

## **I. POLICY STATEMENT**

The Bank acknowledges that corporate governance is a dynamic concept. It is a framework of rules, systems and processes in the organization that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, creditors, government and community in which it operates. It provides direction for the promotion of a strong corporate governance culture and recognizes current best practices. It also strives to raise corporate governance standards to a level that is at par with global standards and ultimately contribute to the development of Philippine capital markets.

The Board of Directors, Management and Staff of the Philippine National Bank Group 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 this 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 affected by its activities and various public; 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. Internally, it follows a philosophy of rational check and balances as well as a structured approach to its business operations.

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. Furthermore, the Board and the Committee continue to review and strengthen the corporate governance policies to adopt consistency in the corporate governance framework in the Bank, its subsidiaries and affiliates.

The Bank's operations is 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 review and update to align and consistent with new laws and regulations and generally conform to the evolving global and regional standards and best practices. This 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 Board Oversight RPT Committee, that directly engage 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.

Also, the Board Oversight RPT Committee is created to assist the Board in performing its oversight functions in monitoring and ensuring transparency to eliminate potential conflict of interest of management, board members and shareholders. The Chief Compliance Officer is the Secretariat.

This Manual should be read in conjunction with the BSP, SEC and PSE significant regulations and guidelines, in strengthening good corporate governance and international best practices. Source of references and documents are listed under Part XIII of this Manual.

	Management to correct the situation in a timely manner is doubtful.
<b>1 - CRITICALLY DEFICIENT</b>	<b>CRITICALLY DEFICIENT</b> 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.

- 2.1 The rating shall not be based on the average ratings assigned instead; judgment should be exercised on how much weight should be given to a particular factor based on the distinct circumstances. Identify the issues that are of greatest supervisory concern and in synthesizing how these have affected the quality of governance in the bank;
- 2.2 Apart from assigning a rating, it should come up with specific applicable action recommendations commensurate with the issues identified and the resulting assessment on the quality of governance;

#### **IX. REPORTORIAL OR DISCLOSURE SYSTEM OF BANK'S CORPORATE GOVERNANCE**

1. The reports or disclosures required under this revised Manual shall be prepared and submitted to the SEC/PSE/BSP by the responsible office/officer;
2. The Bank shall comply with the submission of reports to the regulatory agencies disclosing all entities in the group structure through conglomerate map/organizational structure where a bank belongs, as well as significant transactions between entities in the conglomerate;
3. The Bank shall submit all necessary reports that may be prescribed by the regulatory bodies/agencies in accordance with existing regulations covering related party transactions among entities within the PNB Group and entities belonging to the conglomerate;
4. All material information about the Bank which could adversely affect its viability or the interest of its stockholders and other stakeholders shall be publicly disclosed to the regulatory in a timely manner;

Such information shall include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. The Company shall not selectively disclose material non-public information except to:

- A person who is bound by duty to maintain trust and confidence to the Company such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and
  - 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;
5. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report; and
  6. The Board is primarily accountable to the stockholders. The Board shall commit at all times to fully disclose material information dealings for the interest of the stakeholders. It shall cause the filing of all required information through the Philippine Stock Exchange (PSE) and submission to the Commission for the interest of the Bank's stockholders and other stakeholders.

#### **X. COMMUNICATION PROCESS**

1. This revised Manual shall be available for inspection by any stockholder of the Bank at reasonable hours on business days;