

**Philippine National Bank  
2016 ACGS Report Update**

Areas for Improvement and Recommendation	Reference/s	Details	Links
<b>Part A. Rights of Shareholders</b>			
1. The Chairman of the Audit Committee should be present in the Annual Stockholders' Meeting (ASM).	ASM Minutes for year 2016 & 2017	Incoming BACC Chairman Director E.A. Cua was present in the 2016 ASM (Also present). He was also present 2017 ASM (Directors present) as evidenced by links from the website attendance record.	<a href="#">2016 ASM Minutes of PNB Link</a> <a href="#">2017 ASM Minutes Link</a>
2. The company should disclose the voting results including approving, dissenting, and abstaining votes for each agenda item that required shareholder's approval for the most recent ASM.	Minutes of ASM for the year 2016 & 2017	As evident in the minutes, each agenda's votes were duly recorded.	<a href="#">Results of Annual Stockholders Meeting 2016 Link</a> <a href="#">2017 ASM Minutes Link</a>
<b>Part C. Role of Stakeholders</b>			
1. The policies and activities undertaken to implement the policy relating to the following stakeholders should be disclosed: <ul style="list-style-type: none"> <li>• Customer's welfare</li> <li>• Supplier/contractor selection practice</li> <li>• Value chain consistent with sustainable development</li> <li>• Anti-corruption program and procedures</li> <li>• Safeguarding creditor's rights</li> </ul>	2016 ACGR	p. 65 – 67 of the 2016 Annual Corporate Governance Report (ACGR)	All the five (5) policies were disclosed in the ACGR page 65-67.  <a href="#">5 Policies Link</a>
2. The company may have a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures. The policy should apply to all employees.	2016 ACGR	p. 77 of the 2016 ACGR Items # 3.d	The Bank awards/recognizes the hardwork rendered by its employees through the following: Service Excellence Awards, Service Awards, and Promotion. Rank and File Employees' salary and benefits package is reviewed during Collective Bargaining Agreement while Officers' compensation package is reviewed periodically.  <a href="#">PNB Reward &amp; Compensation Policy Link</a>
<b>Part D. Disclosure and Transparency</b>			
1. The summary of trading in the company shares by the directors and key officers for the last financial year should be disclosed. It should include the shareholdings of the directors and officers in the beginning and at the end of the financial year.	2016 ACGR	Investor Relations Section under SEC Filings "Summary of the Shareholdings of the Board of Directors and Key Officers of the Bank"	The summary of trading in the company shares by the board of directors and key officers for the last financial year (beginning and ending) was reported to the regulators and disclosed in the bank's website.  <a href="#">Summary of Shareholdings of BOD &amp; Key Officers Dec.2016 Link</a>

2. Proof of actual conduct (i.e. date, venue, notice, presentation materials) of analyst and media briefings should be evident. Materials used in these briefings should also be available in the company's website.	PNB Website	Corporate Governance page/Disclosures /Media Analyst Briefing	Media and analyst briefings of 2017 ASM was held at Century Park Hotel Manila on April 25, 2017, 10:30AM. Disclosures of briefings are available in the Bank's website.  <a href="#">CorGov -Media Analyst Briefings Link</a> <a href="#">Proof of Actual Conduct of Media and Analyst Briefing</a>
<b>Part E. Responsibilities of the Board</b>			
1. Nomination and Remuneration Committees may be comprised of majority of independent directors	2016 ACGR	p. 23 of 2016 Annual Report; p. 44-45, Item B.2.c. of 2016 ACGR 4 out of 5 or 80% are IDs Florescia G. Tarriela - ID & Chairman Felix Enrico R. Arfiler - ID Federico C. Pascual - ID Cecilio K. Pedro - ID Reynaldo A. Maclang - ED	CorGov acts as Nomination and Remuneration Committee <a href="#">Nomination and Remuneration Committee (from 2016 Annual Report) Link</a>  <a href="#">Nomination and Remuneration Committee (from 2016 ACGR) Link</a>
2. The Audit Committee can be comprised of entirely non-executive directors with a majority of independent directors	2016 Annual Report	p. 46 of 2016 Annual Report All members of the Board Audit & Compliance Committee are IDs: Edgar A. Cua - ID Chairman Felix Enrico R. Arfiler - ID Florescia G. Tarriela - ID	<a href="#">Audit Committee (2016 Annual Report) Link</a>  <a href="#">Audit Committee (2016 ACGR) Link</a>
3. At least one independent member of the Audit Committee should have an accounting expertise	2016 Annual Report;	p. 43-44 of 2016 ACGR p. 94-96 of 2016 Annual Report  <i>Edgar A. Cua:</i> BA and Masters of Arts in Economics, etc.; Consultant of SGV & Co.  <i>Felix Enrico R. Arfiler:</i> BS and Masters in Statistics  <i>Florescia G. Tarriela:</i> BSBA major in Economics, Masters in Economics	<a href="#">At Least 1 Independent Member of Audit Committee with accounting Expertise Link</a>  <a href="#">At Least 1 Independent Member of Audit Committee with accounting Expertise Link2</a>
4. The scorecard asks for the disclosure of the breakdown of fees for non-executive and independent directors	2016 Annual Report	p. 36-37 of 2016 ACGR D. Remuneration Matters	For Non-Executive Directors: Per diem & other benefits, i.e. Life insurance coverage & Hospitalization Plan  For Independent Directors: Per diem & other benefits, i.e. Life Insurance coverage & Hospitalization Plan  <a href="#">Remuneration-of-Directors Link</a>
5. A statement from the Audit Committee commenting on the adequacy of material controls and risk management systems should be evident	2015 Annual Report,	p. 84-86 of the 2016 Annual Report (Message of the BACC Chairman)	Page 86, last 2 paragraph "Bank's risk management system, internal control system & compliance with policies, procedures & relevant laws &

			regulations is Satisfactory.” <a href="#">Statement from Audit Committee Link</a>
6. The company should explicitly disclose its orientation program for new members of the board	2016 ACGR	Page 23 of 2016 ACGR 6. Orientation & Education Program  CG Manual	New members of the Board receive, acknowledge and understand the duties and responsibilities of a director. They must attend a seminar on Corporate Governance conducted by dully accredited by SEC and BSP within 6 months from the date of election.  <a href="#">Orientation Program for New Members of the Board Link</a>
7. It is encouraged that the company set the term limit for its independent directors to nine years	2017 CorGov Manual	p. 20 of 2017 CorGov Manual  ACGR	2.6 Term Limits of IDs. Maximum cumulative of 9yrs from 2012 or from date of appointment; Beyond 9, the Board shall provide meritorious justifications & seek shareholders’ approval during ASM.  <a href="#">Term Limit of ID to nine (9) years Link</a>
<b>Bonus</b>			
1. Does the company release its notice of AGM (with detailed agenda & explanatory circulars), as announced to the Exchange, at least 28 days before date of meeting.	PNB Website	PNB Website/ Investor Relations/ Disclosures/SEC Filings/Notice of Annual Stockholders' Meeting	Announcement/publication of notice of the Annual stockholders meeting dated March 14, 2017 was published for 1 week in three newspapers of general circulation in the Philippines.  <a href="#">Notice of Stockholders Meeting 04 25 2017 Link</a>
2. Does the company practice integrated report on its annual reports?	PNB website	PNB Website/Investor Relations/ Annual Report	Yes, the bank practices integrated reporting in its annual reports.  <a href="#">PNB Annual Reports Link</a>
3. Does the company have at least one (1) female ID/commissioner?	Page 94 Annual Report	2016 Annual Report/ Board of Directors Section - page 94.	Yes, the Bank has one (1) female independent director who is also the Chairperson of the Board of Directors  <a href="#">At Least 1 Female ID Link</a>
4. Does the Nominating Committee undertake the process of identifying the quality of directors aligned with the company's strategic directions?	Page 21 Annual Corporate Governance Report	p. 21 of the 2016 ACGR, Section A.5.b. Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension	Yes, the Corporate Governance Committee, acting as Nominating Committee undertakes the process of identifying the quality of directors which is aligned with the Bank's strategic direction.  <a href="#">Nominating Committee Process of Identifying Link</a>
5. Does the company have separate level Risk Committee?	Page 32 of the 2016 Annual Report	Page 32 of PNB 2016 Annual Report, Risk Oversight Committee	Yes, the bank has Risk Oversight Committee (ROC), composed of 3 members, including the chairman.  <a href="#">Risk Committee Link</a>