

CODE OF ETHICS FOR DIRECTORS

POLICY STATEMENT

Philippine National Bank (the "Bank") is steadfast and dedicated in upholding and promoting ethics, integrity, and accountability in the conduct of its business. The Bank 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 (the "Code") serves as a guide of principles designed to enable the Board of Directors to exercise its powers, duties and responsibilities in accordance with the fit and proper standards. It defines and provides the minimum standards of conduct expected of all directors. As such, the Code shall be read in conjunction with the Bank's Corporate Governance Manual, Amended Articles of Incorporation, Amended By-Laws, and internal policies and procedures.

OBJECTIVES OF THE CODE

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 Board of Directors to exercise its powers while staying within the boundaries of laws, rules, and regulations.
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.
3. Provide ethical benchmark that the Board must observe in order to ensure the integrity of business operations, and to comply with regulatory requirements and expectations.
4. Reinforce best practices in corporate governance and existing regulatory frameworks governing the Board's governance responsibilities.

COVERAGE AND APPLICATION OF THE CODE

1. The provisions of the Code shall apply to all members of the Board of Directors, whether executive, non-executive or independent, of PNB Group. All members of the Board are expected to observe and uphold the principles set out in this Code.
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.
3. 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.

PRINCIPLES OF THE CODE

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

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:

- 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;
- Oversee the effective implementation and management of the enterprisewide compliance system covering domestic and foreign branches, offices, subsidiaries, and affiliate; and
- Ensure adherence to banking laws, rules, regulations, and guidelines issued and mandated by the Bank's various regulators.

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:

- Possess unquestionable credibility to make decisions objectively and resist undue influence;
- 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;
- Maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities of the Bank;
- Attend a program on corporate governance conducted by training providers accredited by SEC or BSP at least once a year;
- Possess competencies relevant to his directorship, such as knowledge and experience, skills, diligence and independence of mind; and

- Possess all of the qualifications and none of the disqualifications set forth in the Revised Corporation Code of the Philippines and other applicable laws and regulations.

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:

- Devote sufficient time to familiarize himself with the business of the Bank;
- Be constantly aware of the Bank's condition and be knowledgeable enough to contribute meaningfully to the Board's work;
- Evaluate the issues thoroughly, ask questions and seek clarifications before deciding on any matter brought before the Board;
- Have a working knowledge of the statutory and regulatory requirements affecting the Bank, including the content of its Articles of Incorporation and By-Laws, the requirements of the BSP and other regulatory bodies; and
- Attend and actively participate in all its regular and special meetings in person or through modern technologies such as, but not limited to, teleconferencing and video conferencing.

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:

- View each problem and situation objectively;
- Not be afraid to take a position even though it might be unpopular;
- Support plans and ideas that he thinks will be beneficial to the Bank; and
- 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.

5. CONFIDENTIALITY

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

- Observe the confidentiality of non-public information acquired by reason of their position as directors;
- Not disclose such information to any other person without consent of the Board of Directors; and
- Comply with the Bank's policies and applicable laws governing the protection of information confidentiality.

6. CONFLICTS OF INTEREST

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

- 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, approval and management of such transaction or matter affecting the Bank;
- Not be a concurrent director between banks or between a bank and a quasi-bank or a nonbank financial institution, except as may be authorized by the Monetary Board, in order to prevent any conflict of interest resulting from the exercise of directorship; and
- Adhere to the provisions of the Bank's Related Party Transaction (RPT) Policy Manual.

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:

- Be dedicated to the virtues of honesty and integrity, with a high sense of prudence, responsibility and efficiency in the conduct of their duties;
- Establish, actively promote, and communicate a culture of strong governance in the Bank, through adopted policies and displayed practices;
- 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
- 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.

8. DIVERSITY

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

- Recognize that both social diversity (e.g., gender, race/ethnicity, and age diversity) and professional diversity are both important in bringing diverse perspectives in order to arrive at thorough and intelligent decisions on matters that require Board's approval;
- Review the composition, representation, and diversity of the board and board-level committees with the end view of having a balanced and diversified membership; and
- Assess the adequacy, appropriateness, and effectiveness of the Board Diversity Policy as part of the annual self-assessment on the performance of individual directors, board committees, and the Board.

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:

- Establish and implement corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations;
- Ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders to give a fair and complete picture of the Bank's financial condition, results and business operations;
- Commit to fully disclose material information dealings for the interest of the stakeholders;
- 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
- Advise the Corporate Secretary of his shareholdings in the Bank within three (3) business days after a Director is appointed or any acquisition, disposal, or change in the shareholdings.

10. WHISTLEBLOWING

The Board is committed to adhere to the highest standards of ethical, moral and legal conduct in the operation of its business. It is the policy of the Bank to encourage employees to report internally any suspected or actual commission of corrupt practices such as, but not limited to, bribery, fraud, extortion, collusion, conflict of interest and money laundering, violation of ethical standard, law, rule or regulation and/or any misconduct. In this regard, the director 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;
- Ensure that facilities of the Bank are not used in the furtherance of criminal, improper or illegal activities such as, but not limited to financial misreporting, money laundering, fraud, bribery or corruption;
- Establish and maintain mechanisms by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues; and
- Ensure that arrangements are in place for the independent investigation, appropriate follow-up action and subsequent resolution of complaints.

11. RELATIONSHIP WITH STAKEHOLDERS

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

- Manifest genuine concern and affection for the Bank, its business, and its core constituents;
- Foster solid relationships based on mutual trust and respect;
- Respect the rights of stockholders as specified in the Bank's Corporate Governance Manual, Amended Articles of Incorporation, Amended By-Laws, and internal policies and procedures;
- Make positive contributions to the community and promote sustainable development; and
- Work closely with the regulators by providing timely and accurate regulatory reports, instituting a proactive dialogue, and maintaining an overall banking climate that fully adheres to banking laws, rules, and regulations.

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.

IMPLEMENTATION OF THE CODE

1. The Corporate Governance and Sustainability Committee shall be primarily responsible for the implementation of the Code.
2. The Global Compliance Group, through the Corporate Governance Division, shall review the Code at least annually or such other frequency as may be determined by the Board of Directors and/or the Corporate Governance and Sustainability Committee.
3. 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.
4. Any 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.

REFERENCES

The following references were consulted in drafting the Code:

1. PNB Code of Conduct
2. PNB 2019 Corporate Governance Manual
3. PNB Ethical Standards Compliance Program
4. G20/OECD Principles of Corporate Governance
5. ASEAN Corporate Governance Scorecard (ACGS)
6. SEC Memorandum Circular 19, Series of 2016: Code of Corporate Governance for Publicly-Listed Companies (PLCs)
7. BSP Circular 969, Series of 2017: Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions (BSFIs)
8. Integrated Annual Corporate Governance Report (I-ACGR)