during the OWWA OFW Family Day last December 8, 2016 at the City Coliseum, Tetuan, Zamboanga City.

Protecting Natural Resources

Committed to the cause of environmental preservation, Southern Luzon 3 Branches participated in the Marian Fluvial Procession in Laguna de Bay to show solidarity with the Ministry of Ecology of the Diocese of San Pablo City's run and relief activity dubbed as *Lakbay-Lawa Kaisa ni Maria*. The activity highlighted the need for the protection of Laguna de Bay. The branches also provided food and drinks to the participants.

Taking Steps Towards Sustainability

PNB introduced bank-wide projects to reduce its carbon footprint, which include:

- Reducing power consumption by using LED lighting for and upgrading equipment at the head office and branches
- Utilizing more ozone-friendly and energy-efficient cooling equipment
- Using high-energy efficient inverter air-conditioning units
- Improving waste management through proper waste segregation
- Holding the annual tree-planting program, usually held during the Bank's anniversary
- Participating in the annual Earth Hour, a global event where non-essential electric usage is turned off to support strategies in solving climate change

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

Under the Bank's Revised Corporate Governance Manual, the Board established an evaluation system, a tool to determine and measure directors and management compliance with the corporate governance standards and principles.

There are two (2) sets of Evaluation Forms that will assess the bank's corporate governance practices, using the five (5) point rating scale, with 5 being the highest rating.

1. Director's Performance Evaluation Form I

The directors' self-assessment on director's Individual Qualitative Performance; the Board and Board Committees shall reflect the collective values, performance and competence of the board of directors on corporate governance standards and principles. On the other hand, the performance of the President/CEO is evaluated by the Board of Directors.

2. Management Component Rating Form II

The directors' self-assessment on the four (4) management component factors, such as: Governance Landscape; Fitness and propriety of the Board and Management; Risk Governance; Controls and Independent Oversight shall reflect the quality and effective implementation of the Bank's corporate governance practices.

Members of the Board conduct a self-assessment in order to evaluate the performance for the previous year. After the Directors' selfevaluation, the results of the assessment are discussed and noted by the Corporate Governance/Nomination/Remuneration Committee before submission to the Board for notation.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

In case of violation of any of the provisions of the revised Corporate Governance Manual, the following penalties shall be imposed:

Violations	Sanctions					
First Violation	Reprimand					
Second Violation	Suspension					
Second violation	(The duration will depend on the gravity of the violation)					
Third Violation	Removal from the office (maximum penalty)					

A fine of not more than Pesos: Two Hundred Thousand (P200,000) shall be imposed by the SEC for every year of violation of the Code of Corporate Governance, without prejudice to other sanctions that the Commission may be authorized to imposed under the law.



GUIDE ON HOW TO ACCOMPLISH THE FORMS

I. DIRECTOR'S PERFORMANCE EVALUATION FORM I

1. The director shall go over each question carefully and assign a rating using the five point rating scale of 1 to 5, with 5 being the highest:

5	Strong
4	Satisfactory
3	Less than Satisfactory
2	Deficient
1	Critically Deficient

- 2. Indicate the OVERALL RATING. It should not be based on the arithmetic average of the assigned ratings. Judgment should be exercised on how much weight should be given to a particular question.
- 3. No need to fill-up Record of Directors' Attendance in Board Meetings and in Board Committee Meetings as this shall be certified by the Corporate Secretary's Office.
- 4. On the last page of the form, the director shall affix its signature on the space provided.

II. MANAGEMENT COMPONENT RATING CHECKLIST FORM II

- 1. The director shall indicate Management Component Rating for each factor using the five point rating scale above (1 to 5).
- 2. Under the last column, state specific recommendations with issue/s identified, if any.
- 3. Indicate the OVERALL RATING. It should not be based on the arithmetic average of the assigned ratings. Judgment should be exercised on how much weight should be given to a particular factor taking into account critical issues that may be of highest supervisory concern and synthesizing how these have affected the quality of the bank's corporate governance.
- 4. On the last page, the director shall affix its signature on the space provided.

The duly accomplished Forms shall be submitted to the Chief Compliance Officer for consolidation and presentation to the Corporate Governance Committee. This shall be evaluated and endorsed to the Board for notation.

PHILIPPINE NATIONAL BANK PERFORMANCE EVALUATION FOR THE YEAR 2016 (NAME OF DIRECTOR)

Indicate the Rating for each question using the five point rating scale (1 to 5) with "5" being the highest rating:

				Rating		
PA	ART I - Questions on DIRECTOR's INDIVIDUAL Qualitative Performance	5 Strong	4 Satisfactory	3 Less Than Satisfactory	2 Deficient	1 Critically Deficient
1.	Am I fully aware that my duty of loyalty to the bank demands that I always act with honesty, in good faith, and avoid conflicts of interest to the extent that my primary loyalty as a member of the Board is to the bank, as a whole, an institution with several shareholders as well as other stakeholders?					
2.	Do I observe confidentiality, engage in responsible disclosures and actively participate in Board meetings and related activities?					
3.	Do I take use of training opportunities on corporate governance to enhance my performance as a director?					
4.	Am I able to draw the line between Board and Management responsibilities, by not getting involved in management and operational issues, and exercising diligent oversight on operations?					
5.	Do I insist on the high quality standards of risk management, corporate governance and compliance in the services rendered by the internal and external auditors as well as pursue strict adherence to the bank's Code of Conduct and the Corporate Governance Manual?					
PA	ART II - Questions to the BOARD					
Α.	Questions on the collective performance of the Board	1		1		
1.	Does the Board set the Bank's corporate philosophy and its mission and vision statement and require the periodic update?					
2.	Does the Board spend adequate time in overseeing the Implementation of strategic objectives, risk strategies and corporate values?					
3.	Does the Board establish business plans taking into account the Bank's long term financial interests and risk capacity; and regularly monitor corporate performance vs. the strategic and business plans, and vs. annual financial objectives and operating plans/targets?					
4.	Does the Board appoint competent and qualified management team, monitor its performance and adopt an effective succession planning program and likewise appoint independent directors in committees to carry out various critical responsibilities?					
5.	Does the Board establish good governance by setting the Code of Conduct, and other behavioral standards for the board, management and employees; and articulate acceptable and unacceptable activities that could potentially result in conflict of interest or unethical conduct?					
В.	Questions for THE CHAIRMAN					
1.	Did I perform my duties and responsibilities expected of me as Chairman of the Board in accordance with the requirements in the corporate governance policies?					
2.	Did I preside in Board meetings in such a way that will balance the pursuit of corporate strategic objectives and long term operational sustainability of the business?					
3.	Did I encourage and give due consideration to independent views on matters being discussed in the Board meetings?					
4.	Did I ensure effective functioning of the Board including maintaining a relationship of trust among Board members?					
5.	Did I provide leadership in maintaining qualitative and effective lines of communication and timely information between the Board and management?					

Pa	rt II - Questions to the BOARD					
C.	Questions on Board Meetings	5 Strong	4 Satisfactory	3 Less Than Satisfactory	2 Deficient	1 Critically Deficient
1.	Does the Board meet regularly in accordance with the annual schedule set at the start of the year?					
2.	Does the Board meet on an annual and periodic basis to consider strategic issues and long range business planning for the bank?					
3.	Does the Board define the risk appetite of the bank and assess its capacity along with accompanying risks in the different business lines and strategic initiatives?					
4.	Does the Board oversee the implementation of sound risk management process and ensure that operating officers observe limits assigned to them?					
5.	Does the Board exercise due diligence in considering issues being cited in the audit and regulatory examination reports submitted through the Board Audit and Compliance Committee by the internal and external auditors, and host country regulators?					
D.	Record of Director's Attendance of Board Meetings			5 Strong	4 Satisfactory	3 Less Than Satisfactory
	As certified by the Corporate Secretary Office, for the period January the undersigned participated in out of a total Board Meetings Special and Organizational).					
	Board Attendance weight are as follows:					
	At least 80% of ALL Board Meetings = 5 points (Strong) At least 50% of ALL Board Meetings = 4 points (Satisfactory) Below 50% of ALL Board Meetings = 3 points (Less than Satisfactory)					
Ple	ase note that members of the Board are required to participate in at least 50% of total Boa	ard meetings				

P/	ART III - Questions on THE BOARD COMMITTEES								
Α.	General Questions on Board Committee (Rating Scale 1 to 5 - 5 being the highest)	CGC	EXCOM	ROC	BACC	BORC	TRUST	BOC- DFOS	BITGC
1.	Does the Committee encourage accurate and timely disclosure on all material matters pertaining to the bank through regular meetings/discussions?								
2.	Does the Committee regularly monitor corporate performance vs. the strategic and business plans, and vs. annual financial objectives and operating plans/targets as well as risk management?								
3.	Does the Committee members participate in the performance evaluation system in place to assess the effectively, including evaluation of Committee performance itself?								
4.	Does the Committee consider the individual expertise of the Director to be an effective member to carry out various critical responsibilities?								
5.	Does the Committee meet regularly in accordance with the prescribed frequency of meetings per the Committee Charter?								
В.	Questions on Members of the Committee			Ratin	g Scale	1 to 5	- 5 bein	g the h	ighest)
1.	Am I fully aware that my primary loyalty as a member of the Committee is to the bank, as a whole, an institution with several shareholders as well as other stakeholders?								
2.	Am I fully aware that, as member of the Committee, my duty of loyalty to the bank demands that I always act with honesty, in good faith, and avoid conflicts of interest?								
3.	Do I actively participate in Committee meetings and related activities?								

В.	Questions on Members of the Committee (Rating Scale 1 to 5 - 5 being the highest)	CGC	EXCOM	ROC	BACC	BORC	TRUST	BOC- DFOS	в	ITGC
4.	Do I, as a member of this Committee, observe confidentiality and exercise responsible disclosures?									
5.	Am I able to draw the line between Board and Management responsibilities, by not getting involved in management and operational issues, and exercising diligent oversight on operations?									
C.	C. Specific Questions for Board Committees (Rating Scale 1								igh	est)
C .′	1. Corporate Governance/Nomination/Remuneration Co	mmitt	ee (CG	C) - C	hairma	n 5	4	3	2	1
1.	Does the Committee conduct performance evaluation, n accordance with corporate governance procedures?	ominat	ion, rer	nunera	ation i	n				
2.	Does the Manual on Corporate Governance clearly indicate to Committee Chairman as being focused on the commitment of governance?									
3.	Does the Committee meeting exhibit good corporate governar and accountability?	nce pra	ctices of	f trans	parenc	у				
4.	Does the Committee assess the effectiveness of the processes the Committee in the election or replacement of directors?	s and p	procedur	es ado	opted b	у				
5.	Does the Committee observe the highest standard in good corp principles and guidelines aligned with existing regulations and in					e				
C .2	2. Executive Committee (EXCOM) - Member					5	4	3	2	1
1.	Does the Committee review, discuss, note, endorse and/or clearances, recommendations, proposals updates and manager)-				
2.	Does the Committee provide the bank the flexibility to respond well as facilitate the approval of certain corporate actions determined by the Board?									
3.	Does the committee exercise its authority to endorse or appro Corporate Banking Group, Commercial Banking Group, Retail E Finance Group in accordance with the authority/limits set by the	Banking	Group a							
4.	Does the committee thoroughly review and act on a timel endorsing to the Board business transactions recommended by			approv	ing an	d				
5.	Does the committee consider referring business transact appropriate committees, as required or as needed?	ions a	nd othe	er ma	tters t	0				
С.:	3. Risk Oversight Committee (ROC) - Member					5	4	3	2	1
1.	Does the Committee develop risk management strategies for n and evaluate the risk management plan to ensure comprehensiveness and effectiveness?				ing risk levance					
2.	Does the Committee effectively oversees the implementation and evaluates management actions to reduce or mitigate risks?	of the	risk mar	agem	ent pla	n				
3.	Does the Committee regularly report to the Board on the Ba assessment and recommended actions to mitigate risks?	ank's o	verall ris	sk pro	file, ris	k				
4.	Does the Committee adequately oversee the risk managem processes and authorities/limits observed by management approvals are within limits set by the Board?									
5.										
C.4. Board Audit and Compliance Committee (BACC) - Member						5	4	3	2	1
1.	1. Is the committee being chaired by Independent Director (ID) and is composed mostly of IDs?								Ţ	_
2.	2. Does the Committee monitor and evaluate the adequacy & effectiveness of the Bank's internal control system, including financial reporting control & information technology security; and provide oversight on the functions of internal & external auditors & compliance officers?									
3.										

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C .	4. Board Audit and Compliance Committee (BACC) - Member	5	4	3	2	1
4.	Does the Committee regularly review and monitor the external auditor's competence, independence and objectivity to ensure overall effectiveness of the external audit process and approve the audit program of the external auditors prior to audit undertakings?					
5.	Does the Committee review and approve the adequacy of the scope of work being performed by the Internal Audit Group and Global Compliance Group?					
С.	5. Board Oversight RPT Committee (BORC) - Member	5	4	3	2	1
1.	Is the committee being chaired by Independent Director (ID) and is composed mostly of IDs?					
2.						
3.	Does the Committee review the financial statements prior to submission to the Board with due care & attention, asking for actionable points that demand consideration & decisions by the Board?					
4.	Does the Committee regularly review and monitor the external auditor's competence, independence and objectivity to ensure overall effectiveness of the external audit process and approve the audit program of the external auditors prior to audit undertakings?					
5.	Does the Committee review and approve the adequacy of the scope of work being performed by the Internal Audit Group and Global Compliance Group?					
С.	6. Trust Committee (TRUST) - Member	5	4	3	2	1
1.	Does the Committee oversee trust and other fiduciary activities within the sphere of authority as provided in the by-laws and/or delegated by the Board of Directors?					
2.	Does the Committee ensure that fiduciary activities are conducted in accordance with applicable laws, regulations and prudent practices?					
3.	3. Does the Committee oversee the implementation of the risk management framework and internal controls are in place relative to the fiduciary activities?					
4.	4. Does the Committee submit regularly reports to the Board on matters arising from fiduciary activities?					
5.	Does the Committee review and approve the organizational structure and operating budget to enable Trust Banking Group to effectively carry out its functions?					
С.	7. Board Oversight Committee - Domestic & Foreign Offices/Subsidiaries -Member	5	4	3	2	1
1.	Does the Committee effectively oversee the strategic/business plans, marketing & product programs to ensure profitable operations and long-term viability of the entities consistent with the bank's strategic goals?					
	Does the Committee effectively oversee the risk management, internal controls, overall operations and regulatory compliance of the domestic entities and overseas offices?					
	Does the Committee review thoroughly the financial performance and the reports on management profitability reviews of the domestic and foreign entities?					
4.	Does the Committee review and evaluate key officers recommended to be hired and/or appointed for the foreign offices as well as nominated to positions requiring the appointment of the respective members of the Board?					
5.	Does the Committee review and evaluate the business models/licenses, operations policies and procedures manuals, IT systems and developments, major marketing tie-ups of the entities?					
C.8	3. Board IT Governance Committee (BITGC) - Member	5	4	3	2	1
1.	Does the Committee effectively oversee the development of the short-term and long-term IT strategic plans and endorses approval of the annual IT Strategic Plan to the Board?					
2.	Does the Committee review and approve IT Project proposals that are consistent with the overall IT Strategic Plan?					
3.	3. Does the Committee ensure the effective implementation of the IT framework enterprise wide and monitor actions taken by management to strengthen the compliance with regulatory requirements?					
4.	Does the Committee evaluate and approve the IT organizational structure/functions and the corresponding budget requirements?					
5.	Does the Committee conduct on a regular basis IT risk assessment for Parent Bank and across all entities of the PNB Group?					

Record of Act	ual Attendan	ce of Board Committee Meetings:	5	4	3	2	1
(To be provide	ed/certified by	y the Corporate Secretary's Office)					
or the year 201	6, (Name of Dir	ector) participated in the following committees:	I				<u>. </u>
1.	CGC	: out of the total meetings					
2.	EXCOM	:out of the totalmeetings					
3.	ROC	: out of the total meetings					
4.	BACC	:out of the totalmeetings					
5.	BORC	: out of the total meetings					
6.	TRUST	: out of the total meetings					
7.	BOC-DFOS	: out of the total meetings					
8.	BITGC	: out of the total meetings					
OVERALL RAT	NG		5	4	3	2	1
(Note: It should i	not be based or	n the arithmetic average of the assigned ratings. Judgment					\vdash
should be exerci	ised on how mu	ch weight should be given to a particular question)					

(NAME OF DIRECTOR) Signature Over Printed Name

Date

The five point rating scale is described as follows:

The live point fatility scale is u	
5 – Strong	The quality of corporate governance practices EXCEEDS what is prescribed under the existing
	regulations. Deficiencies/weaknesses are considered to be minor and insignificant.
4 - Satisfactory	The quality of corporate governance practices MEETS what is prescribed under the existing regulations.
	Deficiencies/weaknesses may exist but these do not affect the overall quality of governance in a bank.
2. Less then Catisfactory	The quality of corporate governance practices DOES NOT MEET what is prescribed under the existing
3 - Less than Satisfactory	regulations. The Board and Management are committed to correct the situation in a timely manner.
	The quality of corporate governance practices is DEFICIENT in a material way, to meet what is prescribed
2 – Deficient	under the existing regulations. The ability of the Board and Management to correct the situation in a
	timely manner is doubtful.
	The quality of corporate governance practices is CRITICALLY DEFICIENT to meet what is prescribed
 Critically Deficient 	under the existing regulations. The deficiencies/weaknesses pose an imminent threat to the safety and
	soundness of the bank.

Reference: BSP Memorandum No. M-2013-002 dated January 11, 2013

PHILIPPINE NATIONAL BANK

ASSESSMENT OF THE QUALITY OF THE BANK'S CORPORATE GOVERNANCE MANAGEMENT COMPONENT RATING CHECKLIST For the Year 2016

Indicate the Management Rating for each factor using the five point rating scale (1 to 5) – 5 being the highest rating

			ing S	cale	Action		
MANAGEMENT RATING FACTOR	5	4	3	2	1	Recommendations w/Issues Identified	
I. GOVERNANCE LANDSCAPE							
a) Corporate Structure							
Board-approved organizational structure							
Clearly defines reporting lines and scope of accountability							
Reflects the independence of control function							
Indicates the actual operating framework							
Involves periodic update and review							
	1						
b) Attitude Towards Regulators							
> Maintaining a constructive working relationship with							
regulatory/supervisory agencies							
Espousing a cooperative stance toward the regulator							
c) Responsiveness to Complaints/Concerns							
 Establishing a system and maintaining database for 							
complaints/concerns received							
Reporting of "serious cases" to the Board							
d) Risk Consciousness of Employees							
 Results from an effective cascade of the overall objectives and 							
strategies of the organization							
 Reflects the level of employees' awareness of the impact of their 							
special function in achieving the overall goal of the bank and							
the extent to which they are aware of the specific risks arising							
from the processes they are involved in							
	1						
e) Ethical Culture							
> Develops out of the bearing of the Board to implement the							
policies, which is reflected in its performance and decisions							
Involves evaluation on how management attends to instances of							
whistle-blowing							
f) Transparency Practices							
➢ Reflect Board and Management's recognition of their							
accountability to the different stakeholders							
> Quality of public disclosures may be assessed through amount							
and accuracy reflected in:							
Audited Financial Statements							
Annual Reports							
Bank's Websites							
II. RISK GOVERNANCE							
> Effectiveness and extent of Board oversight over the bank risk							
management from strategic goal setting to addressing the							
weaknesses/deficiencies noted							
Reflects the extent to which board approval is required for		-					
policies, methodologies and limits for managing risk exposures							
Covers the assessment of the adequacy of resources and	1	1					
performance of the risk management unit/function							
	1	1	I	I			

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	(5		ing S		Action						
MANAGEMENT RATING FACTOR	(5	(5 being the hig			(5 being				ne nignes		Recommendations
	5	4	3	2	1	w/Issues Identified					
III. FITNESS AND PROPRIETY OF BOARD AND MANAGEMENT											
 Characteristics and propriety of the composition of the Board and Management. The Board should 											
have a comprehensive appreciation of the risk exposure of the Bank											
assess its performance as a collective body and performance of its committees											
approve and regularly review the compensation policies of the bank											
select CEO and members of the management team											
IV. CONTROLS AND INDEPENDENT OVERSIGHT											
1. Effectiveness of the oversight of Board of Directors over internal controls and independent oversight bodies. The Board should:											
Appoint heads of internal audit, compliance and risk management units and select the external auditor											
Regularly review the independence and effectiveness of control functions											
OVERALL COMPONENT RATING FOR MANAGEMENT*											

* It should not be based on the arithmetic average of the ratings assigned to the 4 factors. Judgment should be exercised on how much weight should be given to a particular factor.

The five point rating scale for the Management Component Rating is described as follows:

5 - Strong	The four factors that characterize the quality of governance EXCEED what is prescribed under the existing regulations considering the size, risk profile and complexity of bank operations. Deficiencies/weaknesses are considered to be minor and insignificant.
4 - Satisfactory	The four factors that characterize the quality of governance MEET what is prescribed under the existing regulations considering the size, risk profile and complexity of bank operations. Deficiencies/weaknesses may exist but these do not affect the overall quality of governance in a bank.
3 - Less than Satisfactory	The four factors that characterize the quality of governance DO NOT MEET what is prescribed under the existing regulations considering the size, risk profile and complexity of bank operations. The Board and Management are committed to correct the situation in a timely manner.
2 - Deficient	The four factors that characterize the quality of governance are DEFICIENT in a material way, to meet what is prescribed under the existing regulations considering the size, risk profile and complexity of bank operations. The ability of the Board and Management to correct the situation in a timely manner is doubtful.
1 – Critically Deficient	The four factors that characterize the quality of governance are CRITICALLY DEFICIENT to meet what is prescribed under the existing regulations considering the size, risk profile and complexity of bank operations. The deficiencies/weaknesses pose an imminent threat to the safety and soundness of the bank.