

## 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 enterprisewide, 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.



**CHARTER**  
**CORPORATE GOVERNANCE/NOMINATION/  
 REMUNERATION COMMITTEE**

June 2016

**I. Corporate Governance defined –**

Corporate governance refers to that “set of relationships *between* an institution’s management, its board, its shareholders, and other stakeholders. Corporate governance also provides the structure through which the objectives of the institution are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the Board and Management to pursue objectives that are in the best interest of the institution its various stakeholders. It should facilitate effective monitoring thereby encouraging institutions to use resources more efficiently. More briefly, it is the system by which businesses are directed and implemented by the institution’s board of directors. (Source: Organization for Economic Co-operation and Development)

Corporate governance is the framework of rules, systems and processes in the corporation that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to the stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates. (Source: SEC Memorandum Circular No. 9 dated May 6, 2014).

It is a form of organization of power and its control which gives the Board of Directors and informing shareholders a larger role. Specifically in:

1. Establishing strategic objectives and a set of corporate values that are communicated throughout the institution;
2. Setting and enforcing clear lines of responsibility and accountability throughout the Bank;
3. 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;
4. Effectively utilizing the work conducted by internal and external auditors, in recognition of the important control function they provide;
5. Ensuring that compensation approaches are consistent with the Bank’s ethical values, objectives, strategy and control environment; and
6. Conducting corporate governance in a transparent manner.

**II. The Corporate Governance/Nomination/Remuneration Committee**

The Corporate Governance/Nomination/Remuneration Committee is created pursuant and compliance to SEC Memorandum Circular No. 6, S.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 to align existing regulations with international 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.

### III. Composition of the Committee

- a) The Committee shall have a minimum of at least five (5) members of the board of directors, inclusive of the President and two (2) independent directors. The Chairman shall be an independent director. They shall be entitled to the payment of the usual per diems given to members of the Committees created by the Board.
- b) The Committee shall invite resource persons in any of its meetings to render a report, clarify and provide guidance to the Committee on any relevant issue the Committee is confronted with.
- c) 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.
- d) 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.
- e) 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 Corporate Governance/Nomination/Remuneration Committee or to fill vacancies therein, and to determine from time to time, by resolution, the number of members to constitute a quorum.

### IV. Duties and Responsibilities

#### 1. Corporate Governance

- Oversee the periodic performance evaluation of the Board and its committees and executive management; conduct an annual self-evaluation of the committee's performance; and review/evaluate the annual self-assessment of the directors, board and committees prior to Board approval/notation;
- Decide the manner by which the Board's performance may be evaluated, as well as whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation);
- Make recommendations to the Board the continuing education of directors, assignment to board committees, succession plans for the board members and senior officers, and their remuneration commensurate with corporate and individual performance (Ref: BSP Cir. 749);
- Adopt internal guidelines that will determine the number of directorships of its members that can hold in other corporations and address the competing time commitments that are faced when directors of the Bank serve on multiple boards;
- Formulate such policies regarding the continuing education of directors, assignment to Board Committees, succession plan for the Board members and senior officers, and their remuneration commensurate with corporate and individual performance;
- Review and formulate policies to strengthen provisions on conflict of interest, salaries and benefits, promotion and career advancement of personnel concerned in line with the existing professional development program and succession plan for Senior Management; and
- To receive and evaluate complaints regarding conflict of interest situations.

## **2. Nomination and Qualifications of Board Members and Senior Management**

- Review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors;
- Assess the effectiveness of the board's processes and procedures in the election or replacement of directors (Ref: SEC Memo Cir No. 6, S. 2009);
- Ensure that the Bank shall have at least two (2) Independent Directors (IDs) or such IDs shall constitute at least twenty percent (20%) of the members of the Board, and that any fractional result from applying the required minimum proportion, shall be rounded-up to the nearest whole number (Ref: BSP Cir. 749);
- Pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualifications;
- Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired; and

## **3. Remuneration of Directors/Officers**

- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of Senior Management and other key personnel ensuring that compensation is consistent with the Bank's culture, financial capacity, business strategy and control environment;
- Designate the amount of remuneration and fringe benefits, which shall be at a sufficient level to attract and retain directors and officers who are needed to run the Bank successfully;
- Disallow any director to decide his or her own remuneration; and
- Provide in the Bank's annual reports, information and proxy statements a clear, concise and understandable disclosure of the aggregate compensation of its executive officers for the previous fiscal year and the ensuing year.

The functions and responsibilities of the Human Resource and Nomination Committees of the Board shall be absorbed by the Corporate Governance/Nomination/Remuneration Committee.

## **4. Committee Chairman**

Generally, the powers and duties of the Chairman of the Committee are as follows:

- To convene the members of the Committee whenever he deems it necessary, either on his own initiative, or upon the request of the members of the Committee, at least once every quarter;
- To preside over all the Committee meetings;

- To maintain efficient lines of communication and information between the Board and Management; and
- To perform such other functions as provided by law or as may be assigned to him by the Board of Directors.

#### **5. The Committee Vice Chairman**

The Committee Vice Chairman shall preside over the meeting of the Corporate Governance/Nomination/Remuneration Committee in the absence of the Chairman.

#### **V. Frequency Meeting**

The Committee shall hold a meeting at such time and place as it considers appropriate, provided that a meeting shall be held at least every quarter.

#### **VI. Secretariat**

The administrative requirements of the Committee shall be handled by a Secretariat to be designated by the Committee.

#### **VII. Review of the Charter**

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



## **BOARD AUDIT AND COMPLIANCE COMMITTEE CHARTER**

**June 2016**

### **I. OVERALL PURPOSE**

The Board Audit and Compliance Committee (BACC) of the Philippine National Bank ("PNB") is a standing committee of the Board of Directors ("Board").

The purpose of the Committee is to:

1. Assist the Board in the performance of its oversight responsibility relating to financial reporting process, systems of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations;
2. Provide oversight functions over internal and external auditors and ensure that the internal and external auditors act independently from each other;
3. Provide oversight over compliance functions and/or oversee the compliance program;
4. The annual independent audit of PNB's financial statements, the engagement of the External Auditors and the evaluation of the External Auditor's qualifications, independence and performance;
5. The compliance by PNB with legal and regulatory requirements, including PNB's disclosure controls and procedures
6. The fulfillment of the other responsibilities set out herein.

While the Committee has the responsibilities and powers as set forth in this Charter, it is not the duty of the BACC to determine that PNB's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of Management and the External Auditors.

### **II. MEMBERSHIP**

The Board Audit and Compliance Committee shall be composed of at least three (3) Board members, who shall preferably have accounting and finance background, two (2) of whom shall be independent directors, including the Chairman and another non-executive director with audit experience. The members of the BACC and the Committee Chair shall be appointed by the Board.

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.

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.

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 Audit and Compliance Committee or to fill vacancies therein, and to determine from time to time, by resolution, the number of members to constitute a quorum.

The Committee shall designate a Secretariat that will handle the administrative requirements of the Committee.

### **III. MEETINGS**

The Committee shall hold a meeting at such time and place as it considers appropriate, provided that a meeting shall be held at least four (4) times a year. Special meetings may be convened as necessary.

The Committee shall invite resource persons in any of its meetings to render a report, clarify and provide guidance to the Committee on any relevant issue the Committee is confronted with.

### **IV. AUTHORITY**

The BACC shall have explicit authority to investigate any matter within its terms and reference, full access to and cooperation by Management and full discretion to invite any Director or Executive Officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.

The Committee shall have the sole authority to select, evaluate, appoint, dismiss, replace and re-appoint the External Auditors (subject to stockholder ratification) based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality; (ii) technical competence and expertise of auditing staff; (iii) independence; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's reports. The BACC shall set compensation of the external auditor in relation to the scope of its duties and approve in advance all audit engagement fees and terms and all audit related, and tax compliance engagements with the External Auditors. It may recommend to the Board of Directors to grant the President authority to negotiate and finalize the terms and conditions of the audit engagement as well as the audit fees, and sign, execute and deliver the corresponding contract and all non-audit engagement with the External Auditors subject to the confirmation/approval of the BACC members.

The BACC shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting, or other consultants to advise the Committee. The Bank shall provide funding, as determined by the BACC, for payment of compensation to the External Auditors and to any advisors employed by the Board Audit and Compliance Committee.

The BACC may form and delegate authority to subcommittees, comprised of one or more members of the Committee, as necessary or appropriate. Each subcommittee shall have the full power and authority of the BACC.

The BACC shall ensure that a review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually.

The BACC shall 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 to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action and subsequent resolution of complaints.

## **V. DUTIES AND RESPONSIBILITIES**

The Board Audit and Compliance Committee shall have the following duties and responsibilities:

### **1. On Financial Statements:**

- Review the quarterly, semi-annual, annual and any periodic financial statement signed by the CEO and CFO prior to submission to the Board, with particular focus on the following:
  - Any change/s in accounting policies and practices
  - Major judgmental areas
  - Significant adjustments
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal, and stock exchange requirements
- Establish a system that addresses, in a timely and effective manner any findings or fraud or error on the financial statements.

### **2. Oversight of the Bank's External Auditors:**

- Review/approve the Audit Program of the External Auditors prior to any audit undertaking, the scope among which includes the nature, coverage, expenses of the audit, and ensure proper coordination if more than one audit firm and/or internal independent review/external examination is involved in the activity to secure proper coverage and minimize duplication of efforts.
- Evaluate and determine non-audit work/services by External Auditor and keep under review the non-audit fees paid to the External Auditor both in relation to their significance to the auditor and in relation of the Bank's total expenditure on consultancy and whether provision of non audit services is compatible with maintaining the External Auditor's independence. The non-audit work should be disclosed in the annual report.
- Ensure that the external auditor/auditing firm shall be changed or the lead or concurring partner shall be rotated every five years or earlier. The rotation of the lead and concurring partner shall have an interval of at least 2 years.
- Review and discuss with management and the External Auditors the annual audited financial statements and disclosures and matters such as, but not limited to, accounting policies and practices, management letter, significant disagreement with management.
- Regularly review and monitor the External Auditor's technical competence, independence, objectivity and overall effectiveness of the External Audit process;
- Establish a system of reporting where the External Auditor can communicate directly to the Audit Committee on a timely basis;
- Continually engage the External Auditor on matters concerning audit quality;
- If the External Auditor resigns or communicates an intention to resign, the Audit Committee should follow up on the reasons/explanations giving rise to such resignation and consider whether it needs to take any action in response to those reasons.

- Closely coordinate with the External Auditor during all phases of the external audit engagement, as follows:
  - Discuss and agree to the terms of the engagement letter issued by the external auditor prior to the approval of the engagement. Where relevant, the engagement letter should reflect changes in circumstances relevant to the external audit;
  - Obtain an understanding of the scope and audit approach which shall be adopted by the external auditor for purposes of meeting the bank's financial reporting requirements;
  - Ascertain and take steps to address the major areas of concern identified by the external auditor during the course of its audit. These issues may cover significant accounting estimates, valuation methodologies and accounting policies adopted;
  - Review management representation letters before these are transmitted to the External Auditor to ensure that items in the letter are complete and appropriate;
  - Assess the extent of cooperation provided by the bank's management during the conduct of the external audit; and
  - Understand and duly assess the External Auditor's opinion regarding the capability of the bank's management and the adequacy of accounting/information systems to comply with financial and prudential reporting responsibilities.
- Maintain effective communication channels with the external auditor through regular and structured dialogues in the course of the external audit by focusing on the key accounting or auditing issues that, in the external auditor's judgment, give rise to a greater risk of material misstatement of the financial reports, as well as other external audit concerns of the Audit Committee. Internal and external auditors should be allowed and encouraged to attend the meetings of the Committee. During regular meetings, matters that may be raised include audit findings that would impact on the bank's compliance with regulatory requirements, disclosures and other accounting concerns.

### **3. Oversight of the Bank's Internal Auditor**

- Responsible for the establishment of the Internal Audit Group and the appointment, re-appointment and replacement of the Chief Audit Executive (who will report directly to the BACC functionally) and the Deputy Chief Audit Executive. The responsibility of the BACC shall include the annual performance review of the CAE, accepting the resignation and/or dismissal subject to due process.
- Recommend for the approval of the Board of directors the annual remuneration of the CAE and the Deputy Chief Audit Executive.
- Review, evaluate and approve the Annual Audit Plan to include the audit scope, frequency and prioritization of high risk business units/entities as well as approve any significant change to the Annual Internal Audit Plan.
- Ensure that the Internal Audit Group has adequate resources in terms of manpower, budget and training to effectively fulfill its independent duties in the expedient implementation of the Annual Audit Plan.

- Review and approve audit reports to the extent that BACC Chairman may issue directives to Senior Management to develop and implement the necessary corrective actions in a timely manner and/or require submission of a Project Plan to address promptly any significant weaknesses in internal controls, non-compliance with corporate policies and standards, potential violations to laws and regulations and recommendations by Internal Audit Group to align the bank with global or industry best practices.
- Review and evaluate the adequacy of the work performed by the CAE and Internal Audit Group.
- Review discoveries of fraud and violations of laws and regulations as raised by the Internal Audit Group.
- Ensure that the Internal Audit Group maintains an open communication with Senior Management, the BACC, External Auditors, and regulators.

The Committee shall ensure that the internal auditors shall have free and full access to all the Bank's records, properties and personnel relevant to the internal audit activity and that the internal audit activity should be free from interference in determining the scope of internal auditing examinations, performing work, and communicating results.

#### **4. Oversight of the Bank's Chief Compliance Officer**

- Review and approve the Global Compliance Organizational Structure including the appointment of the Compliance Officers/Compliance Designates across all business units and recommend appointment of the designated Compliance Officers to the respective Board of the subsidiaries and affiliates.
- Evaluate and recommend to the Board the appointment of the Chief Compliance Officer who shall report directly to the Chairman of the Board through the BACC.
- Review and approve the Annual Compliance Program/Plan submitted by the Chief Compliance Officer and significant amendments to the Annual Compliance Plan including accomplishments vs. the approved Compliance Plan every January.
- Oversee the Board approved Compliance Programs across all businesses and ensure compliance recommendations are addressed by the President/ CEO and Senior Management and/or the respective Board of the bank subsidiaries/affiliates on a timely basis.
- Oversee the AML Compliance Framework through the Global Compliance Group to ensure effective senior management oversight, coordination, monitoring and escalation of significant weaknesses in AML policies and procedures and potential violations with AML implementing rules and regulations issued by the resident country regulators of the Parent Bank and its subsidiaries and affiliates.
- Review and approve AML Compliance Testing Review reports to the extent that the BACC Chairman may issue directives to the President/CEO, Senior Management and notify the respective Board of the subsidiaries and affiliates to implement corrective actions or provide Project Plans primarily to address significant weaknesses in AML Compliance by Parent Bank and its subsidiaries and affiliates.

#### **VI. OTHER DUTIES AND RESPONSIBILITIES**

1. Monitor and evaluate the adequacy and effectiveness of the Bank's internal control system including financial reporting control and information technology security.
2. Receive and review reports of internal and external auditors, compliance and regulatory agencies, where applicable and ensure that Management is taking appropriate corrective actions, in a timely manner.
3. Conduct self-assessment of the performance of the Parent Bank. BACC as a whole, as well as the individual performance of each Committee member annually. The results of the self-assessment shall be validated by the Board Corporate Governance Committee and endorsed to the Board for approval. The entire assessment process should be documented and should form part of the records of the Bank that may be examined by the regulators from time to time.
4. Review and evaluate the self-assessment of the performance of the Audit and Compliance Committees of the Bank subsidiaries and affiliates to ensure that the respective Audit and Compliance Committee policies and activities are aligned with the Parent Bank.
5. Review and assess the adequacy of this Charter annually and recommend any proposed changes for approval of the Board of Directors.
6. Establish effective audit programs that cover IT risk exposures throughout the Bank, risk-focused, promote sound IT controls, ensure the timely resolution of audit deficiencies and period reporting to the Board on the effectiveness of the Bank's IT risk management, internal controls, and IT governance.



**CHARTER**  
**RISK OVERSIGHT COMMITTEE (ROC)**

June 2016

**I. Mission**

The PNB Board Risk Oversight Committee is created by the PNB Board of Directors to assist the board to oversee the risk profile and approves the risk management framework of PNB and its related allied subsidiaries and affiliates. It is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management.

**II. Composition of the Committee**

- a) The Committee shall be composed of at least three (3) members of the Board with at least one (1) independent director as Chairman and two (2) non-executive directors.

The members shall possess a range of expertise as well as adequate knowledge of the bank's risk exposures. They should also meet the requirements of the Securities and Exchange Commission (SEC), the Bangko Sentral ng Pilipinas (BSP) and other applicable laws and regulations.

- b) Regular resource persons shall be composed of the President, the Chief Operating Officer, the Sector Heads, Chief Audit Executive, Chief Compliance Officer, Chief Technology Officer, the Chief Legal Counsel (during discussions where legal risks are concerned or as necessary), Chief Risk Officer, and concerned bank officers who have first-hand knowledge or expertise in the scheduled agenda of the ROC meeting.
- c) 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.
- d) 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.
- e) 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 Board Risk Oversight Committee or to fill vacancies therein, and to determine from time to time, by resolution, the number of members to constitute a quorum.

**III. Authority**

ROC has the authority to:

1. Direct management to submit regular reports on current risk exposures on credit, market, interest rate, liquidity, operational, legal, compliance, strategic, reputation, technology and other risks as well as to address such risks;
2. Approve or endorse for aboard approval the proposed risk policies and procedures; and

3. Access to all bank's records and any officer or employee of the bank, as it deems necessary.

*Note: Management is responsible for the preparation, presentation and integrity of information and all matters presented to the ROC. Likewise, management is responsible for implementing and maintaining the risk policies set by ROC to identify, assess, measure, manage and control risks.*

**IV. BSP Mandated Functions**

1. Identify and evaluate exposures - ROC shall assess the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur (high probability) and are costly when they happen (high severity);
2. Develop Risk Management Strategies – ROC shall develop a written plan defining the strategies for managing and controlling the major risks. IT shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real;
3. Oversee the implementation of the risk management plan – ROC shall conduct regular discussions on the bank's risk current exposures based on regular management reports and assess how the concerned units of offices reduced these risks; and
4. Review and revise the plan as needed – ROC shall evaluate the risk management plan to ensure its continued relevancy, comprehensiveness, and effectiveness. It shall revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood or harm or loss.

**V. Duties and Responsibilities**

<b>Risk Category</b>	<b>Duties and Responsibilities</b>	<b>Support Office</b>
Operational Risk	1. Approve the basic structure of the framework for managing operational risk (i.e. arising from process, system, people, and external events), which includes legal risk.	Operations & Information Technology Security Division, RMG
Legal Risk	2. Mandated to be aware of the major aspects of the Bank's operational & legal risks, it shall: <ul style="list-style-type: none"> <li>▪ Review, on continuing basis, operational &amp; legal risk exposures and loss events by major business lines; and</li> <li>▪ Oversee the effective resolution, management and control of the Bank's operational &amp; legal risks.</li> </ul> 3. Assume an oversight role thru the Chief Risk Officer and Chief Audit Executive with respect to Management's responsibility for maintaining and implementing effective policies and procedures for managing operational risk in all of the Bank's products, activities, processes and systems; and thru the Chief Legal Counsel with respect to legal risk.	

Risk Category	Duties and Responsibilities	Support Office
Strategic Risk and Financial Risk	<p>Assume an oversight role thru the Head of Corporate Planning Division in monitoring the compatibility of the Bank's strategic goals, business strategies developed, resources deployed and quality of implementation.</p> <p>Review &amp; discuss with Management the performance vs. target of major business units. ROC may request Management for an explanation on unfavorable variances and direct management to change certain policies and strategies.</p> <p>Assess how the Bank generates income and analyze the sensitivity of the Bank's earnings given a set of business conditions.</p>	Corporate Planning Division (this is reported under the Management Profitability Report on a quarterly basis under the joint Corporate Governance Committee, Executive Committee and Risk Oversight Committee)
Reputation Risk	Assume an oversight role thru the Service Quality Officer in ensuring the abundance of caution in dealing with customers and the community; as well as the Bank's responsiveness in addressing negative public opinion.	Service Quality Group & Corporate Marketing & Communications Division
Technology Risk	<p>Have the knowledge and skills necessary to understand and effectively manage technology-related risks.</p> <p>Ensure that:</p> <ol style="list-style-type: none"> <li>An effective technology planning process exists,</li> <li>Technology is implemented properly with appropriate controls, and</li> <li>Measurement &amp; monitoring efforts effectively identify ways to manage risk exposure.</li> </ol> <p>Review, recommend for Board approval, and monitor technology projects that may have a significant impact on the bank's operations, earnings or capital.</p> <p>Establish clearly defined measurement objectives and conduct periodic reviews to ensure that goals and standards established by management are met.</p>	Operations & Information Technology Security Division, RMG together with IT Governance Management Committee.
Compliance Risk	Assume an oversight role thru the Compliance Officer with respect to compliance with laws, rules, regulations, prescribed practices, internal policies and procedures or ethical standards.	Compliance Division (this is prescribed under the Board Audit & Compliance Committee monthly)
Trust Risk	Assumes the oversight role for the identification, measurement, monitoring and control of operations of the Trust Banking Group. This is a specialized function that is distinct from Trust Banking Operations.	Trust Credit & Risk Unit, RMG

<b>Risk Category</b>	<b>Duties and Responsibilities</b>	<b>Support Office</b>
Credit Risk	Oversee the bank wide management of the credit risk internal in the entire portfolio and ensure the adequacy of provisions.  Ensure that the following sound and best practices in credit risk management are in place and conduct periodic review of the same. <ol style="list-style-type: none"> <li>1. Policy &amp; Infrastructure;</li> <li>2. Sound Credit Granting Process;</li> <li>3. System for Administration &amp; Monitoring of Exposure;</li> <li>4. Portfolio Management;</li> <li>5. Credit Review;</li> <li>6. Review the adequacy of valuation reserves; and</li> <li>7. Work out system for managing problem credits.</li> </ol>	Credit Risk & Basel Implementation Division, RMG
Market Risk  Interest Rate Risk  Liquidity Risk	<ol style="list-style-type: none"> <li>1. Recommended for Board approval market risk policies and risk limits for all trading and balance sheet-related market risks and for investment securities activities;</li> <li>2. Approve the methodology, models and assumptions used to measure market and interest rate risks; and</li> <li>3. Review compliance with established limits.</li> </ol>	Market and ALM Division, RMG
Others	Perform such other functions as may be mandated by the Board and regulatory bodies relevant to risk management.	Risk Management Group

## **VI. Frequency of Meeting**

The ROC shall conduct regular meetings at least monthly, to discuss current risks exposures based on Management reports. Further, it may hold special meetings as it deems necessary.

ROC shall report regularly to the Board of Directors the Bank's over-all risk exposure, actions taken to reduce the risks, and recommend further action or plans as necessary.

## **VII. Secretariat**

The Risk Management Group (RMG) shall act as the Secretariat of the ROC who shall maintain the minutes of the ROC meetings and other records of the Committee and ensure that ROC directives are being complied.

ROC shall ensure that the RMC Secretariat (i.e. RMG) has adequate resources at its disposal to effectively discharge its functions.

## **VII. Review of the Charter**

ROC shall review and assess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.



**CHARTER**  
**EXECUTIVE COMMITTEE (EXCOM)**  
 June 2016

**I. Mission/Purpose**

The purpose of the Committee is to review, discuss, note, approve and/or endorse to Board:

- management proposals on credit facilities; investment in financial assets; and borrowings and capital raising, updates and reports on credit, transactional, administrative and other matters.
- policies, procedures, and manuals of products and services other than personnel policies, as proposed/initiated by Management.

**II. Composition of the Committee**

1. The Committee shall be composed of at least five (5) voting members, including the President of the Bank.
2. The Committee may invite resource persons in any of its meetings to render a report, clarify and provide guidance to the Committee of any relevant issue the Committee may be confronted with.
3. The presence of a majority of the voting 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. The presence of independent directors shall be as non-voting members of EXCOM and as non-voting members shall not be considered in determining a quorum.
5. 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.
6. 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 Executive Committee or to fill vacancies therein, and to determine from time to time, by resolution, the number of members to constitute a quorum.

**III. Powers and Responsibilities:**

**1. Functions**

The Committee shall perform the functions and duties as the Board may delegate.

**2. Approval of Loans**

The Committee shall exercise its authority to endorse or approve loan recommendations from the Corporate Banking Group (CBG), Commercial Banking Group (ComBG), Retail Banking Group (RBG), and Consumer Finance Group (CFG), endorsed by Senior Management Committee/s.

The unanimous vote of all members present is required; otherwise the credit proposal under consideration shall be elevated to the Board for final decision.

All credit transactions approved by the Committee shall be submitted to the Board for notation.

**3. Investment in Financial Assets; Borrowings and Capital Raising**

To evaluate, approve and endorse for Board approval investments in bonds, shares of stock or other financial assets; any borrowings, issuance of capital market instruments and bonds, capital allocation and necessary equity raising exercise

**4. Problem Accounts, Past Due & Other Items under Litigation**

To approve restructuring, payment plan, compromise settlement or write-off of past due, problematic and remedial accounts.

**5. Branch Establishment, Relocation, Renovation, Closure**

To endorse for the approval of the Board the establishment, relocation, renovation or closure of domestic and overseas branches/offices including the approval of the needed budget.

**6. Real and Other Properties Acquired**

To act on proposal for the lease, sale, disposal and any matter pertaining to Real and Other Properties Acquired (ROPAs).

**7. Expense, Fines & Penalties**

To approve disbursements for expenses, fines and penalties

**8. Implementation of Mergers & Acquisitions**

To propose mergers and acquisitions and provide the budget thereof for Board approval.

**9. Acquisition of Real/Personal Property**

To approve the purchase of real & personal property, divestiture or disposal of assets.

**10. Policies, Procedures, and Manuals of Products and Services**

To review, evaluate, approve and/or endorse for Board approval policies, procedures and manuals of products and services to be offered to the Bank's domestic and overseas market.

**11. Risk Management**

To determine the risk appetite and set limits on risk taking activities.

**12. Strategic Plans, Forecast, Annual Budget**

To evaluate and endorse for Board approval Annual Strategic Forecasts, Plans and Budget

**13. Periodic review of Financial Performance vs. Targets**

In coordination with the Board Audit & Compliance committee, conduct monthly/quarterly/periodic reviews of financial reports.

**14. Periodic review of ICAAP**

To review, evaluate, approve and/or endorse for board approval the Bank's capital planning, risk assessment, policies and procedures and provide oversight on the adoption and implementation of the Bank's board-approved ICAPP program.

#### **IV. Chairman**

Generally, the powers and duties of the Chairman of the Committee are as follows:

1. To convene the members of the Committee whenever he deems it necessary, either on his own initiative, or upon the request of the members of the Committee.
2. To preside over all the Committee meetings.
3. To maintain efficient lines of communications and information between the Board and Management.
4. To perform such other functions as provided by law or as may be assigned to him by the Board of Directors.

The Committee members may appoint among themselves, a Vice Chairman who shall preside over the meeting of the EXCOM in the absence of the Chairman.

#### **V. Frequency of Meeting**

The Committee may regularly meet every week at a time set by its members or the Board. The Chairman or any two members of the Committee may call for special meetings if deemed necessary.

All acts and resolutions of the Committee shall be recorded in a minute book and shall be submitted to the Board of Directors at the Board meeting following the adoption by the Committee of such resolutions.

#### **VI. Secretariat**

The administrative requirements of the Committee shall be handled by the Office of the Corporate Secretary.

#### **VII. Review of the Charter**

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



**CHARTER**  
**TRUST COMMITTEE**  
June 2016

**I. Mission**

PNB Trust Banking Group shall form its Trust Committee, a special committee which reports directly to the Board of Directors and is primarily responsible for overseeing the fiduciary activities of the Bank.

**II. Composition of the Committee**

a) The Trust Committee shall be composed of at least five (5) members including the following:

- The President or any Senior Officer of the Bank;
- The Trust Officer and Head of Trust Banking Group; and
- The remaining Committee members, including the Chairperson, may be any of the following:
  - Non-Executive Directors or Independent Directors (as defined under Subsection X141.1 and 141.2 of MORB, respectively), who are both not part of the Audit Committee; or
  - Those considered as qualified "Independent Professionals" (as defined under Section 3 of BSP Circular 766).

In case of more than five (5) Trust Committee memberships, majority shall be composed of qualified Non-Executive members.

b) The resource persons in the Committee meetings shall be composed of the Trust Division Head, Trust Legal Officer, Trust Compliance Officer and Trust Risk Officer, to render a report, clarify and provide guidance to the committee on any relevant issue the committee is confronted with.

c) 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.

d) 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 member shall be:

- Non-Executive Directors or Independent Directors (as defined under Subsection X141.1 and 141.2 of MORB, respectively), who are both not part of the Audit Committee; or
- Those considered as qualified "Independent Professionals" (as defined under Section 3 of BSP Circular 766).

e) 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 Trust Committee or to fill vacancies therein, and to determine from time to time, by resolution, the number of members to constitute a quorum.

### III. Authority of the Committee

The Committee shall act within the sphere of authority as may be provided in the Amended By-laws and/or as may be delegated by the Board of Directors, such as but not limited to the following:

- a) The formulation of specific policies with regard to:
  - Correlation of the Trust Banking Group with other departments of the bank;
  - Personnel;
  - Cost and charges;
  - Kinds of business to be accepted;
  - Trust business development; and
  - Work with other banks and/or financial institutions
- b) The acceptance and closing of trust and other fiduciary accounts;
- c) The initial review of assets placed under the custody of the Trust Banking Group as trustee or fiduciary;
- d) The investment, re-investment and disposition of funds or property;
- e) The review and approval of transactions between trust and/or fiduciary accounts; and
- f) The review of trust and other fiduciary accounts at least once every twelve months to determine the advisability of retaining or disposing of the trust or fiduciary assets, and/or whether the accounts are being managed in accordance with the instruments creating the trust or other fiduciary relationship.

### IV. Duties and Responsibilities

#### a) Trust Committee

1. Ensure that fiduciary activities are conducted in accordance with applicable laws, rules and regulations, and prudent practices;
2. Ensure that policies and procedures that translate the Board's objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive and effective;
3. Oversee the implementation of the risk management framework and ensure that internal controls are in place relative to the fiduciary activities;
4. Adopt an appropriate organizational structure/staffing pattern and operating budgets that shall enable the Trust Banking Group to effectively carry out its functions;
5. Oversee and evaluate performance of the Trust Officer; and
6. Report regularly to the Board of Directors on matters arising from fiduciary activities.

#### b) Board of Directors

The responsibilities of the Board of Directors (BOD) in relation to Trust activities of the Bank shall be those set forth under subsections X141.3 of the MORB (Powers/Responsibilities and Duties of

Directors). The BOD shall ensure an appropriate degree of independence between the activities of the Bank proper and its Trust Banking Group.

**c) The Trust Officer as the Trust Banking Group Head**

The Management of the day-to-day fiduciary activities shall be vested in the Trust Officer. In this regard, the Trust Officer shall:

1. Ensure adherence to the Basic Standards in the Administration of Trust, Other Fiduciary and Investment Management Accounts pursuant to Appendix 83 of the MORB;
2. Develop and implement relevant policies and procedures on fiduciary activities;
3. Observe sound risk management practices and maintain necessary controls to protect assets under custody and held in trust or other fiduciary capacity;
4. Carry out investment and other fiduciary activities in accordance with agreements with clients and parameters set by the Trust Committee as approved by the Board of Directors;
5. Report regularly to the Trust Committee on business performance and other matters requiring its attention;
6. Maintain adequate books, records and files for each trust or other fiduciary account and provide timely and regular disclosures to clients on the status of their accounts; and
7. Submit periodic reports to regulatory agencies on the conduct of Trust operations.

**V. Frequency of Meetings**

Conduct regular meetings at least once every quarter, or more frequently as necessary, depending on the size and complexity of the fiduciary business.

**VI. Secretariat**

The administrative requirements of the Committee shall be handled by the Trust Legal Officer as the Secretariat designated by the Committee. The Committee shall designate a Secretariat in the absence of the Trust Legal Officer.

**VII. Review of the Charter**

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



**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.



**CHARTER**  
**BOARD OVERSIGHT COMMITTEE –**  
**DOMESTIC AND FOREIGN OFFICES/SUBSIDIARIES**  
 June 2016

**I. Mission**

The Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries (BOC) is created by the Board of Directors to provide the required oversight on the domestic and foreign offices/subsidiaries to ensure their profitable operations and long-term viability consistent with the bank's strategic goals.

**II. Composition of the Committee**

The Committee shall have at least three (3) regular members of the Board of Directors.

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.

The Committee may invite Senior Management Group Heads as Resource Person in any of its meetings to present management reports, clarify matters and provide necessary information on the regular agenda and/or relevant issues of the Committee, as needed.

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.

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 Committee - Domestic and Foreign Offices/Subsidiaries or to fill vacancies therein, and to determine from time to time, by resolution, the number of members to constitute a quorum.

The Secretariats to handle the administrative requirements of the Committee are as follows:

- Foreign Offices/Subsidiaries - Global Filipino Banking Group Head
- Domestic Subsidiaries - Domestic Subsidiaries & Affiliates Division Head

**Resource Persons:** Senior Management Group Head (as needed)

<b>Senior Management Member</b>	<b>Primary Area of Responsibility</b>
Global Filipino Banking Group Head and Domestic Subsidiaries & Affiliates Division Head	Business Strategy/Marketing Plans, Product Programs, Marketing Tie-up Programs, Distribution Channels
Controllership Group Head	Business Financials, Equity Investments, Consolidated Books
Treasury Group Head	Balance sheet, liquidity, investments, fx management
Retail Banking Group Head	Domestic Branch Banking beneficiary account opening, servicing, retail banking products and services
Institutional Banking Group Head	Corporate Lending, corporate loan portfolios
Consumer Finance Group Head	Consumer Loan Product Programs, In-sourced loan processing, account maintenance, collections
Human Resources Group Head	Personnel policies, hiring, training, promotions

Information Technology Group Head	IT Infrastructure: Hardware/Software IT support/in-sourced systems, systems development
Corporate Planning Group Head	Actual vs. Budget/Plan Performance, ICAAP Stress Testing
Global Operations Group Head	Outsourcing/In-sourcing Arrangements, Operations Oversight
Risk Management Group Head	Risk Management Oversight, ICAAP/RCSA Programs
Global Compliance Group Head	Regulatory, franchise, corporate governance, MCA tracking
Internal Audit Group Head	Internal Audit Reviews, in-sourcing of internal audit functions
Legal Group Head	Legal advisory, foreclosures, litigations
Remedial & Credit Management Group Head	Credit policies and procedures, remedial management

### III. Duties and Responsibilities:

1. To provide oversight on the business plans, initiatives, operations, risk and regulatory compliance of the domestic subsidiaries and foreign offices to include foreign branches, subsidiaries, marketing desk offices and representative office;
2. To review the strategic objectives and business priorities, direction, overall plans as well as key result areas set by the domestic subsidiaries and foreign offices as it relates to the thrusts and programs of the Bank. This will include the evaluation of the Bank's Short Term, Medium Term and Long Term Strategic Plans and the key activities.
3. To supervise the formulation of policy guidelines and procedures to ensure the quality of compliance and risk management of the different business legal vehicles by focusing on key risk areas that require direction by the Board and implementation of timely effective corrective actions.
4. To review periodically the actual performance of the domestic subsidiaries in relation to its approved quantitative and qualitative plans; conduct periodic financial performance and management profitability reviews and be informed of market and economic developments of the foreign office/subsidiary, in coordination with the respective entity Board of Directors, other Board Committees and Senior Management Group Heads that provide oversight support to the foreign offices;
5. To review business models/licenses, product programs, operations policy and procedures manuals, IT systems and developments, major marketing tie-ups/programs of the foreign offices; and
6. To review and evaluate qualification of key officers recommended to be hired or appointed for the foreign offices as well as those nominated to positions requiring the appointment of their Board of Directors.

### IV. Meeting: Frequency, Agenda, Date and Venue

The BOC shall meet at least monthly with a regular agenda.

### V. Charter Review

The BOC shall review and assess the adequacy of this Charter periodically and recommend changes for the approval of the Board through the endorsement of the Corporate Governance/Nomination/Remuneration Committee.



**CHARTER**  
**BOARD IT GOVERNANCE COMMITTEE (ITGC)**  
**June 2016**

**I. Mission**

The Board IT Governance Committee (ITGC) is created to assist the Board in performing its oversight functions in reviewing, approving and monitoring the IT Risk Management Framework and IT Strategic Plan of the PNB Group.

**II. Composition of the Committee**

- a) The Board IT Governance Committee shall be composed of at least three (3) regular members of the board of directors. The Chairman of the Committee shall be a Non-Executive Director and to be appointed by the Board.
- b) The Committee shall invite Senior Management Group Heads of both the Business and Support Groups to provide management reports, to clarify information on relevant issues of the Committee and/or invite consultants to provide professional and/or technical advice to the Committee.
- c) 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.
- d) 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.
- e) 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 IT Corporate Governance Committee 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 ITGC has the authority to:

1. Oversee the development of the long-term and short-term Enterprise IT Strategic Plans.
2. Ensure that IT laws; IT regulatory guidelines and IT corporate standards are considered in the proper and effective implementation of IT risk management policies and procedures.
3. Endorse IT policies to the Board for approval.
4. Review new projects that require any IT hardware, software, maintenance support and services, and endorse the needed budget for final approval by the Board.
5. Review and approve the renewal of IT contracts that are part of the overall IT budget.