

Other Previous Positions	<ul style="list-style-type: none"> <li>* Independent Director of PNB-IBJL Leasing and Finance Corporation</li> <li>* Senior Advisor to the World Bank Group Executive Board in Washington, D.C.</li> <li>* Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization</li> <li>* Director of the Bangko Sentral ng Pilipinas</li> <li>* Assistant to the Governor of the Central Bank of the Philippines</li> <li>* Senior Advisor to the Executive Director at the International Monetary Fund</li> <li>* Associate Director at the Central Bank</li> <li>* Head of the Technical Group of the CB Open Market Committee</li> <li>* Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts</li> <li>* Advisor at Lazaro Bernardo Tiu and Associates, Inc.</li> <li>* President of Pilgrims (Asia Pacific) Advisors, Ltd.</li> <li>* President of the Cement Manufacturers Association of the Philippines (CeMAP)</li> <li>* Board Member of the Federation of Philippine Industries (FPI)</li> <li>* Vice President of the Philippine Product Safety and Quality Foundation, Inc.</li> <li>* Convenor for Fair Trade Alliance.</li> </ul>
Name	<b>FLORENCIA G. TARRIELA</b>
Age	69
Nationality	Filipino
Education	<ul style="list-style-type: none"> <li>* Bachelor of Science in Business Administration degree, Major in Economics, University of the Philippines</li> <li>* Masters in Economics degree from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination</li> </ul>
Current Position in the Bank	Chairman of the Board/Independent Director
Date of First Appointment	<ul style="list-style-type: none"> <li>* May 29, 2001 (as Director)</li> <li>* May 24, 2005 (as Chairman of the Board)</li> <li>* May 30, 2006 (as Independent Director)</li> </ul>
Directorship in Other Listed Companies	Independent Director of LT Group, Inc.
Other Current Positions	<ul style="list-style-type: none"> <li>* Chairman/Independent Director of PNB Capital and Investment Corporation, PNB-IBJL Leasing and Finance Corporation, and PNB-IBJL Equipment Rentals Corporation</li> <li>* Independent Director of PNB International Investments Corp.</li> <li>* Columnist for "Business Options" of the Manila Bulletin and "FINEX Folio" of Business World</li> <li>* Director/Vice President of Tarriela Management Co., Inc. and Director/Vice President/Assistant Treasurer of Gozon Development Corporation</li> <li>* Life Sustaining Member of the Bankers Institute of the Philippines and FINEX, where she is also a Director</li> <li>* Trustee of TSPI Development Corporation, TSPI MBA, and Foundation for Filipino Entrepreneurship, Inc.</li> <li>* Co-author of several inspirational books - "Coincidence or Miracle? Books I, II, III ("Blessings in Disguise"), IV ("Against All Odds"), and V ("Beyond All Barriers"), and gardening books - "Oops-Don't Throw Those Weeds Away!" and "The Secret is in the Soil"</li> <li>* Environmentalist and practices natural ways of gardening</li> </ul>
Other Previous Positions	<ul style="list-style-type: none"> <li>* Independent Director of PNB Life Insurance, Inc.</li> <li>* Undersecretary of Finance</li> <li>* Alternate Monetary Board Member of the Bangko Sentral ng Pilipinas, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation</li> <li>* Managing Partner and the first Filipina Vice President of Citibank N. A.</li> <li>* President, Bank Administration Institute of the Philippines</li> </ul>
Awards/Citations	<ul style="list-style-type: none"> <li>* 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement</li> </ul>

Describe the Audit Committee's responsibility relative to the external auditor.

The Committee shall have the sole authority to select, evaluate, appoint, and replace the External Auditors subject to stockholder ratification. It shall recommend to the Board of Directors to grant the President the 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 of the BACC members. Provide oversight of the Bank's External Auditor. Discuss with the External Auditor before the audit commences the nature, scope of the audit. Responsible for the selection process and endorsement of the External Auditor to the Board for approval. Receive and review the reports of external auditor and ensure that Management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies. Evaluate and determine the non-audit work of the External Auditor, and review periodically the non-audit fees paid to the External Auditor in relation to their total annual income and to the Bank's overall consultancy expenses.

**(c) Corporate Governance Committee\***

Office	Name	Date of Last Appointment	No. of Meetings	No. of Meetings	%	Length of Service in the
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			Held	Attended		Committee
Chairman (ID)	Florencia G. Tarriela	May 31, 2016	15	14	93	12 mos.
Member (ED)	Reynaldo A. Maclang	May 31, 2016	15	14	93	12 mos.
Member (NED)	Felix Enrico R. Alfiler**	July 22, 2016	13	13	100	10 mos.
Member (NED)	Federico C. Pascual	July 22, 2016	5	4	80	5 mos.
Member (NED)	Cecilio K. Pedro	July 22, 2016	5	5	100	5 mos.

\* The Corporate Governance Committee acts as the Bank's Nomination and Remuneration Committee

\*\* Member of the Corporate Governance Committee up to May 30, 2016 and was re-elected on July 22, 2016

(d) Risk Oversight Committee

Office	Name	Date of Last Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Felix Enrico R. Alfiler	May 31, 2016	13	12	92	7 mos.
Member (NED)	Florido P. Casuela	May 31, 2016	20	19	95	12 mos.
Member (ID)	Edgar A. Cua	May 31, 2016	13	11	85	7 mos.

(e) Trust Committee

Office	Name	Date of Last Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Federico C. Pascual	May 31, 2016	11	11	100	12 mos.
Member (NED)	Leonilo G. Coronel	May 31, 2016	11	11	100	12 mos.
Member (ID)	Christopher J. Nelson	July 22, 2016	5	4	80	5 mos.
Ex-Officio Member	Reynaldo A. Maclang	May 31, 2016	11	6	55	12 mos.
Ex-Officio Member	Roberto S. Vergara	May 31, 2016	11	11	100	12 mos.

(f) Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries

Office	Name	Date of Last Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Christopher J. Nelson	May 31, 2016	13	12	92	12 mos.
Member (ID)	Florido P. Casuela	July 22, 2016	7	6	86	5 mos.
Member (ID)	Michael G. Tan	July 22, 2016	7	7	100	5 mos.

(\*) Domestic Subsidiaries

Office	Name	Date of Last Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Christopher J. Nelson	May 31, 2016	12	11	92	12 mos.
Member (ID)	Florido P. Casuela	July 22, 2016	6	6	100	5 mos.
Member (ID)	Michael G. Tan	July 22, 2016	6	5	83	5 mos.

(\*) Overseas Subsidiaries

(g) Board Oversight RPT Committee

Office	Name	Date of Last Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Federico C. Pascual	May 31, 2016	14	14	100	12 mos.
Member (ID)	Edgar A. Cua	May 31, 2016	9	9	100	7 mos.
Member (ID)	Cecilio K. Pedro	May 31, 2016	9	8	89	7 mos.

\* Ms. Alice Z. Cordero and Mr. Dioscoro Teodorico L. Lim likewise attend the Board Oversight RPT Committee meetings as Resource Persons.

(h) Board IT Governance Committee

Office	Name	Date of Last Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Leonilo G. Coronel	May 31, 2016	13	13	100	12 mos.
Member (NED)	Lucio K. Tan, Jr.	May 31, 2016	13	7	54	12 mos.
Member (NED)	Christopher J. Nelson	May 31, 2016	13	13	100	12 mos.
Member (NED)	Florido P. Casuela	May 31, 2016	13	13	100	12 mos.
Member (ID)	Florencia G. Tarriela	May 31, 2016	7	5	71	7 mos.

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

## MESSAGE FROM THE CORPORATE GOVERNANCE COMMITTEE CHAIRPERSON



**FLORENCIA G. TARRUELA**  
CHAIRPERSON

The Bank, as a publicly listed company, has established a corporate governance framework in accordance with global standards and best practices. Through the years, the bank has sustained measures towards building a stronger corporate governance framework with its principles aligned with the evolving global changes. The Board of Directors believes that corporate governance is a dynamic concept founded on rules, systems and processes.

The Bank's corporate governance framework incorporates the functions, duties and responsibilities of the Board and Management to the stockholders and other stakeholders towards the promotion of a bigger, stronger, and better corporate governance culture. It takes into account the context and recommended practices of the ASEAN Corporate Governance Scorecard (ACGS). The framework strives to raise the Bank's corporate governance standards to a level that is at par with global standards and to make a significant contribution to the development of Philippine capital markets.

The PNB Board of Directors, Management and staff commit themselves to adhere to the highest principles of good corporate governance as embodied in the Bank's Amended Articles of Incorporation, Amended By-Laws, Code of Conduct and the Revised Corporate Governance Manual. The Bank subscribes to the philosophy of integrity, accountability and transparency in its manner of doing business. This is achieved through fair dealings 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. The Bank also follows a philosophy of rational check and balances as well as a structured approach to its business operations.

The bank has a Corporate Governance Committee that also acts as the Nomination and Remuneration Committee which was created to assist the Board of Directors in fulfilling its corporate governance responsibilities and ensure the Board's effectiveness in discharging its mandate.

**The Corporate Governance/Nomination/Remuneration Committee is composed of five (5) members of the Board of Directors, with four (4) Independent Directors and the President. The Chairman of the committee is an Independent Director.**

The Committee has the authority to give the Board of Directors a larger role in establishing strategic objective; setting and enforcing clear lines of responsibility; and ensuring that Board members are qualified for their positions. It also ensures that the Board has a clear understanding of their role in corporate governance and is not subject to undue influence from Management or outside concerns; effectively utilizes the work conducted by internal and external auditors.

As the Nomination and Remuneration Committee, it ensures that compensation approaches are consistent with the Bank's ethical values, objectives, strategy and control environment. The Committee pre-screens and shortlists all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications. It determines whether the nominees are fit and proper and qualified to be elected as member of the Board. It establishes a formal and transparent procedure for developing a policy on remuneration and for fixing the remuneration package of directors and corporate officers; and provides oversight on remuneration of Senior Management and other key personnel ensuring that compensation is consistent with the Bank's culture, financial capacity, and business strategy and control environment.

The Bank recognizes and believes the benefits of diversity in the Board of Directors on account of age, gender, nationality or race, cultural background, education, professional experience, skills, knowledge, length of service and other regulatory requirements. The Board is represented by a combination of highly qualified business professionals, former bank presidents and senior officials affiliated with regulatory bodies and international organizations with highest level of integrity, decade of experience and technical expertise in banking and finance. Furthermore, it is composed of individuals with distinct finance, marketing, audit, risk and legal competencies as well as business leaders with extensive knowledge and experience in different industries such as real estate, fast moving consumer goods and airline industry. This broad and collective range of expertise provides value in strengthening, sustaining and upholding good corporate governance practices of the Bank.

The Bank's Board of Directors consists of former Bank presidents and well respected finance professionals (Mr. Florido P. Casuela, Mr. Leonilo G. Coronel, Mr. Federico C. Pascual, Mr. Edgar A. Cua and Mr. Reynaldo A. Maclang); experienced regulator who represented the country with the IMF and World Bank (Mr. Felix Enrico R. Alfiler); an esteemed accounting and management consulting guru (Mr. Washington Z. SyCip); a renowned leader in the business community (Mr. Lucio C. Tan); one of the best legal minds in the Philippines (Mr. Estelito P. Mendoza); well-known consumer marketing experts (Mr. Cecilio K. Pedro and Mr. Christopher J. Nelson); and business leaders with extensive knowledge and experience in different

industries such as real estate, fast moving consumer goods, and airline industry (Ms. Carmen K. Tan, Messers Lucio K. Tan, Jr. and Michael G. Tan).

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. Through the Corporate Governance Committee, the PNB Board and the respective Board of its subsidiaries and affiliates continue to strengthen the corporate governance policies and practices by adopting consistency in the corporate governance framework across PNB Group.

The Bank's operations are managed through properly established organizational structure and adequate policies and procedures embodied in the manuals approved by the Management Committees, Board Committees and the Board. These manuals are subject to periodic reviews and updated regularly with new laws and regulations; and generally conform to evolving international standards and best practices. The Corporate Governance Manual describes the role and responsibilities as well as the scope of activities of the principal parties that directly or indirectly influence the corporate governance practices of the Bank, primarily the Members of the Board, the Chief Compliance Officer, the Chief Risk Officer, the Corporate Secretary, and, Internal and External Auditors. There are also independent Board Committees namely the Board Audit & Compliance Committee, Board Risk Oversight Committee, Corporate Governance/Nomination/Remuneration Committee and the Board Oversight Related Party Transaction (RPT) Committee with the Independent Directors, as Chairman of said committees. These independent Committees are held responsible for the monitoring and controlling of the business risks.

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

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

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

In 2016, with the objective that the Bank's corporate governance ensures sustainability with the global standards and best practices, the Bank engaged the services of the Institute Corporate Directors, to evaluate the strengths and weaknesses of PNB Group vs. the ASEAN Corporate

Governance Scorecard (ACGS) standards. The engagement helped the Bank in the formulation of new policies towards improving both corporate governance and management practices.

The Bank continues to fervently pursue Corporate Social Responsibility (CSR) initiatives by giving back to the community and creating value for all stakeholders. PNB Group, as member of the Lucio Tan Group of Companies, believes its corporate social responsibility is a commitment that begins with the exercise of sound and fair corporate practices. This ensures that its entire business is conducted in accordance with rigorous professional, ethical, regulatory and legal standards. As such the PNB Group has sustained that corporate social responsibility is a commitment that is shared by everyone in the group.

PNB undertook initiatives to promote sustainability as part of being a responsible corporate citizen through a three-pronged CSR framework:

1. Philanthropic Activities: PNB shall undertake various community/ social and philanthropic activities to uplift the lives of the Filipino people by giving donations to selected charities, communities, schools, etc., for various projects on infrastructure improvement and social development including critical assistance in times of calamities and disasters;
2. Education: Empowering the youth and other identified sectors of Philippine society through education and other relevant development programs such as financial literacy is a key component of the Bank's CSR goals and programs. The Bank strongly believes in investing in the future through the provision of educational opportunities to deserving youth as well as propagating thrift, self-sufficiency and economic empowerment through financial literacy program; and
3. Environment: PNB is deeply committed to the cause of environmental protection as it is an issue that affects all mankind. The Bank sees its active involvement in protecting the environment as crucial contributions towards attaining the wider goal of sustainable development.

As part of the CG-related area, the PNB Board approved the Revised Corporate Governance Manual in August 2016, aligned with SEC Code of Corporate Governance and the Philippine Corporate Governance Blueprint 2015 - "Building a Stronger Corporate Governance Framework". PNB will adopt the new SEC Code of Corporate Governance for Publicly Listed Companies this 2017.

The Corporate Governance Framework Awareness Program, including monitoring and formulation of new policy guidelines has been effectively implemented in PNB Group. There has been sustained awareness among bank employees on corporate governance policy guidelines. The same corporate standards have been adopted across the PNB subsidiaries and affiliates.

**FLORENCIA G. TARRUELA**  
Corporate Governance Committee Chairperson