

## MESSAGE FROM THE CORPORATE GOVERNANCE CHAIRMAN



**FELIX ENRICO R. ALFILER**  
VICE-CHAIRMAN / DIRECTOR

### CORPORATE GOVERNANCE

The Bank has set up corporate governance standards cognizant of Philippine and international best practices. The Bank believes that corporate governance remains to be a dynamic concept with a framework of rules, systems and processes adopted by the organization. The Bank looks at national and international agencies, regulatory bodies as well as the private sector in the process of developing good corporate governance policies. The Bank's existing corporate governance framework governs the responsibilities and duties of the Board and Management to the stockholders and other stakeholders toward the promotion of a strong corporate governance culture. The Bank continuously strives to raise corporate governance standards to a level that is at par with global standards and ultimately contributes to the development of Philippine capital markets.

The PNB Board of Directors and Management commit themselves to adhere to the highest principles of good corporate governance as embodied in the Bank's Amended Articles of Incorporation, Amended By-Laws, Code of Conduct and the Revised Corporate Governance Manual. The Bank subscribes to the philosophy of integrity, accountability and transparency in its manner of doing business; dealing fairly with its clients, investors, stockholders, the communities and various publics affected by its activities. The Bank espouses professionalism among its Board of Directors, executives and employees in managing the Bank, its subsidiaries and affiliates; and respect for the laws and regulations of the countries affecting its businesses. The Bank practices a philosophy of rational check and balances and adopts a structured approach to its business operations.

The Corporate Governance Committee is created pursuant and in compliance to SEC Memorandum Circular No. 6, Series of 2009, Revised Code of Corporate Governance; BSP Circular 456 dated October 4, 2004, Constitute Board Committees; and BSP Circular No. 749 dated February 27, 2012, Strengthening Corporate Governance. This is to align with existing regulations with international standards and best practices that promote good corporate governance such as the "Principles for Enhancing Corporate Governance", to assist the Board of Directors in fulfilling its corporate governance responsibilities; and ensure the Board's effectiveness and due observance of corporate governance principles and guidelines.

The Corporate Governance Committee is comprised of seven members of the Board of Directors - the President, three non-executive directors and three independent directors.

The Chairman of the Corporate Governance Committee is an independent director.

The Committee has the power and control in the Board by informing shareholders of its larger role in establishing strategic objectives and a set of corporate values that are communicated throughout the institution; setting and enforcing clear lines of responsibility and accountability throughout the Bank; ensuring that Board members are qualified for their positions, have a clear understanding of their role in corporate governance and are not subject to undue influence from Management or outside concerns; effectively utilizing the work conducted by internal and external auditors, in recognition of the important control function they provide; ensuring that compensation approaches are consistent with the Bank's ethical values, objectives, strategy and control environment; and conducting corporate governance in a transparent manner.

The Board and Management believe that corporate governance is a critical component of sound strategic business management and will, therefore, undertake every effort necessary to create awareness within the organization to ensure that the principles of fairness, accountability and transparency are indispensable in conducting the day-to-day business of the Bank, its subsidiaries and affiliates.

The Bank's operations are managed through properly established organizational structure and adequate policies and procedures embodied in the manuals approved by the management committees, board committees and the board. These manuals are subject to periodic reviews and updates to align and ensure consistency with new laws and regulations and generally conform to evolving global and regional standards and best practices. The Corporate Governance Manual describes the role and responsibilities as well as the scope of activities of the principal parties that directly or indirectly influence the corporate governance practices of the Bank enterprise-wide, primarily the Members of the Board, the Chief Compliance Officer, the Chief Risk Officer, the Corporate Secretary, the Trust Officer, Internal and External Auditors, as well as constituting at a minimum, the Board Audit & Compliance, Risk Oversight and Corporate Governance/Nomination/Remuneration Committees, as well as the newly created Board Oversight RPT Committee, that is directly engaged in monitoring and controlling business risks.

To further strengthen good corporate governance, the Board of Directors appointed the Chief Compliance Officer as the Corporate Governance Executive tasked to assist the Board and Corporate Governance/Nomination/Remuneration Committee in the discharge of their corporate governance oversight functions.

There are eight (8) Board Committees that have been instrumental in setting the tone for the corporate governance practices of the Bank, its subsidiaries and affiliates. These committees are the Board Policy Committee; Executive Committee; Board Oversight RPT Committee; Board Audit and Compliance Committee; Risk Oversight Committee; Trust Committee; Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries; and Board IT Governance Committee.

In 2015, the Philippine Stock Exchange recognized PNB as one of the Top Ten Bell Awardees among all publicly listed companies. The award commends listed companies and trading participants that practice the highest standards of corporate governance in the country. The Bank was a recipient of the Silver Award for good corporate governance from the Institute of Corporate Directors (ICD) for two consecutive years (2011-2012). This is in recognition of the institution's existing organization composed of dedicated corporate directors and senior management committed to the professional corporate directorship in line with global principles of modern corporate governance.

The PNB Board approved the Revised Corporate Governance Manual in accordance with the provisions of the SEC Revised Code of Corporate Governance, in compliance with the SEC Memorandum Circular No. 9 dated May 6, 2014.

The corporate governance framework is integral in the Bank's Compliance Awareness Training Program conducted regularly by the Global Compliance Group to sustain awareness among bank employees on corporate governance policy guidelines. As such, PNB corporate governance framework is effectively adopted and implemented enterprise-wide and conforms to evolving global standards and best practices.

**FELIX ENRICO R. ALFILER**  
Corporate Governance Chairman