shall issue the annual Board calendar every December for the ensuing year.

    1.3. Special meetings of the Board of Directors may be held at any time and place within the Philippines upon the call of the Chairman, or upon the request of the President, or upon the request of two (2) or more directors[75].

    1.4. In addition to the regular and special meetings of the Board, non-executive directors shall meet regularly, other than in meetings of the audit, risk oversight, corporate governance, and related party transactions committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions[76].

2. Place of Board Meetings

    2.1. Board Meetings shall be held at the principal office of the Corporation or if not practicable, in the city where the principal office of the Bank is located[77].

3. Conduct of Meetings, Attendance and Quorum Requirement

    3.1. Directors who cannot physically attend or vote at board meetings can participate and vote through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication that allow them reasonable opportunities to participate[78]. *Provided*, That 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 Board meetings every year: *Provided, further*, That the absence of a director in more than fifty percent (50%) of all

[74] Recommendation 4.1, SEC Memorandum Circular 19, Series of 2016
[75] Section 5.10, PNB's Amended By-laws
[76] Section 132, Manual of Regulations for Banks
[77] Section 28, Revised Corporation Code of the Philippines
[78] Section 52, Revised Corporation Code of the Philippines

regular and special meetings of the Board of Directors during his/her incumbency is a ground for disqualification: *Provided, furthermore,* That the twenty-five percent (25%) physical attendance requirement is lifted during periods of national emergencies, public health emergencies, and major disasters, among others, that affect mobility, activity, and access to the Bank[79].

3.2. If a director intends to participate in a meeting through remote communication, he shall notify in advance the Corporate Secretary of his intention. The Corporate Secretary shall note such fact in the Minutes of the meeting[80].

3.3. A director who participates through remote communication, shall be deemed present for the purpose of attaining quorum[81].

3.4. The Directors shall act only as a Board, and the individual directors shall no power to act as such. A majority of the directors shall be necessary at all meetings to constitute a quorum for the transaction of any business and every decision of a majority of the quorum duly assembled as a Board shall be valid as a corporate act unless otherwise provided by law. A minority of the Board present at any regular or special meeting shall, in the absence of a quorum, adjourn to a later date and shall not transact any business until a quorum is secured[82].

4. Board Materials

4.1. The Corporate Secretary shall inform the Board members of the agenda of their meetings and distributes materials at least five (5) business days prior to the scheduled meeting[83].

4.2. The Corporate Secretary shall ensure that Board members possess accurate information that enables them to make sound decisions on matters that require their approval.

5. Meetings of the Board Committees

Board committees shall meet as prescribed in their respective charters. Participation of committee members may likewise be in person or through modern technologies: *Provided*, That the attendance and participation of members in committee meetings

[79] BSP Circular No. 1129, Series of 2021: Amendments to Corporate Governance Guidelines for BSFIs
[80] Section 4, SEC Memorandum Circular 6, Series of 2020
[81] Section 4, SEC Memorandum Circular 6, Series of 2020
[82] Section 5.12, PNB's Amended By-laws
[83] Recommendation 1.5, SEC Memorandum Circular 19, Series of 2016

shall be considered in the assessment of continuing fitness and propriety of each director as member of board-level committees and the Board of Directors[84].

IV. Policy on Director's Interlocking Position as an Officer and/or a Director

Policy Statement

The Bank recognizes that effective sharing of managerial and technical expertise between the Bank and other entities promotes economies of scale and organizational synergies, as well as broadens perspectives in strategy formulation and risk management. In this regard, PNB has adopted the following regulations and procedures governing interlocking directorships and/or officerships in compliance with BSP Circular No. 1129, Series of 2021 on the Amendments to Corporate Governance Guidelines for BSP–Supervised Financial Institutions (BSFIs).

The provisions of this policy are intended to achieve the following objectives:

- Establish an effective governance process in place to ensure that the benefits of having directors with interlocking positions in other entities are optimized;

- Ensure that the concerned directors devote sufficient time and attention necessary to effectively carry out their duties and responsibilities and that they remain fit and proper for the position they are appointed to;

- Prevent excessive concentration of economic power, unfair competitive advantage, abusive practices, and conflict of interest situations to the detriment of the Bank and its stakeholders; and

- Comply with the applicable requirements under existing laws and BSP regulations.

Policy Guidelines

1. Coverage
   This policy shall cover all directors of Philippine National Bank. A director shall refer to a person who is a) named as such in the articles of incorporation; b) duly elected in the subsequent meetings of the stockholders; or c) elected to fill vacancies in the board of directors.

2. Definition
   2.1. *Interlocking directorship* shall refer to a situation in which a director of the Bank also serves as a director of another entity.

   2.2. *Interlocking directorship and officership* shall refer to a situation in which a director of the Bank also serves as officer of another entity.

[84] Section 132, Manual of Regulations for Banks

3. Guidelines

3.1. A director of the Bank may concurrently serve as a director of another entity within the PNB Group and/or other entities outside of the PNB Group subject to the following guidelines and limitations:

3.1.1. As a general rule, a director of the Bank may concurrently serve as a director of another BSP–supervised financial institution (BSFI) except in cases involving banks belonging to the same category. In this respect, interlocking directorships in banks belonging to the same category shall only be allowed if the banks: (i) are part of the same banking group; or (ii) have different business models and are serving different markets or clients.

3.1.2. A director of the Bank may concurrently serve as a director or an officer of another entity which is not a BSFI provided that the positions do not pose conflict of interests and that the interlocking position will not affect the director's ability to devote sufficient time and attention necessary to effectively carry out his duties and responsibilities as a director of the Bank.

3.2. To ensure that the interlocking positions do not pose any adverse impact on the business as well as to ensure that the director concerned can still efficiently discharge his/her duties and responsibilities as a director of the Bank, the following guidelines shall be observed:

3.2.1. Non-executive directors (which, by definition, also includes independent directors) may concurrently serve as director in a maximum of five (5) publicly listed companies. In applying this provision to concurrent directorship in entities within a conglomerate, each entity where the non-executive director is concurrently serving as director shall be separately counted in assessing compliance with this requirement.

3.2.2. All recommendations for interlocking positions of directors shall be subject to evaluation and determination as to whether the interlocking positions will pose a potential conflict of interest and to ensure compliance with the guidelines and limitations stipulated herein prior to endorsement for approval.

3.2.3. A director should notify and secure the approval of the Board before accepting a directorship or officership in another entity.

4. Processing of directors' interlocking directorship and/or officership

4.1. Interlocking directorship within PNB Group

4.1.1. A director of the Bank may concurrently serve as a director of any subsidiary or affiliate within PNB Group subject to the following procedures on the nomination, endorsement and approval:

4.1.1.1. Any member of the PNB Board of Directors and Board Advisors who wish to nominate a person for election as a director in any of the Bank's subsidiaries and affiliates shall submit its nomination to the Corporate Secretary's Office (CSO).

4.1.1.2. Upon receipt of the nomination, the CSO shall inform the following offices:

- Global Compliance Group (GCG)
- Subsidiaries and Affiliates Division (SAAD) – for nominations to the board of domestic subsidiaries and affiliates
- International Banking and Remittance Group (IBRG) – for nominations to the board of overseas subsidiaries and affiliates

4.1.1.3. GCG shall evaluate if the proposed interlocking positions will pose a potential conflict of interest and determine if it complies with the guidelines and limitations stipulated herein. GCG shall render and submit its opinion to the CSO and SAAD or IBRG. GCG shall also provide the summary results of the most recent self-administered performance evaluation of the director concerned.

4.1.1.4. Once it is determined that the proposed interlocking position does not present potential conflict of interest and that it complies with the provisions of this policy, SAAD or IBRG, as the case may be, shall prepare the official recommendation to the Board of Directors thru the SAAD or IBRG Head, President and the Corporate Governance Committee copy furnished the Head of the Human Resource Group (HRG) and the Corporate Treasurer.

4.2. Interlocking directorship and/or officership outside PNB Group

4.2.1. A director of the Bank may concurrently serve as a director or officer of another entity outside the PNB Group subject to the restrictions and limitations provided under item 3.2.1 above. In this regard, the following guidelines shall be observed:

4.2.1.1. The director shall inform the CSO of his request for interlocking position outside PNB Group.

4.2.2. The CSO shall forward the request to GCG for review and evaluation.

4.2.3. GCG shall evaluate if the proposed interlocking positions will pose a potential conflict of interest and determine if it complies with the guidelines and limitations stipulated herein.

- In case the proposed interlocking position of a director presents a potential conflict of interest or otherwise be violative of the provisions of this policy, GCG shall render and submit its opinion to the CSO.

- If the recommendation does not present potential conflict of interest and will not be violative of the provisions of this policy, the request shall be submitted by the CSO to the Board of Directors thru the President and the Corporate Governance Committee for approval.

5. Cancellation of directors' interlocking positions

5.1. A director with approved interlocking position outside the PNB Group shall, upon cessation of such interlocking position, notify the CSO.

The CSO shall submit the cancellation of the directors' interlocking position for notation of the Board of Directors through the Corporate Governance Committee not later than the following Board meeting from receipt of the notice from the director.

5.2. Cancellation of previously–approved interlocking position of a director within PNB Group shall be submitted by SAAD or IBRG to the Board of Directors through the Corporate Governance Committee for approval upon receipt of instruction from either the CSO or the director concerned.

Reporting and Disclosure

1. Annual Report of all Interlocking Positions of its Directors and Officers (ARIPDO)

1.1. The CSO shall prepare and submit to GCG the annual report of the interlocking positions of all directors using the ARIPDO Template provided by the BSP.

1.2. The Bank shall submit the report to BSP within twenty (20) banking days from the end of each reference year (i.e. December 31 of each year) using officially BSP-registered email address.

2. Bio-data

2.1. The BSP bio-data with a photograph (2" x 2") taken within the last six (6) months, which shall also include a summary of the directors' interlocking positions, shall be submitted to the BSP within twenty (20) banking days from the date of election in support of the Bank's request for confirmation of newly elected directors.

3. Annual Report

3.1. In accordance with Appendix 125 of the MORB, the following minimum disclosure requirements, among others, shall be disclosed in the Bank's Annual Report:

3.1.1. Board qualification (which shall include details of the relevant qualifications and experiences of each member of the board of directors, *including current directorships and officerships*)

3.1.2. Directors' attendance at board and committee meetings (which shall include the total number of board and committee meetings for the election year and the number of board and committee meetings attended by each director)

Performance Review

1. In accordance with Item IV: Board and Committee Evaluation Process of the Bank's Manual on Corporate Governance, the Board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees.

2. The self-assessment questionnaire shall cover comprehensive evaluation criteria focused on matters such as the director's time commitment and independence, potential or actual conflicts of interest, governance landscape, risk governance, fitness and propriety of Board and Management, and internal controls.

3. The performance evaluation shall be facilitated by GCG. GCG shall consolidate and review the responses and present the summary of results and significant findings to the Board of Directors thru the Corporate Governance Committee.

4. The Corporate Governance and Sustainability Committee shall ensure that the results of the Board performance evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement.

5. The results of the performance evaluation, which shall include the director's time commitment and attendance record in Board and committee meetings, shall be considered by the Corporate Governance Committee and the Board for the annual nomination and reelection of incumbent directors.

Communication of this Policy

The Bank shall ensure that directors are aware of this policy by:

1. Dissemination of this policy to all its covered directors via email network.
2. Posting of this policy in the Cybermag as ready reference for all directors.

Review and Maintenance of the Policy

This policy shall form part of the Bank's Manual on Corporate Governance. GCG shall regularly assess the effectiveness of this policy and, may amend or modify the same, in whole or in part, at any time, in coordination with the various offices involved. Any amendments to the policy shall be endorsed to the Board of Directors thru the Corporate Governance Committee for approval.

Effectivity

This policy shall take effect upon approval of the Board of Directors. Any existing policy inconsistent with the provisions of this new policy shall be deemed superseded.

V. Board and Committee Evaluation Process[85]

1. 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.

2. The Board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees[86].

3. Every three years, the assessment should be supported by an external facilitator[87].

4. The self-assessment questionnaire shall cover comprehensive evaluation criteria focused on matters such as the director's time commitment and independence, governance landscape, ethical culture in the organization, risk governance, fitness and propriety of Board and Management, and internal controls.

5. The self-assessment questionnaire shall use five (5) point rating scale to measure Board performance:

Rating	Description
5 – Strong	EXCEED what is considered necessary given the size, risk profile and complexity of operations of the bank. Deficiencies/weaknesses are considered minor and insignificant.

[85] Principle 6, SEC Memorandum Circular 19, Series of 2016
[86] Recommendation 6.1, SEC Memorandum Circular 19, Series of 2016
[87] Recommendation 6.1, SEC Memorandum Circular 19, Series of 2016

4 – Satisfactory	MEET what is considered necessary given the size, risk profile and complexity of operations of the bank. Deficiencies/weaknesses may exist but do not affect the overall quality of governance in a bank.
3 – Less than Satisfactory	DO NOT MEET what is considered necessary given the size, risk profile and complexity of operations of the bank. However, the Board is committed to correct the situation in a timely manner.
2 – Deficient	DEFICIENT in a material way, to meet what is considered necessary given the size, risk profile and complexity of operations of the bank. The ability of the Board to correct the situation in a timely manner is doubtful.
1 – Critically Deficient	CRITICALLY DEFICIENT to meet what is considered necessary given the size, risk profile and complexity of operations of the bank. The deficiencies/weaknesses pose an imminent threat to the safety and soundness of the bank.

6. The performance evaluation shall be facilitated by the Chief Compliance Officer (CCO). The CCO shall consolidate and review the responses and present the summary of results and significant findings to the Board of Directors through the Corporate Governance Committee.

7. The Corporate Governance and Sustainability Committee shall ensure that the results of the Board performance evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement[88].

VI. Remuneration and Other Incentives

1. Remuneration and Incentives Policy
   The Board of Directors shall approve and oversee the implementation of remuneration and incentives policy. The policy should be consistent with the long-term strategic objectives and financial soundness of the Bank and should promote

[88] Recommendation 3.3, SEC Memorandum Circular 19, Series of 2016

good performance, convey acceptable risk-taking behavior, and reinforce the Bank's operating and risk culture[89].

The said policy shall encourage employees to act in the long-term interests of the Bank as a whole, rather than for themselves or their business lines only.

2. Design of Remuneration
   The following shall be considered in the design of the remuneration and incentives policy:

   2.1. Employees' salary and benefits package shall be determined on the basis of their role in the Bank, competency level, work performance, previous work experience, credentials, and employment tenure, among others. Employees' personal and observable characteristics such as gender and race shall not serve as determining factors of work assignment, salary, and incentives[90].

   2.2. The level and amount of remuneration should be commensurate to the responsibilities of the role and shall also consider the risks that the employees take on behalf of the Bank.

   2.3. For employees in control functions (e.g., risk, compliance and internal audit), their remuneration is determined independent of any business line being overseen, and performance measures are based principally on the achievement of their objectives so as not to compromise their independence[91].

3. Director Remuneration
   3.1. Pursuant to Section 5.8 of the Bank's Amended By-Laws, directors shall receive such compensation for the services as may from time to time be fixed by the stockholders. Each director shall be entitled to a reasonable per diem, as may be determined by the Board[92].

   3.2. The remuneration and fringe benefits of Board members shall consist of per diem for every Board and board committee meeting and non-cash benefits like healthcare plan, group life insurance, and group accident insurance.

[89] Section 135, Manual of Regulations for Banks
[90] PNB's Sustainability Report
[91] Recommendation 2.5, SEC Memorandum Circular 19, Series of 2016
[92] Section 5.8, PNB's Amended By-laws

3.3. Directors shall not participate in the determination of their own per diems or compensation[93].

4. Reporting and Disclosure

4.1. As a corporation vested with public interest, the Bank shall submit to its shareholders and to the SEC, an annual report of the total compensation of each of the Bank's directors pursuant to Section 29 of Republic Act No. 11232 otherwise known as the Revised Corporation Code[94].

4.2. The Bank shall provide a clear disclosure of its policies and procedures for setting Board and Executive remuneration as well as the level and mix of the same in the Integrated Annual Corporate Governance Report (I-ACGR).

VII. Education and Training Program

1. External Training for Directors[95]

1.1. A newly appointed director shall attend an orientation program/seminar on corporate governance for at least eight (8) hours.

1.2. Incumbent directors shall likewise attend a relevant training on corporate governance for at least (4) hours annually. The annual continuing training program makes certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Bank.

1.3. The orientation program for first-time directors and relevant annual continuing training for incumbent directors shall be conducted by a training provider duly accredited by the SEC.

1.4. The Bank shall provide information or link/reference to a document containing information on the orientation program and trainings of directors for the covered year, including the number of hours attended and topics covered.

[93] Section 29, Revised Corporation Code
[94] Section 29, Revised Corporation Code
[95] Recommendation 1.3, SEC Memorandum Circular 19, Series of 2016

1.5. The Corporate Governance Division under Global Compliance Group shall monitor directors' compliance with the training requirements mentioned above.

2. Internal Training for Directors[96]

2.1. The Global Compliance Group shall ensure that new directors are properly oriented upon joining the Board. This ensures that new members are appropriately apprised of their duties and responsibilities, before beginning their directorships.

2.2. The Global Compliance Group shall organize an in-house orientation program for new directors covering SEC-mandated topics on corporate governance and an introduction to the Bank's business, Articles of Incorporation, and Code of Conduct:

Topics	**Speaker**
HR Matters • Mission and Vision • Core Values • Code of Conduct • Table of Organization • Whistleblower Policy	Human Resource Group
Financial Management • Corporate Profile / About PNB • Macroeconomic environment • Overview of PNB's strategy • Integrity of financial reports	Financial Management Sector
Board Matters • Articles of Incorporation and By-laws • Rights of Shareholders • PSE Disclosure Rules • Board Calendar • Other Board matters	Corporate Secretary's Office
Sustainability • Overview of Corporate Sustainability • Sustainability Policy • Sustainability activities and initiatives	Public Affairs Group

[96] Recommendation 1.3, SEC Memorandum Circular 19, Series of 2016

Compliance and Corporate Governance • Overview of Global Compliance Group • Corporate Governance ➢ Overview of Corporate Governance Framework ➢ Board Committees ➢ Significant Corporate Governance Regulations • Related Party Transactions	Global Compliance Group
Risk Management • Overview of Risk Management Group • Enterprise Risk Management Framework • Enterprise Risk Heat Map	Risk Management Group
Audit • Overview of Internal Audit Group • Internal Audit and Control System • External Auditing Function	Internal Audit Group

3. Training for Employees

3.1. The Bank shall allocate funds for the purposes of conducting an in-house orientation on Corporate Governance to operationalize this Manual.

3.2. The Corporate Governance Division under the Global Compliance Group shall implement the Compliance Academy Program (CAP) and conduct trainings regularly to promote a strong governance culture within the Bank, and mainly ensure that employees are aware of its duties and responsibilities in adhering to the Bank's governance policies and practices[97]. The Learning and Communications Officer shall act as the overall lead of the CAP. He shall be responsible for planning and executing communication strategies that will encourage a two-way dialogue between GCG and the employees of the Bank.

VIII. Compliance Function

The Global Compliance Group (GCG), the compliance function of PNB, is vested with the role of designing the Bank's Compliance Program and ensuring its effective implementation towards the timely identification and mitigation of risks that may erode the franchise value of PNB, such as risks of legal or regulatory sanctions, material financial loss, or loss to reputation as a result of its failure to comply with laws, rules,

[97] PNB's Compliance Academy Program

related self-regulatory organization standards, and codes of conduct applicable to PNB's operations. Compliance risk management, therefore, is an integral part of the culture and risk governance framework of PNB. In this respect, compliance shall be the responsibility and shared accountability of all employees, management and the Board of Directors[98].

Consistent with Section 161 of the MORB, GCG shall facilitate effective management of compliance risk by[99]:

1. Advising the board of directors and senior management on relevant laws, rules and standards, including keeping them informed on developments in the area;

2. Apprising the Bank personnel on compliance issues, and acting as a contact point within the bank for compliance queries from the bank personnel;

3. Establishing a 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;

4. Identifying, documenting and assessing compliance risks associated with the Bank's business activities, including new products and business units;

5. Assessing the appropriateness of the Bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments;

6. Monitoring and testing compliance by performing sufficient and representative compliance testing;

7. Maintaining a constructive working relationship with BSP and other regulators; and

8. Establishing a clear and open communication lines within the Bank and among its domestic and foreign subsidiaries, affiliates, and offices to promote compliance awareness and proactively address compliance matters.

GCG shall report directly to the BACC and has a matrix reporting line to the President & CEO for administrative matters. GCG shall function independently from the day to day business activities of PNB and shall have access to all operational areas as well as

[98] PNB's Compliance Program
[99] Section 161, Manual of Regulations for Banks

to any records or files necessary for the group to carry out its responsibilities and conduct investigations of possible breaches of the compliance policy.

GCG officers, and in particular, the CCO and Head of GCG, should not be placed in a position where there is a possible conflict of interest between their compliance responsibilities and any other responsibilities they may have. Independence does not mean that the compliance function cannot work closely with management and staff in the various business units of PNB. Instead, a cooperative working relationship between GCG and the lines of business is vital to identify and manage compliance risks at an early stage.

The resources to be provided for GCG shall be both sufficient and appropriate to ensure that compliance risk within PNB is managed effectively. In particular, GCG officers shall have the necessary qualifications, experience and professional and personal qualities to enable them to carry out their specific duties. GCG officers shall have a sound understanding of compliance laws, rules and standards and their practical impact on the bank's operations. The professional skills of GCG officers, especially with respect to keeping up to date with developments in compliance laws, rules and standards, should be maintained through regular and systematic education and training.

IX. Risk Management Function[100]

The Risk Management Group (RMG) shall serve the Bank's risk management function and shall be responsible for overseeing the risk-taking activities across the Bank, as well as in evaluating whether these remain consistent with the Bank's risk appetite and strategic direction. It shall ensure that the Enterprise Risk Management Framework remain appropriate relative to the complexity of risk-taking activities of the Bank. RMG shall be responsible for identifying, measuring, monitoring and reporting risk on an enterprise-wide basis as part of the second line of defense.

A disciplined risk management culture and framework facilitates oversight of and accountability for risk at all levels of the organization and across all risk types. Our Board of Directors, through the Risk Oversight Committee (ROC), exercises oversight and provides guidance to our experienced Senior Management Team who, through the Management Risk Committee (MRC), works closely with the business lines in managing risk. There is a rich risk culture, which seamlessly flows through not only within the Bank, but also across the Group subsidiaries and affiliates.

[100] Risk Management Disclosure, PNB's Annual Report

X. Internal Audit Function

The Internal Audit Group, headed by the Chief Audit Executive (CAE), is tasked to perform the internal audit activity for the Bank. Its functions include assessment of internal controls and the recommendations to implement measures to ensure adequate control. In addition, it is expected to assist in the Bank's risk management activities and corporate governance initiatives.

The major functions of IAG include:

1. Develop an audit charter, approved by both senior management and the audit committee, for the internal auditing activity;

2. Develop, along with management, an organization model that can be used to map major processes/operations for the purpose of identifying the organization's auditable units;

3. Develop a risk assessment methodology for the auditable entities identified in the model of major processes/operations;

4. Develop an audit plan based on the risk assessment and requests from management and get it approved by the Board;

5. Work with senior management and the BACC to establish a reporting relationship that will ensure that audit recommendations receive appropriate attention;

6. Establish a quality assurance and improvement program for the internal auditing activity that provides assurance that the internal auditing activity performs in accordance with its charter, adheres to the Standards and the Code of Ethics, operates in an effective and efficient manner, and is perceived by the board and management as adding value and improving an organization's operations; and

7. Coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.

XI. Reportorial and Disclosure Requirements[101]

1. The reports or disclosures covered under this Manual shall be prepared and submitted to the PSE, SEC and BSP, as the case may be in accordance with existing regulations, by the responsible office/officer.

[101] Principle 8, SEC Memorandum Circular No. 19, Series of 2016

2. All material transactions and decisions approved by the Board of Directors shall be immediately disclosed by the Corporate Secretary after each Board meeting. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the Bank's annual report.

3. As issuer of listed stocks, the Bank must comply with the continuing disclosure requirements of the PSE. The issuer must promptly make available all information, through the submission of structured and unstructured disclosures, that would enable a reasonable investor to determine whether to buy, sell or hold securities, or in connection with the exercise of related voting rights. It must take reasonable steps to ensure that all investors have equal access to such information.

4. The Bank is prohibited to communicate material non-public information about the issuer to any person, unless the issuer is ready to simultaneously disclose the material non-public information to the PSE. This rule does not apply if the disclosure is made to:

    4.1. A person who is bound by duty to maintain trust and confidence to the Issuer such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and

    4.2. A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.

    The issuer shall establish and implement internal controls that will ensure that its officers, staff and any other person who is privy to the material non-public information shall comply with this requirement.

5. In compliance with SEC Memorandum Circular No. 15, Series of 2017, on or before May 30 starting 2018 and for each succeeding year that the Bank remains listed in PSE, the Bank shall submit three (3) copies of the duly accomplished Integrated Annual Corporate Governance Report (I-ACGR)[102].

    5.1. The I-ACGR is a tool to disclose publicly-listed companies' compliance/noncompliance with the recommendations provided under the Code of Corporate Governance for Publicly Listed Companies, which adopts the "comply or explain" approach.

[102] SEC Memorandum Circular No. 15, Series of 2017

5.2. The Code is arranged as follows:

Component	Description
Principles	considered as high-level statements of corporate governance good practice and are applicable to all companies
Recommendations	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
Explanations	strive to provide companies with additional information on the recommended best practice

5.3. When a Recommendation is not complied with, the Bank 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. Descriptions and explanations should be written in plain language and in a clear, complete, objective and precise manner, so that shareholders and other stakeholders can assess the Bank's governance framework.

5.4. At least one (1) duly notarized copy bearing the original and manual signatures of the following shall be filed to SEC:

5.4.1. Chairman of the Board
5.4.2. President and CEO
5.4.3. All Independent Directors
5.4.4. Chief Compliance Officer (CCO)
5.4.5. Corporate Secretary

5.5. The Global Compliance Group shall accomplish the I-ACGR in coordination with various units for the Bank’s responses and shall secure the approval of the Corporate Governance and Sustainability Committee.

5.6. The Global Compliance Group shall request the Corporate Secretary or the Chief Financial Officer (CFO) to submit the duly accomplished I-ACGR to the SEC and to disclose the same to the PSE.

6. In compliance with Section 175 of the MORB, the Bank shall prepare an Annual Report to promote greater disclosure and transparency to the public[103].

   6.1. The Annual Report shall include a discussion and/or analysis of the following minimum information in no particular order:

      6.1.1. Corporate policy;

      6.1.2. Financial summary/Financial highlights;

      6.1.3. Financial condition and results of operations;

      6.1.4. Risk management framework, including practices to mitigate and/or prevent money laundering and terrorist financing risks;

      6.1.5. Corporate governance;

      6.1.6. Corporate information; and

      6.1.7. Audited Financial Statements (AFS) which should be presented side by side on a solo basis (parent) and on a consolidated basis (parent and subsidiaries) as provided under Section 174 of the MORB.

   6.2. A copy of the latest Annual Report shall be posted/displayed by the Bank in a conspicuous place in its head office, all its branches and other offices. The Annual Report shall also be published in the Bank's website.

   6.3. The Public Affairs Group shall be the lead office in the preparation of the Bank's Annual Report.

   6.4. The Bank shall submit to the BSP the Annual Report Assessment Checklist (ARAC) together with the annual report. The ARAC identifies the pages and sections of the annual report corresponding to the disclosures.

   6.5. The ARAC shall be jointly accomplished by the Public Affairs Group, Risk Management Group (RMG), Corporate Governance Division and Financial Accounting Division (FAD).

[103] Section 175, Manual of Regulations for Banks

6.6. The deadline for the submission of the annual report and ARAC to the appropriate supervising department of the Bangko Sentral is 180 calendar days after the close of the calendar year.

6.7. The Bank shall electronically transmit (in Portable Document Format – PDF) the AR and AFS beginning with the 2019 AR and AFS to the Department of Supervisory Analytics (DSA) as follows[104]:

E-mail Address	Report Title	File Name
dsakbar@bsp.gov.ph	Annual Report of Management to Stockholders covering Results of Operations for the Past Year	AR
dsakbar@bsp.gov.ph	Annual Report Assessment Checklist (ARAC)	ARAC

6.8. The Bank shall apply the following prescribed format for the Subject – AR<space><Bank Name><space><Reference period in dd Month yyyy>
For example: AR Philippine National Bank, 31 December 2019

6.9. If the Bank is unable to electronically transmit the AR and AFS, the Bank may use any portable storage device (e.g, USB flash drive) and submit the same through messengerial or postal services within the prescribed deadline to:

The Director
Department of Supervisory Analytics (DSA)
Bangko Sentral ng Pilipinas
11th Floor, Multi-Storey Building BSP Complex, A. Mabini Street, Malate
1004 Manila

7. The Bank shall comply with SEC Memorandum Circular No. 11, Series of 2014: Template for Publicly Listed Companies' Websites. The Digital Channels Department under the Marketing Services Division shall be responsible for the periodic updating of the company website, in coordination with the Information Technology Group (ITG) and respective owners of the website pages[105].

[104] BSP Memorandum No. 55, Series of 2020: Guidelines on the Electronic Submission of the Annual Report and Audited Financial Statements
[105] SEC Memorandum Circular No. 11, Series of 2014

8. The Global Compliance Group (GCG) shall also monitor compliance with respect to the Bank's participation in local and regional corporate governance initiatives such as the ASEAN Corporate Governance Scorecard (ACGS).

   Under the ASEAN Capital Market Forum, of which the SEC is a regular member, six ASEAN countries–Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam–agreed to participate in this initiative. The ACGS is a set of questions developed in accordance with corporate governance principles of the Organization for Economic Cooperation and Development (OECD) as well as best corporate governance practices of major publicly listed companies in the ASEAN[106].

   GCG shall also develop project plans and proposals, in coordination with the various units of the Bank, to address developmental areas in the Bank's compliance with the ACGS, as recommended by assessors, industry observers, and regulators.

XII. Insider Trading Policy[107]

1. Insider trading is the buying or selling of a publicly traded company's stock by someone who has non-public, material information about that stock.

2. As defined under Section 3 of Republic Act No. 8799, otherwise known as the Securities Regulation Code, an insider means[108]:

   2.1. the issuer;

   2.2. a director or officer (or person performing similar functions) of, or a person controlling the issuer;

   2.3. a person whose relationship or former relationship to the issuer gives or gave him access to material information about the issuer or the security that is not generally available to the public;

   2.4. a government employee, or director, or officer of an exchange, clearing agency and/or self-regulatory organization who has access to material information about an issuer or a security that is not generally available to the public; or

[106] ASEAN Corporate Governance Scorecard
[107] Recommendation 8.2, SEC Memorandum Circular No. 19, Series of 2016
[108] Section 3, Securities Regulation Code

2.5. a person who learns such information by a communication from any of the foregoing insiders.

3. It shall be unlawful for any insider to communicate material non-public information about the issuer or the security to any person who, by virtue of the communication, becomes an insider as defined above, where the insider communicating the information knows or has reason to believe that such person will likely buy or sell a security of the issuer while in possession of such information.

4. Directors and key officers as reflected in the General Information Sheet of the Bank shall advise the Corporate Secretary of their shareholdings in the Bank within three (3) business days after his appointment or any subsequent acquisition, disposal, or change in his shareholdings for proper filing of reportorial requirements with the SEC and PSE[109].

XIII. Whistleblower Policy[110]

1. Policy Statement

The Bank, in its commitment to adhere to the highest standards of ethical, moral and legal conduct in the operation of its business, shall instill among its employees a speak up culture. It puts in place a mechanism for reporting displayed behavior that is contrary to the Bank's office decorum and demeanor as provided for under the Bank's policies and code of conduct. Any report shall be handled with the highest level of confidentiality and free from fear of retaliation, reprisal, threat, bullying or intimidation.

The policy embodies the provisions that will address the following objectives that will ensure the effective implementation of the Policy:

1.1. To protect the Bank from damages to its assets, reputation, finances and people and mitigate risks and losses through the early discovery and proper reporting of suspected or actual wrongdoings;

1.2. To instill in the minds of all employees the "tone from the top" in the implementation of the policy by diligently promoting, observing and embedding the Speak Up culture;

[109] Recommendation 8.2, SEC Memorandum Circular No. 19, Series of 2016
[110] PNB's Whistleblower Policy

1.3. To increase the level of confidence and awareness among employees by instituting a clear and confidential reporting system that will encourage them to report suspected or actual wrongdoings;

1.4. To promptly act on reported incidents by conducting a timely, proper and thorough investigation and to resolve and take appropriate corrective actions for reported acts of wrongdoing;

1.5. To protect all reporting employees from any form of retaliatory acts; and

1.6. To protect all Philnabankers from baseless and malicious reporting.

2. Reporting Channels

Any whistleblower who has personal knowledge of a wrongful act committed by a director, officer or rank and file employee of the Bank, or otherwise has strong and valid reasons for believing that a wrongful act or incident has been committed or occurred can immediately report the alleged suspected or actual event or violation with details to any of the Ethical Standards Committee (ESC) members via any of the following reporting channels:

2.1. Call or text to the Bank's Whistleblower hotline at (632) 917-708-8902;

2.2. Send an email to whistleblowercomplaints@pnb.com.ph;

2.3. A verbal report to any of the members of the ESC, President/CEO, Chief Compliance Officer (CCO), Chief Audit Executive (CAE) or Chief Legal Counsel (CLC); or

2.4. Submission of a signed or unsigned statement using the "Disclosure of Violation/ Complaint Form" to the ESC secretariat, any member of the ESC, Office of the President/CEO, CCO, CAE or CLC.

3. Investigating Body

3.1. In general, all reported incidents shall be acknowledged and acted upon by the ESC Secretariat, and investigated by the ESC for deliberation and decision, consistent with the jurisdiction of the committee.

3.2. If necessary, as requested by the ESC, the Corporate Security Group (CSG), Internal Audit Group (IAG) and/or Legal Group shall conduct an investigation to corroborate the reported incident.

3.3. In sensitive/special cases, reported incidents may be filed to and investigated by the Office of the President/CEO, CCO, CAE or CLC.

4. Confidentiality and Protection of Whistleblower

4.1. To encourage reporting of wrongdoings/deviations, all reports will be kept confidential. The whistleblower or complainant is entitled to absolute confidentiality, during and after a disclosure, and throughout and after any proceeding taken thereafter concerning the following:

4.1.1. personal identity of the whistleblower;
4.1.2. the subject matter of the disclosure; and
4.1.3. the person to whom such disclosure was made

4.2. To ensure anonymity, the person to whom a disclosure has been made or referred to, including the ESC secretariat and its members, President/CEO,CCO, CAE or CLC, and even the directors shall not divulge and shall not be compelled to reveal or disclose any information that may identify or tend to identify a whistleblower or complainant, or disclose the subject matter of such report or complaint and vice versa, except under the following conditions:

4.2.1. The whistleblower or the complainant consents in writing prior to a disclosure of an information;

4.2.2. Needed for investigation or compelled by law, during the conduct of legal proceedings.

In the absence of the above, the whistleblower shall refrain from discussing any fact or information related to the report/complaint with anyone, except the ESC Secretariat and/or any of the members of the ESC, Office of the President/CEO, CCO, CAE or CLC. The Bank shall not, in any way, be held liable for any adverse consequences for the failure on the part of the whistleblower to comply with or observe this prohibition.

4.3. The act of whistleblowing does not free the whistleblower from responsibility, when in the course of the investigation, is himself found to be involved in the disclosed deviations or infractions. In meritorious cases,

whistleblowing may be considered a mitigating factor when deciding on the disciplinary or legal actions that may be imposed against the wrongdoers.

4.4. Any employee who testifies in any proceeding arising from the whistleblowing shall be accorded with the same protection as the whistleblower.

4.5. The violation of the confidentiality provisions shall be considered a serious disciplinary offense, which will be dealt with under the Bank's code of conduct.

XIV. Related Party Transactions[111]

1. General Policy[112]

1.1. As part of a large and diversified conglomerate, the Bank recognizes that conflicts of interest may arise due to dealings and transactions with related parties.

1.2. In accordance with PNB's policy, RPT dealings must be treated in the normal course of business, on an arm's length basis. This means that RPTs are undertaken in the same manner as similar transactions with non-related parties.

1.3. The following critical factors are to be considered in the evaluation of RPTs:

1.3.1. the related party's relationship to the Bank and interest in the transaction;

1.3.2. the material facts of the proposed RPT, including the proposed aggregate value of such transactions;

1.3.3. the benefits to the Bank of the proposed RPT;

1.3.4. the availability of other sources of comparable products or services; and

1.3.5. the comparative assessment between the proposed RPT and similar non-related party transactions.

1.4. The Board of Directors shall have the overall responsibility for ensuring that transactions with related parties are handled in a sound and prudent

[111] Recommendation 8.5, SEC Memorandum Circular No. 19, Series of 2016
[112] PNB's RPT Policy Manual

manner with a high degree of integrity; for exercising sound and objective judgment; and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders of the Bank.

1.5. The Board Oversight RPT Committee (BORC) shall assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interests, ensuring that exposures to related parties are effectively managed, and appropriate steps to control or mitigate the risks.

1.6. Senior Management shall implement appropriate controls to effectively manage and monitor RPTs on per transaction and aggregate basis and shall periodically review and update the Bank's inventory of related parties covered by RPT policy to capture organizational and structural changes in the Bank and its related parties.

1.7. The Bank's RPT Policy Framework has five key elements designed to promote good governance: (1) well-defined Board and Senior Management oversight; (2) updated and Board-approved policies and procedures; (3) enterprise wide RPT training program; (4) management information system (MIS) reporting; and (5) effective assessment and monitoring system.

XV. Shareholders' Rights[113]

1. The Bank shall treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights as enumerated below:

1.1. Voting Right[114]

Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts as set forth in the Bank's By-Laws and in accordance with Republic Act No. 11232 otherwise known as the Revised Corporation Code. The procedures for the nomination and election of directors shall be provided to all shareholders to apprise them of their right to elect and vote at the annual meeting of shareholders through the notice and agenda of the meeting.

1.2. Right of Inspection[115]

Shareholders shall be allowed to inspect corporate books and records in accordance with the Corporation Code and shall be provided an annual report,

[113] Principle 14, SEC Memorandum Circular No. 19, Series of 2016
[114] Section 23 and 27, Revised Corporation Code of the Philippines
[115] Section 73, Revised Corporation Code of the Philippines

including financial statements, without cost, during the usual business hours of the Bank.

1.3. Right to Information

All shareholders shall have the right of access to any and all information relating to matters which Management is accountable for. All shareholders shall have the right to propose legitimate matters to be included in the agenda of the Annual Stockholders' Meeting.

1.4. Right to Dividends

Shareholders have the right to receive dividends which shall be declared and paid out of the surplus profits of the Bank at such times and in such amounts as the Board of Directors may determine in accordance with the provisions of law and applicable regulations.

1.5. Appraisal Right[116]

Any stockholder of the Bank shall have the right to dissent and demand payment of the fair value of the shares in the following instances:

1.5.1. 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;

1.5.2. 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 Revised Corporation Code;

1.5.3. In case of merger or consolidation; and

1.5.4. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

2. Meetings of stockholders

The stockholders' meeting serves as an avenue to make decisions based on the interests of the Bank in a fair and transparent manner.

[116] Title X, Revised Corporation Code of the Philippines

The stockholders' meeting consists of the annual stockholders' meeting held once a year and special meetings may be held as needed.

Pursuant to the Bank's by-laws, the annual meeting of the shareholders shall be held at the principal office of the Bank or any other place within Metro Manila as may be determined by the majority of the Board, on the last Tuesday of April of each year unless such day is a legal holiday, in which case, the meeting shall be held on the following business day[117].

Special meetings may be called by the Chairperson of the Board of Directors, by the President and CEO, by majority of the Board, or on the demand, in writing, of the shareholders who own majority of the voting stock[118].

The Board, through the Corporate Secretary, shall encourage active shareholder participation by sending the notice of annual and special stockholders' meetings with sufficient and relevant information at least twenty-eight (28) days before the date of the meeting[119]. Together with the notice, the Bank shall also send the Agenda Items for shareholder approval, explanation of such items, and other relevant information.

The results of the annual and special stockholders' meetings, including all the votes (approving and dissenting) during the meetings, shall be made publicly available on the company website within twenty-four (24) hours from the date of the particular meeting. The minutes of the meeting shall include, but not be limited to, a description of the voting and the vote tabulation procedures used, the opportunity given to shareholders to ask questions, as well as a record of the questions and the answers received if any, the matters discussed, and the resolutions reached and a list of directors and officers who attended the meeting.

3. Investor Relations[120]

   The Bank shall design and implement its Investor Relations Program with the objective of promoting investors' and shareholders' awareness and name recognition through participation in domestic and international conferences sponsored by fund managers. This program shall also be designed to effectively address concerns/issues of shareholders and investors that could materially affect the Bank's reputation, operations, and viability.

   The Bank's Investor Relations Program is anchored on three main principles:

[117] Section 4.2, PNB's Amended By-laws
[118] Section 4.2, PNB's Amended By-laws
[119] Bonus Section, ASEAN Corporate Governance Scorecard
[120] PNB's Investor Relations Program

3.1. Accuracy and Timeliness: the Bank is committed to provide analysts, credit rating agencies, investors, and shareholders with correct and up-to-date information on developments in the Bank;

3.2. Transparency: the Bank is committed to disclose relevant information to investors and shareholders in accordance with the prescribed standard of disclosure by regulatory agencies; and

3.3. Consistency and Impartiality: the Bank is committed to prepare the same, unbiased information and to make said information accessible to all interested analysts, credit rating agencies, investors, and existing shareholders through various modes of communication.

The contact information of the Bank's Investor Relations Officer is available at the PNB website.

XVI. Sustainability[121]

1. Sustainability Definition

For PNB, Sustainability means:

1.1. Ensuring that our employees are provided with the right competencies and learning opportunities as well as equal access to programs that can enhance productivity leading to self-sufficiency and a better quality of life;

1.2. Ensuring the longevity of our business by maintaining profitability, attracting and retaining the right talent, providing relevant financial solutions, managing our tangible and intangible resources, and upholding a culture of continuous improvement;

1.3. Developing sustainable products and services, and financing businesses and activities that will provide positive contributions to the environment and the society;

1.4. Ensuring that our business and operations comply with all applicable laws, rules, and regulations, and aligned with local and international best practices and standards;

[121] PNB's Sustainability Report

1.5. Ensuring that we consider and integrate social inclusion and gender equality factors in how we do our business and operate in our communities; and

1.6. Promoting the well-being of our stakeholders by keeping a healthy ecosystem of employees, outsourced personnel, third-party service providers, suppliers and vendors, customers, shareholders, regulators, and external communities.

2. Sustainability Policy Statement

PNB is a private Filipino, universal bank with global presence committed to provide relevant financial solutions to customers anywhere in the world. It is committed to generate value through a strategy focused on safe and sustainable growth.

The capacity of the Bank to grow and sustain business is contingent upon the quality of its human capital, the condition of its physical resources, the viability of its businesses, and the Bank's relationship with its customers, employees, shareholders, regulators, suppliers and vendors, outsourced personnel, third-party service providers, and external communities.

The Bank believes that Sustainability starts from within by respecting human rights, cultivating an inclusive and collaborative work culture, helping all employees regardless of gender and background to gain equal access to relevant training and opportunities to develop skills and capabilities needed to succeed and improve their well-being. Through this Policy, the Bank commits to educate and engage its employees, leading them to align with PNB's thrust on Sustainability. The Bank aims for its employees to embrace sustainability principles not only at work but also in their own personal lives as well.

Recognizing the Bank's essential role in helping shape the environment and the social landscapes, we believe that our Bank's Sustainability footprint should also extend to our products and services as well as to financing or supporting the businesses and activities of our customers. As such, the Bank commits to fund or support projects and activities that will contribute to the achievement of the United Nations Sustainable Development Goals (SDGs).

The Bank will not support or involve itself in any business or activity that is illegal, and which might cause harm, directly or indirectly, to people and the environment.

On the other hand, the Bank will subject to enhanced due diligence and close monitoring high-risk businesses and activities that are considered to have harmful

effects or negative impacts on the society and the environment. The Bank will continue to support these businesses or activities provided they have the necessary government approvals and permits, passed the ESG screening of the Bank, and submitted their mitigation action plans to address environmental and social risks.

In addition, the Bank expects its customers, vendors and suppliers, and third-party service providers to improve their business practices by identifying and managing their own environmental and social risks and impacts, adopting good industry standards and practices, and contributing positively to the environment and the society. The Bank commits to educate its customers, vendors / suppliers, and third-party service providers on PNB's Sustainability Policy.

To promote social inclusion and gender equality, the Bank will support and make available socially inclusive and gender-sensitive financial solutions. The Bank will do this by integrating social inclusion and gender lens in lending to or financing businesses; financing or refinancing projects that aim to improve social inclusion and gender equality; and by supporting CSR initiatives and activities that promote and improve social inclusion and gender equality.

Our economic, social, and environmental responsibility includes complying with all legal requirements. This Policy applies to all activities of PNB, including events, sponsorships, and engagements that the Bank supports. The Bank's employees, outsourced personnel, vendors / suppliers, and third-party service providers shall uphold the principles under this Policy to the fullest extent possible within prevailing budgets. Employees are encouraged to inform the Bank's Management about potential barriers that might hinder the growth of the organization's people and its business.

3. Reporting and Disclosure

The Bank, through the Corporate Sustainability Unit (CSU) under the Public Affairs Group (PAG), shall ensure that the material and reportable non-financial and sustainability issues are disclosed on a regular and periodic basis. CSU shall adhere to the following disclosure requirements:

3.1. Annual Report[122]

Pursuant to BSP Circular 1085, Series of 2020: Sustainable Finance Framework, the Bank shall disclose the following information in its Annual Report:

[122] BSP Circular 1085, Series of 2020: Sustainable Finance Framework

3.1.1. sustainability strategic objectives and risk appetite;

3.1.2. overview of environmental and social risk management system;

3.1.3. products and/or services aligned with internationally recognized sustainability standards and practices;

3.1.4. breakdown of environmental and social risk exposures of the Bank per industry or sector;

3.1.5. information on existing and emerging environmental and social risks and their impact on the Bank; and

3.1.6. other initiatives to promote adherence to internationally recognized sustainability standards and practices.

3.2. Sustainability Report[123]

3.2.1. Pursuant to SEC Memorandum Circular No. 4, Series of 2019: Sustainability Reporting Guidelines for Publicly-Listed Companies, the Bank shall attach its annual sustainability report to its SEC Form 17-A.

3.2.2. SEC provided a reporting template available for companies (Annex A of the SEC Guidelines).

3.2.3. However, for companies who already have sustainability reports in accordance with internationally recognized frameworks and standards, their reports shall already be considered as their compliance with the reporting template. The Bank may choose to attach the whole sustainability report to their SEC Form 17-A or just include a statement providing a link to said report.

XVII. Penalties for Non-Compliance with the Manual

Any personnel found to be deviating from the provisions of the Corporate Governance Manual shall be treated seriously and promptly in accordance with the Bank's Code of Conduct and shall be accordingly meted with the necessary sanctions.

XVIII. Policy Owner

[123] SEC Memorandum Circular No. 4, Series of 2019: Sustainability Reporting Guidelines for Publicly-Listed Companies

The owner of the Corporate Governance Manual is the Corporate Governance Division under the Global Compliance Group (GCG).

XIX. Communication of this Manual

The Corporate Governance Manual shall be submitted to the SEC and shall be made available on the company website. It shall also be available for inspection by any shareholder of the Bank at its principal office during reasonable hours on a business day.

This Manual shall be published and communicated to all employees of PNB via email network and shall be maintained in GCG's intranet site, i-Comply SharePoint.

XX. Review and Maintenance of the Manual

GCG shall review the Corporate Governance Manual at least once a year and shall be updated as necessary to ensure its continuing suitability, adequacy and effectiveness. GCG shall endorse the Corporate Governance Manual to the Board of Directors thru the Corporate Governance and Sustainability Committee for approval.

XXI. Effectivity

The Corporate Governance Manual shall take effect upon approval of the Board of Directors. Any existing policy inconsistent with this Manual shall be deemed superseded.