

- 2.4.9. Persons appointed as Chairman “Emeritus”, Ex-Officio” Directors/Officers or Members of any Executive Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities shall be subject to a one-year “cooling-off period” prior to his qualification as an Independent Director.
- 2.5. Disqualification of Independent Directors
- 2.5.1. Securities broker-dealer disqualifies from sitting as an Independent Director of listed companies and registered issuers of securities. Securities broker-dealer shall refer to any person holding any office of trust and responsibility in a broker-dealer firm which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, associated person or salesman, and an authorized clerk of the broker or dealer.
- 2.6. Term Limits for Independent Directors (IDs)
- 2.6.1. The Bank is compliant with BSP Circular No. 749, Series of 2012 and SEC Memorandum Circular No. 9, Series of 2011, SEC Advisory dated March 31, 2016 and BSP CL-2016-073 dated August 24, 2016.
- 2.6.2. IDs elected in 2012 may be re-elected in 2017 until 2021 (4 consecutive years), without the two (2)-year cooling-off period, if there are no suitable replacements, subject to prior written notice and justification to the SEC.
- 2.6.3. Under normal circumstances, the Independent Director (ID) can be elected to only five (5) companies of the conglomerate, parent bank and its subsidiaries and affiliates;
- 2.6.4. Independent Director of a bank may serve as such for a total of five consecutive years, opt to undergo a “cooling off” period of two (2) years and after which, an ID can be re-elected and serve for another five (5) consecutive years.
- 2.6.5. IDs shall be perpetually barred from being elected as such after serving for ten (10) years and the two year cooling off period or after serving nine consecutive years.
- 2.7. Roles, Accountabilities and Deliverables of Independent Directors
- Recognizing the importance of the role of (IDs), the Board has elected the independent directors to act as Chairman of the Board and various Board committees.
- In the various board committees, the independent directors play an active role in the formulation of the business strategies and priorities of the Bank, its subsidiaries and affiliates.

2.8. Specific Duties and Responsibilities of the Chairman of the Board:

- 2.8.1.** To call, convene and preside over all meetings of the Board of Directors whenever he may deem it necessary, either on his own initiative, or upon the request of the President, or two members of the Board; and the stockholders in accordance with the Amended By-Laws;
- 2.8.2.** Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors;
- 2.8.3.** To provide leadership in the board of directors. The chairperson of the board shall ensure effective functioning of the board, including maintaining a relationship of trust with board members;

- 2.8.4. To ensure that the board takes an informed decision. The chairperson of the board shall ensure a sound decision making process and he should encourage and promote critical discussions and ensure that dissenting views can be expressed and discussed within the decision-making process;
- 2.8.5. Maintain qualitative and timely lines of communication and information between the Board and Management;
- 2.8.6. Assist in ensuring compliance with the PNB Group guidelines on corporate governance; and
- 2.8.7. To perform such other functions as are assigned to him by law or by the Board of Directors.

2.9. Specific Duties and Responsibilities of a Director

A Director's office is one of trust and confidence. A Director should act in the best interest of the Bank, its subsidiaries and affiliates in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the PNB Group towards sustained stability and progress.

A Director should observe the following norms of conduct:

- 2.9.1. 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, its subsidiaries and affiliates are engaged in or intends to pursue as well as the developments in the banking industry including regulatory changes through continuing education or training;
- 2.9.2. To conduct fair business transactions with the bank, its subsidiaries and affiliates and to ensure that personal interest or that of his colleagues 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.

If an actual or potential conflict of interest may arise on the part of a Director, he should fully and immediately disclose it and should not participate in the decision-making process. A Director who has a continuing material conflict of interest should seriously consider resigning from his position.
- 2.9.3. To act honestly and in good faith with loyalty and in the best interest of the PNB Group, 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;

An appointed officer has the burden to prove that he/she possesses all the foregoing minimum qualifications and none of the disqualifications by submitting the documentary requirements listed in Appendix 6.

The foregoing qualifications for officers shall be in addition to those required or prescribed under R.A. No. 8791 and other applicable laws and regulations.

4.2. Duties and Responsibilities of Officers

- 4.2.1. To set the tone of good governance from the top. Bank 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;
- 4.2.2. To oversee the day-to-day management of the bank. Bank officers shall ensure that 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 bank.
- 4.2.3. To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency. Bank officers shall establish measurable standards, initiatives and specific responsibilities and accountabilities for each bank personnel. Bank 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;
- 4.2.4. To promote and strengthen checks and balances systems in the bank. Bank officers shall promote sound internal controls and avoid activities that shall compromise the effective dispense of their functions. Further, they shall ensure that they give due recognition to the importance of the internal audit, compliance and external audit functions;
- 4.2.5. Senior Officers (VPs and up) shall advise the Corporate Secretary of their shareholdings in the Bank within three (3) trading days after an Officer is appointed or any acquisition, disposal, or change in the shareholdings; and
- 4.2.6. Senior Officers (VPs and up) must not deal in the Bank's securities during the period within which material non-public information is obtained and up to two full trading days after the price-sensitive information is disclosed publicly.

5. The President

- 5.1. The Chief Executive of the Bank shall be the President who shall be elected by the Board of Directors from among its members.
- 5.2. 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:
 - 5.2.1. To execute all contracts and to enter into all authorized transactions in behalf of the Bank;
 - 5.2.2. To 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;

- 5.2.3. To recommend to the Board the appointment, promotion or removal of all officers of the Bank with the rank of at least Vice President or its equivalent;
- 5.2.4. To appoint, promote or remove employees and officers of the Bank, except those who are to be appointed or removed by the Board of Directors;
- 5.2.5. To transfer, assign and reassign officers and personnel of the Bank in the interest of the service;
- 5.2.6. To report periodically to the Board of Directors on the operations of the Bank;
- 5.2.7. To submit annually a report on the result of the operations of the Bank to the stockholders of the Bank; and
- 5.2.8. To delegate any of his powers, duties and functions to any official of the Bank, with the approval of the Board of Directors.

6. The Corporate Secretary

- 6.1. The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the Bank. Precision, transparency and thoroughness in performance are expected of him;
- 6.2. He must possess appropriate administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have a working knowledge of the operations of the Bank;
- 6.3. Duties and Responsibilities of the Corporate Secretary
 - 6.3.1. Notify parties concerned of any Stockholders and Board meetings;
 - 6.3.2. Inform the members of the Board, in accordance with the Amended By-Laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
 - 6.3.3. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
 - 6.3.4. Ensure that all Board procedures, rules and regulations are strictly followed by the members;
 - 6.3.5. Provide proper assistance to the Members of the Board during all Board and Stockholders' meetings while they are in the performance of their duties and responsibilities under the law and the By-Laws;
 - 6.3.6. Be responsible for the safekeeping and preservation of the integrity of the Minutes of the meetings, as well as the other official records pertaining to the duties and responsibilities of the Office of the Corporate Secretary;
 - 6.3.7. Prepares the Agenda for the Board and Executive Committee meetings and also assists the directors in attending seminars and trainings;
 - 6.3.8. Furnish all Directors with a copy of the general responsibilities and specific duties and responsibilities of the Board of Directors prescribed under MORB Subsec. X141.3 (b and c), as well as the specific duties and responsibilities of a Director under X141.3 (d), at the time of their election. Copies of the acknowledgement and certification by the Directors