

and appointment of senior officers in the different management committees are assessed periodically and reorganized as necessary in line with the business priorities.

### **Compliance System**

The Bank actively promotes the safety and soundness of its operations through a compliance system that fully adheres to banking laws, rules and regulations and to maintain an environment that is governed by high standards and best practices of good corporate governance. This is achieved primarily through the formulation of policies and procedures, an organizational structure and an effective compliance program that will support the Bank's compliance system.

The Chief Compliance Officer (CCO), head of the Global Compliance Group, reports directly to the Board Audit and Compliance Committee. The CCO has direct responsibility for the effective implementation and management of the enterprise compliance system covering the Parent Bank, its subsidiaries and affiliates. The CCO is also primarily responsible for promoting compliance with the laws and regulations of the different jurisdictions, corporate policies and procedures and international standards and best practices. The Board of Directors appointed the CCO as the Corporate Governance Executive tasked to assist the Board and the Corporate Governance/Nomination/Remuneration Committee in the discharge of their corporate governance oversight functions.

Global Compliance Group continues to evolve the Bank's Compliance System with the complement of five major divisions, namely: Global AML Compliance Division, Regulatory Compliance Division, Business Vehicle Management Compliance Division, Compliance Testing Review Division and Corporate Governance Monitoring Division that provides support to the Corporate Governance/Nomination/Remuneration Committee and the Board Oversight Related Party Transaction Committee.

The Bank's existing Compliance Program defines the seven (7) key elements of an effective compliance framework, with proactive Board and executive level oversight, effective compliance organizational structure, standardized policies and procedures across all businesses, periodic monitoring and assessment, robust MIS and compliance reporting, comprehensive compliance and AML awareness training and independent compliance testing reviews. The Compliance Program also incorporates the new policies, laws and regulations and enhancements to corporate standards of which PNB, including its local and foreign subsidiaries/affiliates, is required to be fully aware of. The Compliance Program has been implemented consistently in the PNB Group.

The Bank's AML/CFT Policy Guidelines and Money Laundering and Terrorist Financing Prevention Manuals with FATCA compliance guidelines, are two major manuals approved by the Board. The Bank is fully committed to adhere to existing and new AML/CFT and FATCA laws, rules, regulations, and implementing guidelines issued by both Philippine and foreign regulators.

The Bank has updated policies and procedures embracing the compliance framework, the corporate governance guidelines and the AML Risk Rating System issued by BSP and foreign regulators on AML/CFT as well as FATCA laws and regulations.

With a comprehensive compliance system effectively implemented enterprise-wide, there has not been material deviation noted by the CCO.