

- 1.3.4.14. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the PNB Group;
- 1.3.4.15. Identify the stakeholders in the community in which the PNB Group operates or which are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;
- 1.3.4.16. Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the PNB Group internal control system in order to maintain its adequacy and effectiveness;
- 1.3.4.17. Formulate and implement policies and procedures that will ensure the integrity and transparency of related party transactions between and among the bank and its joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the board;
- 1.3.4.18. Establish and maintain an alternative dispute resolution system in the PNB Group that can amicably settle conflicts or differences between the Bank, its subsidiaries and affiliates and its stockholders; and third parties, including the regulatory authorities;
- 1.3.4.19. Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during board meetings should be encouraged and given due consideration;
- 1.3.4.20. Keep the activities and decisions of the board within its authority under the Amended Articles of Incorporation and Amended By-Laws, and in accordance with existing laws, rules and regulations; and
- 1.3.4.21. Appoint a Compliance Officer who shall have the rank of at least a Vice President.
- 1.3.4.22. Adequate governance structures and control processes related to the different activities of the bank are established and complied with, including:
 - 1.3.4.22.1. Systems that accurately identify and measure all material risks and adequately monitor and control these risks;
 - 1.3.4.22.2. Adequate internal controls, organizational structures and accounting procedures leading to a suitable control environment aimed at meeting the bank's prescribed corporate strategy, performance, information system and compliance objectives;
 - 1.3.4.22.3. The evaluation of the quality of assets and their proper recognition and measurement; and
 - 1.3.4.22.4. Requirements on the gathering and disclosure of material and relevant information on financial accounts including related party transactions.
- 1.3.4.23. Adequate governance structures and control processes for areas of exposures that may pose significant risk to the bank such as fair value measurement and financial instruments. The board's oversight responsibilities for the bank's use of fair value accounting include:



CHARTER
BOARD OVERSIGHT RPT COMMITTEE (BORC)
June 2016

I. Mission

The Board Oversight RPT Committee (BORC) is created, governed by a charter, to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of shareholders, board members, management, and other stakeholders.

II. Composition of the Committee

1. The Board Oversight RPT Committee shall be composed of at least three (3) members of the Board of Directors, two (2) of whom shall be independent directors, including the Chairperson. The Chief Compliance Officer or Chief Audit Executive may sit as resource persons in the committee.
2. The Committee may invite any officer to provide management reports, to clarify matters and give information on relevant issues of the Committee and/or invite independent experts to offer professional advice to the Committee on the fairness of the transactions, as needed.
3. The presence of the majority of the members of the committee less 1 member shall constitute a quorum; but the vote of the majority of the quorum which in no case is less than 2 members is required to approve any act in all the meetings of the committee.
4. When there is a lack of quorum due to the absence of other members, an alternate member from among the Board Members may be appointed to attend a particular meeting and automatically sit as a voting member provided the alternate is an independent director or non-executive director.
5. Subject to Section 35 of the Corporation Code, the Board of Directors shall have the power, at any time, to change, to increase or decrease the membership of the Board Oversight RPT Committee (BORC) or to fill vacancies therein, and to determine from time to time, by resolution, the number of members to constitute a quorum.

III. Authority

The BORC has the authority to:

1. Oversee the evaluation of related party transactions that present the risk of potential abuse and ensure that rules and regulations, accounting standards are considered to properly and effectively implement the bank's RPT policy guidelines;
2. Exercise sound and objective judgment on the related party transactions for the best interest of the bank and that the processes and approvals are conducted at arm's length basis; and
3. RPTs that are considered material based on Bank's internal policies shall be endorsed by the BORC to the Board for approval and/or notation.

IV. Duties and Responsibilities

The Board Oversight RPT Committee shall:

1. Committee –

- a) Review and approve policy guidelines and implementing procedures in handling RPTs by ensuring effective compliance with existing laws, rules and regulations, accounting standards and global best practices.
- b) Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified; RPTs are monitored; and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured.
- c) Evaluate all material RPTs to ensure that these are conducted in the normal course of business; not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances, and that no corporate or business resources of the bank are misappropriated or misapplied; and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the BORC shall take into account the following:
 - Related party's relationship to the bank and interest in the transaction;
 - Material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - Benefits to the bank of the proposed RPT;
 - Availability of other sources of comparable products or services; and
 - Assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances.
- d) Report to the Board on a regular basis the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- e) Oversee the periodic independent review or audit of transactions with related parties, including write-off of exposures.
- f) Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.
- g) Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest.

2. Committee Chairman –

- To call, convene and preside over all the committee meetings;
- Provide leadership to ensure effective functioning of the committee; and
- Ensure a sound decision making process

3. Committee Resource Persons: Any Officer and/or Independent Experts shall:

- Present Management Reports and clarify matters; and
- Provide information relevant to the decision making.

V. Frequency of Meeting

The BORC shall conduct monthly meeting or whenever necessary to properly discharge its functions.

VI. Secretariat

The Chief Compliance Officer acts as the Committee Secretariat to handle the administrative requirements of the Committee.

VII. Review of the Charter

The Committee shall review and assess the adequacy of this Charter periodically and recommend any proposed changes for approval of the Board of Directors.