



**CHARTER
CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE
May 2019**

I. Corporate Governance defined -

Corporate governance is the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders. It is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and the Senior Management accountable for ensuring ethical behavior, reconciling long-term customer satisfaction with shareholder value to the benefit of all stakeholders and society. Its purpose is to maximize the organization's long-term success, creating sustainable value for its shareholders, stakeholders and the nation.

II. The Corporate Governance and Sustainability Committee

The Corporate Governance and Sustainability Committee is created and revised pursuant to:

- BSP Circular 456: Specific Duties and Responsibilities of the Board of Directors dated October 4, 2004; BSP Circular 749: Guidelines in Strengthening Corporate Governance in BSP Supervised Financial Institutions dated February 27, 2012;
- SEC Memorandum Circular 19: Code of Corporate of Corporate Governance for Publicly Listed Companies (PLCs) dated November 22, 2016;
- BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions dated August 22, 2017; and
- SEC Memorandum Circular 4: Sustainability Reporting Guidelines for Publicly-Listed Companies

This is to align existing regulations with international best practices and standards that promote good corporate governance, 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 be composed of at least three (3) members of the board of directors, all of whom shall be Independent Directors (IDs), including the Chairman. 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 shall constitute a quorum; but the vote of the majority of the quorum which in no case be less than 2 members is required to approve any act in all the meetings of the Committee.

IV. Duties and Functions

The Corporate Governance and Sustainability Committee is tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions of the Nomination and Remuneration Committee, ensuring compliance with and proper observance of corporate governance principles and practices. The Committee has the following duties and functions:

1. Corporate Governance

- Oversees the and implementation of the corporate governance framework periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the Bank's size, complexity and business strategy, as well as its business and regulatory environments;
- Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- Oversees the periodic performance evaluation of the Board, its committees, and senior 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;
- Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- Proposes and plans relevant trainings for the members of the Board; and recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers;
- Adopts 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;
- Reviews and formulates 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 the Board and Senior Management;
- Receives and evaluates complaints regarding conflict of interest situations;
- Establishes policies, programs & procedures that encourage Bank's employees to actively participate in the realization of goals & governance; and

2. Nomination, Election and Qualifications of Directors and Senior Management

- Oversees the nomination & election process for members of the board of directors and for positions appointed by the board of directors; define the general profile of board

members and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the board;

- Ensures that the Bank shall have at least one-third (1/3) but not less than two (2) members of the board shall be Independent Directors (IDs), and that any fractional result from applying the required minimum proportion, shall be rounded-up to the nearest whole number;
- Reviews and evaluates the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors;
- Pre-screens and shortlists all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualifications; and
- Develops 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 and Officers

- Oversees the design and implementation of the remuneration and other incentives policy of the directors and officers;
- Establishes 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;
- Designates 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;
- Disallows any director to determine his or her own remuneration and ensures that no director shall participate in discussions or deliberations involving his own remuneration; and
- Provides 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.

4. Sustainability

- Ensures that the Bank has clear & focused policy on disclosure of non-financial information emphasizing on management of economic, environmental, social & governance (EESG) issues, which underpin sustainability;
- Responsible in all dealings where the Bank operates & plays an active role in nation-building through its CSR initiatives;
- Ensures adherence to an internationally recognized sustainability reporting framework, such as the Global Reporting Initiative (GRI), which enables the Bank to disclose, measure and monitor its contributions towards achieving universal targets of sustainability;

- Oversees the consistent implementation of the Bank's corporate social responsibility framework, with the following strategic thrusts: financial literacy & education, environmental protection, and philanthropic initiatives; and
- Assesses the Bank's sustainability performance across various benchmarks, including economic, social and environmental performance indicators.

5. 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 month;
- 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.

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 month.

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.