



SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended: December 31, 2022
2. SEC Identification Number: PW-686
3. BIR Tax Identification No.: 000-263-340
4. Exact name of issuer as specified in its charter: PHILIPPINE BANK OF COMMUNICATIONS
5. Philippines
Province, Country or other jurisdiction of
incorporation or organization
- (SEC Use Only)
Industry Classification Code:
7. PBCOM Tower, 6795 Ayala Avenue corner V.A. Rufino Street, Makati City
Address of principal office
- 1226
Postal Code
8. 8830-7000
Issuer's telephone number, including area code
9. NA
Former name, former address, and former fiscal year, if changed since last report.

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

	COMPLIANT/ NON- COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION	
The Board's Governance Responsibilities				
Principle 1: The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.				
Recommendation 1.1				
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	Compliant	<p>ERIC O. RECTO, <i>Chairman of the Board and Director</i></p> <p>Eric Recto, Filipino, 59 years old, was elected Director and Vice Chairman of the Board on July 26, 2011, appointed Co-Chairman of the Board on January 18, 2012 and Chairman of the Board on May 23, 2012.</p> <p>He is presently Chairman and President of Bedfordbury Development Corporation; Vice-Chairman of Alphaland Corporation and Vice Chairman and President of Atok-Big Wedge Co., Inc. Mr. Recto is Vice Chairman and Lead Independent Director of Aboitiz Power Corporation and an Independent Director of Manila Water Company, Inc. He was recently appointed Senior Advisor of Stonepeak Infrastructure Partners in the US and Director of Miescor Infrastructure Development Corporation.</p> <p>Prior to his current roles, he was President of Petron Corporation, the largest oil refining and marketing company in the Philippines. He also previously served as Undersecretary of Finance of the Republic of the Philippines from 2002 to 2005.</p> <p>Mr. Recto has an undergraduate degree in Industrial Engineering from the University of the Philippines and has an MBA from Cornell University's Johnson Graduate School of Management.</p> <p>LEONARDO B. DAYAO, <i>Vice Chairman and Director</i></p> <p>Mr. Dayao, Filipino, 79 years old, was elected Director on September 29, 2014 and Co-Vice Chairman on October 24, 2014. Mr. Dayao currently holds the following positions in publicly listed companies: President of Cosco Capital, Inc. and Director of Puregold Price Club, Inc.</p> <p>He also holds various positions in the following privately-owned companies: Chairman and President of Fertuna Holdings Corp., Chairman of Caturan Hydropower Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, League One Finance and Leasing Corporation, Pamana Water Corporation, PSMT Philippines, Inc.,</p>		
2. Board has an appropriate mix of competence and expertise.	Compliant			
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	Compliant			

S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc.; Vice-Chairman of Ayagold Retailers, Inc.; President of Alcorn Petroleum Minerals Corporation, K4 Water Resources Corporation, NE Pacific Shopping Centers Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., San Jose City I Power Corp., Southern Utility Management Services, Incorporated (SUMSI), Union Energy Corporation; Vice-President of Alerce Holdings Corp., Bellagio Holdings, Inc., KMC Realty Corporation, Puregold Properties, Inc., Union Equities, Inc.; and Director of Canaria Holdings Corporation, Entenso Equities Incorporated, Kareila Management Corporation and Puregold Realty Leasing & Management, Inc.

Mr. Dayao received a Bachelor of Science Degree in Commerce from Far Eastern University. He is a Certified Public Accountant and has completed Basic Management Program at Asian Institute of Management and earned units in MBA from University of the Philippines-Cebu.

LUCIO L. CO, *Chairman of the Executive Committee and Director*

Mr. Co, Filipino, 68 years old was elected Director on September 29, 2014. Mr. Co currently holds the following positions in other publicly listed companies: Director and Chairman of Puregold Price Club, Inc., Chairman of Cosco Capital, Inc. and Chairman of The Keepers Holdings, Inc. (formally Da Vinci Capital Holdings, Inc.).

He is also the Chairman of the following privately-owned companies: Alcorn Petroleum & Minerals Corporation, Bellagio Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Entenso Equities Incorporated, Invescap Incorporated, Makabayan Holdings Incorporated, NE Pacific Shopping Centers Corporation, P.G. Holdings, Inc., Pajusco Holdings Corporation, Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Finance, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., Union Energy Corporation, and Union Equities, Inc., Mr. Co is also a Director of the following privately-owned companies: Catuiran Hydropower Corporation, Cleangreen Energy Corporation, Forbes Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, Kareila Management Corp., LCKK & Sons Realty Corporation, League One Finance and Leasing Corporation, Meritus Prime Distributions, Inc., Montosco, Inc., Pamana Water Corporation, PPCI Subic Inc., Patagonia Holdings Corp., Premier Wine & Spirits, Inc., S&R Pizza (Harbor Point), Inc., and S&R Pizza, Inc., Tower 6789 Corporation and VS Gripal Power Corporation. He is a member of the Board of Trustees of Adamson University and Luis Co Chi Kiat Foundation, Inc.

Mr. Co has been an entrepreneur for the past 40 years.

PATRICIA MAY T. SIY, *President & CEO and Director*

Ms. Siy, Filipino, 62 years old, was elected Director, President and Chief Executive Officer on June 1, 2015. She is also a Director of PBCOM Finance Corporation and Chairman of PBCOM Insurance Services Agency, Inc.

Immediately before joining PBCOM, she served as Chief Corporate Planning Officer of Travellers International Hotel Group from 2012 and as Chief Finance Officer of Rustan's Supercenter Inc. from 2011 to 2012. Her banking experience spanned 39 years. She was with Security Bank Corporation where she held various positions from 2000 to 2011 in Middle Market Lending and Corporate Lending leading to the Executive Vice President post for the Commercial and Retail Banking Segment. She held senior positions in Standard Chartered Bank from 1994 to 2000 in the fields of Regional and Philippine Consumer Credit, Group Special Asset Management, and Corporate Banking in Cebu and Head Office. Her first Bank was Private Development Corporation of the Philippines where she stayed from 1983 to 1994 as Project Analyst, Cebu Lending Head, Visayas Lending Head, and then Branch Lending Head.

Ms. Siy graduated from De La Salle University with a Bachelor of Science degree in Industrial Management Engineering minor in Chemical Engineering.

BUNSIT CARLOS G. CHUNG, Director

Mr. Chung, Filipino, 72 years old, was elected Director on June 17, 1997. He is Chairman & President of Supima Holdings, Inc., and Director of La Suerte Cigar & Cigarette Factory, Century Container Corporation, Bicutan Container Corporation, Tosen Foods Corporation, PBCom Finance Corporation, State Investment House, Inc. and State Properties, Inc. He is an Advisory member of the Board of Trustees of Xavier School Inc., and a member of the Board of Trustees of Immaculate Conception Academy (Greenhills) Scholarship Foundation, Seng Guan Temple, Angelo King Foundation Inc. and Kim Siu Ching Family Association, Vice-Chairman & President of Tiong Se Academy.

Mr. Chung has a degree in AB (Economics) & Business Administration from De La Salle University as well as an MBA from the University of Southern California.

SUSAN P. CO, Director

Mrs. Co, Filipino, 65 years old was elected Director on September 29, 2014. She currently holds the positions of Vice-Chairman of Puregold Price Club, Inc. and Vice-Chairman and Treasurer of Cosco Capital, Inc., both publicly listed companies.

Mrs. Co is the Chairman and President of Cosco Price, Inc., Chairman of Kareila Management Corporation and Tower 6789 Corporation, President of Makabayan

Holdings Incorporated and Director of the following privately-owned companies: Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., KMC Realty Corp., Meritus Prime Distributions, Inc., Montosco, Inc., NE Pacific Shopping Center Corporation, P.G. Holdings, Inc., Patagonia Holdings Corp., PPCI Subic Inc., Premier Wines and Spirits, Inc., Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Finance, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., San Jose City I Power Corp., Union Energy Corporation and Union Equities, Inc. and Treasurer of Forbes Corporation.

Mrs. Co received a Bachelor of Science Degree in Commerce from the University of Santo Tomas.

JACK EKIAN T. HUANG, Director

Mr. Huang, Filipino, 68 years old, was elected Director on June 4, 2019. He currently holds the positions of Director of Puregold Price Club Inc., Vice President of Abacus Securities Corporation and Director and Treasurer of Richmedia Network Inc. Mr. Huang also serves as Member of the Board of Trustees and Member of the Finance Committee of Sacred Heart School (Ateneo de Cebu).

In the past, he was Assistant Vice President of the Bank of the Philippine Islands, Branch Manager of Ayala Investment & Development Corporation and Director and General Manager of Cebu Business Continuous Forms.

Mr. Huang obtained his Bachelor of Arts in Economics at the Ateneo de Manila University.

LEVI B. LABRA, Director

Mr. Labra, Filipino, 64 years old, served as an Independent Director from October 24, 2014 until his election as a regular member of the Board of Directors on February 22, 2017. Mr. Labra is also a Director of Cosco Capital, Inc., a publicly listed company.

He obtained his Bachelor of Science in Business Administration (Cum Laude) at the University of San Carlos, Cebu City.

GREGORIO T. YU, Director

Mr. Yu, Filipino, 64 years old, was elected Director on July 26, 2011 and is presently the Chairman of Auto Nation Group, Inc., Cats Automobile Corp and Nexus Technologies, Inc. Mr. Yu also sits as Director in various companies, among which are CATS Asian Cars, Inc., American Motorcycles, Inc., Unistar Credit and Finance Corporation, Glyph Studios, Inc., Prople BPO Inc., WSI Corporation, and Jupiter Systems Corporation.

He is concurrently an Independent Director of Alphaland Corporation, Glacier Megafridge, EEI Corporation, APO Agua Infraestructura Inc., Philequity Management Inc., Vantage Financial Corporation (formerly E-business Services, Inc. and Vantage Equities Inc.. He also serves as Board Member of The Manila Symphony Orchestra since 2009.

He received his MBA from the Wharton School of the University of Pennsylvania in 1983 and his Bachelor of Arts in Economics (Honors Program) Summa Cum Laude from De La Salle University in 1978.

STEPHEN ANTHONY T. CUUNJIENG, Independent Director

Mr. CuUnjieng, Filipino, 63 years old, was elected Independent Director on July 1, 2022. He concurrently serves as an Independent Director of First Philippine Holdings Corporation since 2018. He is also an Independent Director at Century Properties Group, Golden Springs (Singapore) and a Ho Director Phoenix Petroleum PH Inc. He is part of the Executive Advisory Board for Asia of the Wharton School of Business and the International Advisory Board of the New York Philharmonic.

He was a Senior Managing Director at Evercore and Chairman at Evercore Asia Limited from 2009 to 2022. He was previously an Independent Director of Aboitiz Equity Ventures (2010 to 2018), an Adviser to the Board of SM Investments Corporation (2008-2017) and Director of Manila North Tollways Corporation (2008-2013). He was Vice Chairman, ASEAN of Macquarie (Hong Kong) Limited from 2007 to 2009.

Mr. CuUnjieng holds a degree in Bachelor of Arts (1980) and also has a Bachelor's Degree in Law (with honors) (1984) from the Ateneo de Manila University and the Ateneo Law School. He also has a Master's Degree in Business Administration (Finance) from Wharton School of Business (1986).

CONRADO A. GLORIA, JR., Independent Director

Mr. Gloria, Filipino, 63 years old, was elected Independent Director on June 4, 2019. He currently holds the positions of President & CEO of GIV Capital Holdings Corporation and

Corporate Secretary of Miguel and Maria Group of Restaurants, Inc. Mr. Gloria is an Independent Director of PBCOM Insurance Services Agency, Inc. and Scheirman Construction Consolidated Inc.

In the past, he served as President & COO of Investment & Capital Corporation of the Philippines, Executive Vice President and Managing Director of SB Capital Investment Corporation, President of SB Equities, Inc., Senior Vice President of Southeast Asia Cement Holdings Inc. and Senior Finance Officer of International Finance Corporation.

Mr. Gloria obtained his Bachelor of Arts in Economics at the University of the Philippines and his Master's in Business Administration at the Asian Institute of Management.

TERESITA J. HERBOSA, Independent Director

Ms. Herbosa, Filipino, 71 years old, was elected as Independent Director on November 2, 2022. She currently serves as a Director of the Board of Telecommunications Connectivity, Inc., and also sits as an Independent Director of mutual fund companies under the Sunlife Group: Sunlife of Canada Prosperity Bond Fund, Inc., Sunlife Prosperity Peso Starter Fund, Inc., Sunlife Prosperity Dollar Starter Fund, Inc., Sunlife Prosperity Peso Voyager Feeder Fund Inc., Sunlife Prosperity World Income Fund, Inc., Sunlife Prosperity Achiever Fund 2028, Inc., and Sunlife Prosperity Achiever Fund 2038, Inc.

Ms. Herbosa is likewise a trustee of the CHS Alumnae Foundation Inc. and a law professor at the DLSU College of Law (Rufino Campus) and Lyceum Makati. She is the former Chairperson of the Philippine Securities and Exchange Commission or SEC from April 2011 up to June 2018.

Prior to government service, Ms. Herbosa was with Angara Abello Concepcion Regala & Cruz Law Offices ("ACCRALAW") where she headed its prestigious Litigation and Dispute Resolution Department for more than 10 years during which it was consistently recognized as the best in that area of practice. She retired from ACCRALAW in 2011 as a Senior Partner/Co-Managing Partner.

Ms. Herbosa finished AB Political Science cum laude at the University of the Philippines (UP) Diliman, and Bachelor of Laws cum laude and class salutatorian from the UP College of Law. She has a master's degree from the University of Michigan.

EMMANUEL Y. MENDOZA, *Independent Director*

Mr. Mendoza, Filipino, 58 years old, was elected Independent Director on December 19, 2014. He is currently the Managing Partner of Mendoza Querido & Co., and President of MQ Agri Unlimited Inc. He is also an Independent Director of Mediacard Philippines, Inc.

He obtained his Bachelor in Business Administration in Accountancy at the University of the Philippines and a Master in Management at the Asian Institute of Management. Mr. Mendoza is a Certified Public Accountant.

GILDA E. PICO, *Independent Director*

Ms. Pico, Filipino, 76 years old, was elected Independent Director on February 22, 2017. She is currently Chairman of the Board of Producers Savings Bank Corporation. Ms. Pico is also connected with Marinor Development Corporation as Director/Treasurer, Gilart Holdings Corporation as President and PayMaya Philippines as Independent Director.

In the past, Ms. Pico was President and CEO of Land Bank of the Philippines from November 2006 to July 2016. She was Land Bank's Acting President from July 2005 to November 2006 and Trustee of Land Bank Countryside Development Fund from 2005 to 2015. She also served as Chairman/Director in various government and private institutions engaged in leasing, realty, insurance, guarantees, microfinancing, rural and development banking from 1985 to 2016 such as LBP Insurance Brokerage, Inc., LBP Leasing and Finance Corporation, Landbank Realty Corp., Masaganang Sakahan, Inc., National Livelihood Development Corporation, Peoples Credit and Finance Corporation, Philippine Crop Insurance Corporation, among others.

Ms. Pico obtained her Bachelor of Science Degree in Commerce in 1966 from the College of the Holy Spirit where she graduated Magna Cum Laude and earned units in Masters in Business Administration from the University of the East. Ms. Pico is a Certified Public Accountant.

MICHAEL STEPHEN H. LAO, *Corporate Secretary and Corporate Information Officer*

Atty. Lao, Filipino, 39 years old, was elected Corporate Secretary on June 4, 2019. He is concurrently the Bank's Corporate Information Officer which he holds since November 30, 2014. Atty. Lao was the Bank's Assistant Corporate Secretary from November 30,

		<p>2014 up to his election as Corporate Secretary. He is currently a Partner at Zambrano Gruba Caganda and Advincula Law Offices.</p> <p>Atty. Lao received his Bachelor of Science degree in Business Administration from College of Saint Benilde and his Juris Doctor degree from Ateneo de Manila School of Law in 2012. He was admitted to the Philippine Bar in 2013.</p> <p>Link: https://www.pbcom.com.ph/about-us/our-team</p> <p>Minimum qualifications of director as provided in Bank’s Corporate Governance Manual:</p> <ol style="list-style-type: none"> 1. He must be fit and proper for the position of a director. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: <ul style="list-style-type: none"> • integrity/probity, physical/mental fitness; • relevant education/financial literacy/training; • possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; and • sufficiency of time to fully carry out responsibilities. <p>In assessing a director’s integrity/probity, consideration shall be given to the director’s market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.</p> 2. He must have attended a seminar on corporate governance for board of directors within a period of six months from date of election. <p>Source: <i>Bank’s Corporate Governance Manual (CGM) Section 05.02</i> Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</p>	
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Recommendation 1.2			
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1. Board is composed of a majority of non-executive directors.	Compliant	<p>Board of Directors</p> <ol style="list-style-type: none"> 1. Eric O. Recto – Chairman of the Board & Director 2. Leonardo B. Dayao – Vice Chairman & Director 3. Lucio L. Co – Executive Committee Chairman & Director 4. Patricia May T. Siy – President and CEO & Director 5. Bunsit Carlos G. Chung – Director 	
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		6.. Susan P. Co – Director 7. Jack Ekian T. Huang - Director 8. Levi B. Labra – Director 9. Gregorio T. Yu – Director 10. Stephen Anthony T. CuUnjieng-Independent Director 11. Conrado A. Gloria, Jr. – Independent Director 12. Teresita J. Herbosa – Independent Director 13. Emmanuel Y. Mendoza – Independent Director 14. Gilda E. Pico – Independent Director	
Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	Compliant	<p>Training Process provides:</p> <ol style="list-style-type: none"> 1. A Director shall be required to attend a seminar on corporate governance, which shall be conducted by a private or Government institution duly recognized/accredited by the BSP. 2. Training of directors include an orientation program for first-time directors for at least eight (8) hours and annual continuing training for at least four (4) hours for all directors and key officers including Corporate Secretary and Chief Compliance Officer. 3. A program on corporate governance conducted by training providers that are duly accredited by the Security and Exchange Commission. Certificate of Attendance shall be submitted within ten (10) days from the completion of the program. 4. Officers and staff shall be trained in the normal course of bank operations with respect to the compliance program of the Bank and the identified business risk. <p><i>Source: Bank’s Corporate Governance Manual (CGM) section 5.04</i> <i>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</i></p>	
2. Company has an orientation program for first time directors.	Compliant	<p>Directors shall be required to attend a seminar on corporate governance which shall be conducted by a private or Government institution duly recognized/accredited by the BSP.</p> <p>Training of directors include an orientation program on Corporate Governance (conducted by training providers duly accredited by the SEC) for first-time directors for at least eight (8) hours and annual continuing training for at least four (4) hours for all directors and key officers including Corporate Secretary and Chief Compliance Officer.</p>	
3. Company has relevant annual continuing training for all directors.	Non-Compliant	<ul style="list-style-type: none"> • Latest Trainings attended by the Board of Directors on February 22, 2021 is the High Level Webinar on AML/CFT conducted by Baiphil – DTFuentes • Individual Directors attended the following relevant Corporate Governance and AML trainings: 	

Director	Training	Provider	Date
EORecto	<ul style="list-style-type: none"> • Corporate Governance 	Abotiz	Sep 9, 2020 Sep 8, 2021
GTYu	<ul style="list-style-type: none"> • Corporate Governance Training 	Center for Training and Devt	July 23, 2021
GEPico	<ul style="list-style-type: none"> • Annual CG Enhancement Session • AML & CTF BOD and SM Refresher Training • AML/CFT/CPF for Directors and SM • Basic Course on CG for BOD/Trustees & SM • AML Training • 2021 Annual CG – Enhancement Session • 2021 Annual CG – Enhancement Session 	SGV SGV Baiphil Baiphil PayMaya Smart PLDT Group Smart PLDT Group	June 18, 2020 June 18, 2020 Mar 11, 2021 Mar 12, 2021 June 23, 2021 Sep 17, 2021 Nov 12, 2021
TJHerbosa	<ul style="list-style-type: none"> • TFS Webinar for Covered Person • TFS Webinar for Covered Person • Certificate of Participation in ICD Training on AML • Advance CG Training 	AMLC AMLC ICD ICD	Aug 10, 2022 Aug 3, 2022 Nov 11, 2022 Oct 5, 2021
SATCuunji eng	<ul style="list-style-type: none"> • AML & CTF • Compliance Learning <ul style="list-style-type: none"> ○ Compliance Induction ○ Business Ethics ○ Preventing Financial Crime ○ Conflict of Interest ○ Sanctions • Compliance Learnings <ul style="list-style-type: none"> ○ AML & CFT Financing ○ Operational Risk Mgt Essentials • Compliance Learnings <ul style="list-style-type: none"> ○ Preventing Financial Crime 	Thomson Reuters Thomson Reuters Thomson Reuters Thomson Reuters	June 15, 2021 Dec 20, 2021 Dec 20, 2021 Dec 21, 2021 Dec 22, 2021 Dec 23, 2021 Mar 24, 2020 Mar 24, 2020

		<ul style="list-style-type: none"> ○ Fraud Prevention ○ Business Ethics ○ Market Conduct ○ Anti Bribery & Anti Corruption 	Thomson Reuters	<p>Aug 18, 2020</p> <p>Aug 24, 2020</p> <p>Aug 24, 2020</p> <p>Aug 24 2020</p> <p>Aug 24, 2020</p>	
		<p>Source: Bank's Corporate Governance Manual (CGM) section 5.04</p> <p>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</p>			
Recommendation 1.4					
1. Board has a policy on board diversity.	Compliant	<p>Composition of the Board provides:</p> <p>a) Pursuant to Sections 15 and 17 of the R.A. No. 8791, there shall be at least five (5), and a maximum of fifteen (15) members of the board of directors of a bank.</p> <p>b) In case of a bank/quasi-bank/trust entity merger or consolidation, the number of directors may be increased up to twenty-one (21).</p> <p>c) The number of members of the board of directors of a bank shall be commensurate with its size and complexity of operations.</p> <p>d) To the extent practicable, the members of the board of directors shall be selected from a broad pool of qualified candidates. Non-executive directors, who shall include independent directors, shall comprise at least majority of the board of directors to promote the independent oversight of management by the board of directors.</p> <p>e) Minimum number of independent directors. At least twenty percent (20%) At least one-third (1/3) but not less than two (2) members of the board of directors shall be independent directors. Provided, that any fractional result from applying the required minimum proportion, i.e. 20 percent (20%), one-third (1/3) shall be rounded-up to the nearest whole number.</p> <p>f) The Board should be composed of directors with a collective working knowledge, experience or expertise that is relevant to the bank's industry/sector.</p> <p>g) In order to avoid groupthink and ensure optimal decision-making is achieved, the Board shall be diversified not only in age but also gender, culture, skills, competence and knowledge.</p> <p>Source: Bank's Corporate Governance Manual (CGM) Section 05.02</p> <p>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</p>			
Optional: Recommendation 1.4					

1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.	Compliant	Refer to recommendation 1.4 above	
Recommendation 1.5			
1. Board is assisted by a Corporate Secretary.	Compliant	MICHAEL STEPHEN H. LAO , <i>Corporate Secretary and Corporate Information Officer</i>	
2. Corporate Secretary is a separate individual from the Compliance Officer.	Compliant	Atty. Lao, Filipino, 39 years old, was elected Corporate Secretary on June 4, 2019. He is concurrently the Bank's Corporate Information Officer which he holds since November 30, 2014. Atty. Lao was the Bank's Assistant Corporate Secretary from November 30, 2014 up to his election as Corporate Secretary. He is currently a Partner at Zambrano Gruba Caganda and Advincula Law Offices.	
3. Corporate Secretary is not a member of the Board of Directors.	Compliant	<p>Atty. Lao received his Bachelor of Science degree in Business Administration from College of Saint Benilde and his Juris Doctor degree from Ateneo de Manila School of Law in 2012. He was admitted to the Philippine Bar in 2013.</p> <p>The Corporate Secretary is not a member of the Board of Directors nor the Compliance Officer.</p> <p>Duties and Responsibilities of the Corporate Secretary are the following:</p> <ul style="list-style-type: none"> • Furnishes all first time directors with a copy of the specific duties and responsibilities of the Board of Directors prescribed under MORB upon election. • Requires the directors to acknowledge receipt of the copies of such specific duties and responsibilities and shall certify that they fully understand the same. Copies of the acknowledgment and certification herein required shall be submitted in accordance with Appendix 6 of the Manual of Regulations. Keep on file certification under oath of the directors that they have received copies of such specific duties and responsibilities and that they fully understand and accept the same. • Gathers and analyzes all documents, records and other information essential to the conduct of his duties and responsibilities to the Bank. • Assists the Board and Executive Committee in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar and assisting the chairs of the Board and ExCom to set agendas for those meetings. • Safe keeps and preserves the integrity of the minutes of the Board and Executive Committee, as well as other official records of the Bank. 	

		<ul style="list-style-type: none"> • Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Bank, and advises the Board and the Chairman on all relevant issues as they arise. • Works fairly and objectively with the Board, in accordance with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders and shareholders. • Advises on the establishment of board committees and their terms of reference. • Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval. • Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so. • Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements. • Sends Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting and posted on the bank's website. • Publishes the voting results taken during the most recent Annual or Special Shareholders' Meeting, the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting should be available on the bank's website within five business days from the end of the meeting. • Keeps the stock certificate book, the stock, and transfer book and the corporate seal which he shall stamp on all documents requiring the seal of the bank. • Fills and countersigns all the certificates of stock issued, making corresponding annotation on the margins or sub of such certificates upon issuances, keep a complete up-to-date roll of the stockholders and their addresses. • Furnishes a copy of the Compliance Policies and Procedures Manual containing the Bank's policies on Corporate Governance and succeeding updates to the Manual to all incumbent directors and new director/s that will be elected. • Submits reportorial requirements • Performs required administrative functions. • Performs such other duties and responsibilities as maybe provided by the regulators (SEC, BSP, PSE etc) <p><i>Source: Bank's Corporate Governance Manual (CGM) Section 05.02</i> Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</p>	
4. Corporate Secretary attends training/s on corporate governance.	Non-Compliant	Michael Stephen H. Lao, Corporate Secretary and Corporate Information Officer attended four (4) hours Advance Corporate Governance Seminar conducted by SGV on May 14, 2019.	

		He also attended a 3-hour webinar on High-Level Webinar on Anti-Money Laundering/Counter-Terrorist Financing on February 22, 2021.	
Optional: Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	Non-Compliant	Materials for the Board meeting are provided to the members of the Board at least three (3) days prior to the scheduled Board meeting. The three days is required by the Board for them to have enough time to read /prepare for the Board meeting	Materials for the Board meeting are provided to the members of the Board at least three (3) days prior to the scheduled Board meeting. The three days is required by the Board for them to have enough time to read /prepare for the Board meeting.
Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	Compliant	Angelita U. Egalin, VP and Chief Compliance Officer and Compliance Management Group Head. Qualifications: <ul style="list-style-type: none"> • Has over 31 years of experience in banking • Fields of specialization include compliance, governance, AML, branch banking, loan operations • A Certified Public Accountant (CPA) Duties and Responsibilities of the Chief Compliance Officer are as follows: <ul style="list-style-type: none"> • The principal function of the CCO is to oversee the design of appropriate compliance system; promote its effective implementation and management; and addresses breaches that may arise. The CCO shall also be responsible for ensuring the integrity and accuracy of documentary submission to BSP/SEC and other regulatory agency. • Identifies, monitors and controls compliance risk • Ensures that proper controls are incorporated into the Bank system so that all relevant compliance issues are fully addressed. • Ensure proper onboarding of new directors (i.e. orientation on the bank’s business, charter, articles of incorporation and by-laws, among others) • Reports the matter to the Board/Governance Committee if violations are found and recommends the imposition of appropriate disciplinary action • Monitors, reviews, evaluates and ensures the compliance by the Bank, its officers and directors with the provisions of relevant laws, CG Code, this manual, rules and regulations and all governance issuances of regulatory agencies. 	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	Compliant		
3. Compliance Officer is not a member of the board.	Compliant		

		<ul style="list-style-type: none"> • Appears before the BSP and Securities and Exchange Commission (SEC) upon summon on similar matters that needs to be clarified by the same. • Collaborates to properly address compliance issues, which may be subject to investigation • Identifies possible areas of compliance issues and works towards the resolution of the same • Ensures the attendance of the board members and key officers to relevant trainings. • Performs such other duties and responsibilities as may be provided by the regulators (BSP,SEC) <p>Source: Bank's Corporate Governance Manual (CGM) Section 05.02 Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</p>	
4. Compliance Officer attends training/s on corporate governance.	Compliant	<p>CCO Angelita U. Egalin attended the following trainings:</p> <ul style="list-style-type: none"> • April 28, 2022 - Regulator: Facing the Challenges of a VUCA World • May 24, 2022 - The Rise of the Digital Regulator: Facing the Challenges of a VUCA World • July 20, 2022 - BSP Awareness - Raising Session on Institutional Risk • Assessment (IRA) and Results of the 2022 Thematic Review on Targeted Financial Sanctions (TFS) • August 30, 2022 - The Financial Consumer Protection Act (RA 11765): Responsibilities of BSP-Supervised Financial Institutions • September 27, 2022 - Confronting the Challenges of Inflation & Exchange Rates: The Impact to Filipino Consumers • October 25, 2022 - Reimagining the Future of the Philippine Tax System - Tax Reforms and Measures • November 29, 2022 - Key Takeaways for 2022 and Financial Supervision Sector (FSS) Priorities in 2023 	
ESTABLISHING A CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD			
Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.			
Recommendation 2.1			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	Compliant	<p>Materials for the Board/Committee meetings are provided in advance, Directors are engaged in discussions during meeting and such are documented in the minutes of the meeting. The Corporate Sectary can attest that the directors are actively participating during the meetings. Minutes are available for viewing at the CorSec office.</p> <p>General responsibility of the Board of Directors are the following:</p> <ol style="list-style-type: none"> 1. Compliance with the principles of good corporate governance shall start with the Board of Directors. 	

		<p>2. It shall be the Board's responsibility to foster the long-term success of the Bank and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Bank, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.</p> <p><i>Source: Bank's Corporate Governance Manual (CGM) Section 05.02</i> <i>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</i></p>	
Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	Compliant	<p>2023 business model/plan/strategy was approved in the December 16, 2022 Special Board meeting. Minutes of Meeting are available for viewing at the CorSec office.</p> <p>The Corporate secretary can attest that the bank's objectives and strategies were discussed in the board meetings and the same were documented in the board minutes of the meeting.</p> <p>Review of business objectives and strategy is conducted monthly during Board meetings. Same is documented during the board minutes of the meeting.</p>	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	Compliant		
Supplement to Recommendation 2.2			
1. Board has a clearly defined and updated vision, mission and core values.	Compliant	<p>Mission <i>Our mission is to provide a balanced environment that is customer, people, and result centric while delivering optimal returns to our shareholders.</i></p> <p><i>We respond to the changing needs of our customers and partners, with continuous innovation of our products and services making them accessible anytime, anywhere.</i></p> <p><i>We nurture and develop empowered, inspired and equally committed employees under a learning and mentoring organization.</i></p> <p><i>We fulfill our social responsibility in the communities we serve.</i></p> <p>Vision <i>We will be the most preferred and trusted financial partner through generations of nurturing relationships, realizing visions and enriching lives.</i></p> <p>The PBCOM P.R.I.D.E. With a burning Passion, filling our hearts and driving us forward; Marked by Responsiveness, a determination to delight our customers and stakeholders; Sealed with Integrity, a resolve to always do what is right and what is fair;</p>	

		<p>Moved by <u>Dynamism</u>, creating, innovating, taking calculated risks and remaining relevant; Set apart by <u>Excellence</u>, a mindset to be the best, both as an individual and as a team.</p> <p>Link: https://www.pbcom.com.ph/about-us/mission-vision-and-values</p>	
<p>2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.</p>	<p>Compliant</p>	<p>Bank's Strategic Planning Process:</p> <ol style="list-style-type: none"> 1. The strategic aspect of the planning process produces a long-term plan for the bank. 2. The entire strategic planning process is undertaken if there is a major change in the Bank's strategic plan. However, the prevailing strategic plan must be reviewed and updated on an annual basis to ensure that is aligned with the business strategy and covers a 3-5 year horizon. 3. The strategic planning process covers the stages from setting the vision/mission, defining critical success factors and goals, identifying metrics, formulating strategies/action plan/accountabilities and consolidating these into a strategic plan, then approval and monitoring of performance against the plan. 4. The Corporate strategic planning process is done to: <ol style="list-style-type: none"> a. Ensures that all major business and support projects are consistent with the Bank's overall strategic goals. b. Address long-term goals and allocate resources to achieve them. c. Ensure that all investments of the bank support the overall financial objectives of the organization. 6. The Senior Management Team, with the President, takes the lead in formulating the bank-wide strategic plan. The president will present the high level plan to the Board for approval 7. The Senior Management Team takes off from the Bank's strategic plan and goes through the following process to formulate the Strategic plan for the Segment. <ol style="list-style-type: none"> a. Mission & Objective Setting Guided by the mission and vision statement of the Bank, the Senior Management Team defines the business goals that their respective segments must achieve in the next 3-5 years. The goals must be specific and measurable so that progress can be tracked and plans can be calibrated. b. Situation Analysis The situation analysis includes the following components: <ul style="list-style-type: none"> - Internal analysis of the Bank and the Segments - External analysis of the banking industry, political, economic, social and technology landscapes. 	

		<p>The internal analysis identifies the strengths and weaknesses of the bank and specific segment. The external analysis reveals the opportunities and threats. Environmental scanning allows the bank and the segments to assess the current situation in order to devise the strategic plan to achieve the objectives.</p> <p>The profile of the situation analysis is generated through a SWOT analysis and documented using the templates shown in Annex A.</p> <p>c. Strategy Formulation The results of the environmental scanning are then used to formulate the strategies.</p> <p>i. Using the SWOT Matrix in Annex B, the Senior Management, with their one downs, match the external opportunities and threats with their respective segment's internal strengths and weaknesses.</p> <p>ii. Senior Management Team and their one downs, identify the strategic alternatives to address the following additional questions:</p> <ul style="list-style-type: none"> • Strengths and Opportunities (SO) – How can we leverage our strengths to take advantage of the opportunities? • Strengths and Threats (ST) – How can we focus our strengths to avoid real and potential threats? • Weaknesses and Opportunities (WO) – How can we address and correct our weaknesses to take advantage of the opportunities? • Weaknesses and Threats (WT) – How can we minimize our weaknesses and avoid threats? <p>iii. For each combination of internal and external environmental factors the Senior Management Team with their one down; create strategic options.</p> <p>iv. Senior Management Team with their one downs, evaluate the options and identifies the ones that give the greatest benefit and that best achieve the mission and vision of the Bank.</p> <p>v. The President and the Senior Management Team transcribe the strategic alternatives to match the Business Strategic Imperatives using the template in Annex C.</p> <p>d. Strategy Implementation The selected strategy must be supported by a concrete plan to ensure successful implementation. Using the template in Annex D, the Senior Management Team develops an action plan that addresses the goals and specifies objectives. The list of the desired outcomes must be Specific, Measurable, Achievable, Realistic and Time-Bound (SMART) and must provide the role responsible in carrying out the planned action.</p>	
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		<p>e. Evaluation and Control The implementation of the strategy must be monitored and adjustments are made accordingly. Evaluation and control consist of the following steps:</p> <ul style="list-style-type: none"> i. Define parameters to be measured ii. Define target values for the parameters iii. Perform measurements iv. Compare measured results to the pre-defined standard v. Make necessary changes <p>To ensure that strategic plans are kept relevant, the review and evaluation of the plans are conducted annually together with the operational planning process.</p> <p><i>Source: Bank's Strategic Planning Handbook version 1.0</i></p>	
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	Compliant	<p>ERIC O. RECTO, <i>Chairman of the Board and Director</i></p> <p>Eric Recto, Filipino, 59 years old, was elected Director and Vice Chairman of the Board on July 26, 2011, appointed Co-Chairman of the Board on January 18, 2012 and Chairman of the Board on May 23, 2012.</p> <p>He is presently Chairman and President of Bedfordbury Development Corporation; Vice-Chairman of Alphaland Corporation and Vice Chairman and President of Atok-Big Wedge Co., Inc. Mr. Recto is Vice Chairman and Lead Independent Director of Aboitiz Power Corporation and an Independent Director of Manila Water Company, Inc. He was recently appointed Senior Advisor of Stonepeak Infrastructure Partners in the US and Director of Miescor Infrastructure Development Corporation.</p> <p>Prior to his current roles, he was President of Petron Corporation, the largest oil refining and marketing company in the Philippines. He also previously served as Undersecretary of Finance of the Republic of the Philippines from 2002 to 2005.</p> <p>Mr. Recto has an undergraduate degree in Industrial Engineering from the University of the Philippines and has an MBA from Cornell University's Johnson Graduate School of Management.</p>	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	Compliant	<p>Succession Policy – Officers and Management</p> <p>The Bank recognizes the importance of leadership continuity in the organization and the need to immediately fill open critical positions arising from attrition and other modes</p>	

		<p>of separation. Heads are required to identify at least one (1) successor to key management positions in the units under their supervision.</p>	
<p>2. Board adopts a policy on the retirement for directors and key officers.</p>	<p>Compliant</p>	<p>2022 Succession Plan was approved by the Board on December 15, 2021.</p> <p><i>Source: Bank's Policy on Succession Planning</i></p> <p><u>Policy on Succession - Directors:</u> To ensure continuous strategic direction of the Bank, succession or filling up any vacancies in the Board shall be made by the vote of at least majority of the remaining directors.</p> <p>The Governance Committee shall evaluate the candidate based on his/her qualifications.</p> <p><u>Policy on Retirement Age of the Directors:</u> The Board recognizes the best interests of the Bank are served by continuing qualification for director and age is not the main factor in determining the effectiveness of the director in fulfilling his duties and responsibilities. The wisdom, experience, expertise, authority are valuable assets. A director may continue to serve regardless of age as long as he/she is physically and mentally fit, complied with all the qualifications and do not possess any of the disqualifications and able to effectively carry out his/her duties and responsibilities as provided in the Corporate Governance.</p> <p>However an Independent Director may only serve for a maximum cumulative term of nine (9) years. After which, the independent director should be perpetually barred from re-election as such, but may continue to qualify for nomination and election as a regular director.</p> <p>Retirement Policy - Officers The Bank has two (2) categories of retirement, namely: voluntary and compulsory. Voluntary retirement is applied to any regular employee hired before February 1, 2016 who has rendered at least five (5) years of continuous service, and for officers and managers hired after this date, at least ten (10) years of continuous service. Compulsory retirement, on the other hand, is applicable to employees who reach the age of sixty (60) years, irrespective of their length of service.</p> <p>The Bank has a retirement policy in place for its officers, managers and rank and file employees. The Bank does not have a prescribed retirement age for its board members. Retirement pay is computed based on the applicable percentage of employee's monthly salary, as shown below x the number of years in service.</p>	

LENGTH OF SERVICE	APPLICABLE PERCENTAGE
5 up to 10 years	100 %
More than 10 – 15 years	110 %
More than 15 – 20 years	120 %
More than 20 – 25 years	130 %
More than 25 – 30 years	140 %
More than 30 years	150 %

Recommendation 2.5

1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	Compliant	<p>1. The Bank provides a commensurate and rational salary structure depending on the scope of responsibilities/functions of each employee which shall be periodically reviewed to align with current regulatory provision and industry trends. It complies with the wage orders or government mandated pay adjustments issued by the Department of Labor and Employment and the Tripartite Wage Boards and applicable provisions of the existing Collective Bargaining Agreement.</p> <p>2. The Bank has a performance management system, which upholds meritocracy and links performance to career advancement and rewards.</p> <p><i>Source: Bank's Policy on Salary Administration</i></p> <p>The five (5) independent and four (4) other Directors are entitled to a monthly Director's per diem as well as Director's per diems for attending Board and Board-level committee meetings. The remaining six (6) Directors have waived their right to receive Director's fees. As stipulated in the By-laws, Directors are also entitled to share in the net profits to be distributed in such manner as the Board may provide but not exceeding four (4) percent.</p> <p>The Board delegates the approval of remuneration of senior executives to the President and the ExCom Chairman.</p>
2. Board adopts a policy specifying the relationship between remuneration and performance.	Compliant	
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	Compliant	

Optional: Recommendation 2.5

1. Board approves the remuneration of senior executives.	Compliant	The Board delegates the approval of remuneration of senior executives to the President and the ExCom Chairman.
2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as	Compliant	<p>Performance evaluation of senior executives is conducted every year to measure their performance against KPIs/KRAs set at the beginning of each calendar year.</p> <p><i>Source: Bank's Policy on Performance Policy</i></p>

claw back provision and deferred bonuses.			
Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	Compliant	In compliance with SEC SRC Rule 38, and as a matter of practice, the Bank has adopted the following rules in the nomination and election of directors.	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Compliant	Section 1. Period. All the nominations for directors and independent directors shall be submitted to the Nominations Committee through any of the members of the committee or the Corporate Secretary at any time prior to the Annual Meeting. Section 2. Form and Contents. All nominations shall be in writing duly signed by a stockholder and accepted and conformed to by the nominees likewise in writing indicating whether a particular nominee/s is/are intended to be an independent director or not. It must contain the nominee's age, educational attainment, work and/or business experience and/or affiliation.	
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	Compliant	Section 3. Qualifications. No individual shall be nominated as director or independent director unless he meets the minimum requirements/qualifications prescribed by the regulatory agencies/offices concerned of listed banks.	
4. Board nomination and election policy includes how the board shortlists candidates.	Compliant	Section 4. List of Candidates. The Nominations Committee shall pre-screen the qualifications of the nominees and prepare the final list of candidates, including a summary of all relevant information about them.	
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	Compliant	<i>Source: SEC Form 20-IS (Definitive Information Statement)</i>	
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Compliant	Governance Committee Charter also provides: The Nomination Committee is a sub-committee of the Governance Committee. The Nomination Sub-Committee takes into account relevant factors such as strength of character, extent of business experience/expertise and mature judgment, the Nomination Sub-Committee shall identify individuals qualified to become directors, conduct all needed interviews/inquiries into their background and qualifications, negotiate the appropriate compensation package and recommend to the Board the nominees for election as new or replacement members; the sub-committee shall have oversight functions in the selection, nomination and appointment of members of senior management Governance Committee provides: One of the Duties and Responsibilities of the Governance Committee is to oversee the nomination process for member of the board of directors and for positions appointed by the board of directors. The committee shall review and evaluate the qualifications of all persons nominated to the board of directors as well as those nominated to other positions requiring appointment by the board of directors. The committee also	

		<p>determines the nomination and election process for the bank's directors and has the special duty of defining the general profile of board members that the bank may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board.</p> <p><i>Source: Bank's Corporate Governance Manual (CGM) Section 05.02</i> <i>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</i></p>	
Optional: Recommendation to 2.6			
<p>1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.</p>	<p>Non-compliant</p>	<p>The Bank has in place nomination and election policy with regards to nomination and review of nominated candidates.</p> <p>The nomination sub-committee of the Governance Committee headed by the Independent Director oversee the nomination process</p>	<p>The Bank has in place nomination and election policy that include how it accepts nomination and reviews nominated candidates.</p> <p>The nomination sub-committee of the Governance Committee headed by the Independent Director oversee the nomination process</p>
Recommendation 2.7			

<p>1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.</p>	<p>Compliant</p>	<p>Bank's Related Party Transaction policy provides:</p> <ul style="list-style-type: none"> ▪ PBCOM has business relationships with certain related parties. Transactions with such parties should be made in the ordinary course of business and on substantially the same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions must not involve more than the normal risk of collectability or present other unfavorable conditions. ▪ Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. ▪ It is the policy of the Bank that Related Party Transactions (RPT) between the Bank and Related Parties are identified and subjected to review and approval to ensure that they are at arm's length, the terms are fair and they will inure to the best interest of the Bank and its depositors, creditors, fiduciary client, and other stakeholders. ▪ RPTs shall be disclosed, reviewed and approved in accordance with this policy consistent with the principles of transparency and fairness and in accordance with applicable law, rules and regulations. The policy requires that any transaction with related parties is made on terms equivalent to those that prevail in an arm's length transaction. ▪ The Bank and its subsidiaries or affiliates shall enter into any RPT solely in the ordinary course of business and on ordinary commercial terms subject to appropriate corporate approvals and actions of the Bank. In addition, the Bank shall exercise appropriate oversight and implement control systems for managing potential exposures brought about by RPTs as these may lead to abuses that are disadvantageous to the Bank and its depositors, creditors and other stakeholders. 					
<p>2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.</p>	<p>Compliant</p>						
<p>3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.</p>	<p>Compliant</p>	<p>Approval Process:</p> <ul style="list-style-type: none"> ▪ RPTCom shall review/vet all transactions that fall under materiality threshold prior approval of the Board of Directors. ▪ The Board delegates the approval of RPT that fall under the adjusted materiality threshold/below materiality threshold to the RPTCom, subject to the confirmation of the Board. ▪ And those below the adjusted materiality threshold to the TrustCom (trust related transactions only)/Excom, subject to confirmation of the RPTCom and notation of the Board. ▪ All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings <table border="1" data-bbox="726 1333 1623 1432"> <tr> <td data-bbox="726 1333 932 1432"></td> <td data-bbox="932 1333 1182 1432"> <p>Below Material Threshold</p> </td> <td data-bbox="1182 1333 1396 1432"> <p>Adjusted Material Threshold</p> </td> <td data-bbox="1396 1333 1623 1432"> <p>Material Threshold</p> </td> </tr> </table>		<p>Below Material Threshold</p>	<p>Adjusted Material Threshold</p>	<p>Material Threshold</p>	
	<p>Below Material Threshold</p>	<p>Adjusted Material Threshold</p>	<p>Material Threshold</p>				

Endorsed by:	Group/ Segment Head	Group/ Segment Head	TrustCom*/ Excom*
Vetted by:		TrustCom*/ ExCom*	RPTCom
Approved by:	TrustCom*/ ExCom**	RPTCom	Board
Confirmed by:	RPTCom	Board	Stockholders***
Noted by:	Board		

*trust-related transactions only

**all other transactions

***majority vote of the stockholders in the annual stockholders' meeting

DOSRI loans and other credit accommodations regardless of amount, are still subject for approval by the Board of Directors.

Approval of contracts/agreements should be prior the execution.

For credit related exposure, credit proposal/establishment of credit lines as well as renewal of credit lines are subject to approval by the ExCom/RPTCom/Board depending on the total amount of credit lines/credit proposals and above approval authority.

Additional transactions/agreements concerning deposits such as but not limited to deposit pick-up, payroll agreement, CICS deployment check cutting, MC printing, will be approved by the Branch Banking/Transaction Banking based on existing approval authority/limits. Such will be summarized for notation of the RPTCom.

Deposit Substitutes transactions such as Promissory Notes (PN) and Repurchase Agreements (REPO) with special rates beyond 4% of the board rate shall be reviewed/vetted/approved based on above approval and materiality threshold.

Transactions with rate deviation up to 4% above the board rate will be approved based on line approving authority. Such will be summarized for notation of the RPTCom.

Approving Authority	Limit
Area Head	Leeway of 1% above the Board
Branch Banking Segment Head	Cap of 2% above the Board Rate

Treasury Head	> 2% to 3%
President	>3% to 4%

Renewal and material changes in the terms and condition of the RPT shall also be approved based on approval authority.

Additional transactions/agreements concerning deposits such as but not limited deposit pick-up, payroll agreement, CICS deployment check cutting, MC printing will be approved by the Branch Banking/Transaction Banking based on existing approval authority/limits. Such will be summarized for notation of the RPTCom.

Director/s with personal interest in the transaction shall abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for purposes of determining approval.

Review/Vetting/Approval can also be done via routing.

Source: Bank's Corporate Governance Manual (CGM) and Related Party Transactions Policy

Link: <https://www.pbcom.com.ph/about-us/manual-corporate-governance>

Supplement to Recommendations 2.7

1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered *de minimis* or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.

Compliant

Bank's Related Party Transaction policy provides:
Materiality Threshold:
 Ten percent (10%) of the Bank's total assets based on latest audited financial statement. Total asset pertains to total consolidated assets.

Adjusted Materiality Threshold:

		<table border="1" data-bbox="730 115 1604 557"> <thead> <tr> <th data-bbox="730 115 989 152">Transactions</th> <th data-bbox="989 115 1289 152">Threshold</th> </tr> </thead> <tbody> <tr> <td data-bbox="730 152 989 367">Credit Exposures/ Accommodations/Borrowings</td> <td data-bbox="989 152 1289 367"> Corporate Loan – Secured Corporate Loan – Clean Consumer: Home Loan Auto/Personal Loan </td> </tr> <tr> <td data-bbox="730 367 989 410">Investments</td> <td data-bbox="989 367 1289 410">PHP 240M</td> </tr> <tr> <td data-bbox="730 410 989 488">Others/ Non-Credit Exposures</td> <td data-bbox="989 410 1289 488">PHP 30M</td> </tr> <tr> <td data-bbox="730 488 989 557">Trust</td> <td data-bbox="989 488 1289 557">Follow the same materiality threshold as with the Bank Proper</td> </tr> </tbody> </table> <p data-bbox="695 565 1640 719">Material threshold of 10% of the total assets is required under SEC Memo Circular no. 10 series of 2019 - Rules on Material RPT for PLCs. The 10% considers the magnitude and impact of these transactions to the financial positions of the Bank and to the interest of the stockholders. It is likewise acknowledged by World Bank as an acceptable threshold in determining materiality for RPTs based on international best practices.</p> <p data-bbox="695 756 1640 846">While, the Adjusted Materiality Threshold is determined and approved by the Board, considering the risk for RPT transaction to cause damage to the Bank and its stockholder.</p> <p data-bbox="695 886 1434 946">Refer to recommendation 2.7 no. 3 for the approval process <i>Source: Bank's Corporate Governance Manual (CGM) and RPT Policy</i></p>	Transactions	Threshold	Credit Exposures/ Accommodations/Borrowings	Corporate Loan – Secured Corporate Loan – Clean Consumer: Home Loan Auto/Personal Loan	Investments	PHP 240M	Others/ Non-Credit Exposures	PHP 30M	Trust	Follow the same materiality threshold as with the Bank Proper	
Transactions	Threshold												
Credit Exposures/ Accommodations/Borrowings	Corporate Loan – Secured Corporate Loan – Clean Consumer: Home Loan Auto/Personal Loan												
Investments	PHP 240M												
Others/ Non-Credit Exposures	PHP 30M												
Trust	Follow the same materiality threshold as with the Bank Proper												
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	Compliant	<p data-bbox="695 984 1640 1073">Individual material RPTs shall be approved by at least two-thirds (2/3) vote of the board of directors, with at least a majority of the independent directors voting to approve the material RPT.</p> <p data-bbox="695 1114 1640 1203">In case that a majority of the of the Independent Directors' is not secured, the material RPT may be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock.</p> <p data-bbox="695 1243 1640 1365">For aggregate RPT transactions within a twelve (12) - month period that breaches the materiality threshold of ten percent (10%) of the Bank's total assets, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.</p>											

	<p>The Board shall approve all material RPTs, those that cross the materiality threshold, and write off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting.</p> <p>Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the board of directors.</p> <p><i>Source: Bank's Corporate Governance Manual (CGM) and Related Party Transactions Policy</i> <i>Link: https://www.pbc.com.ph/about-us/manual-corporate-governance</i></p>	
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Recommendation 2.8

<p>1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>Compliant</p>	<p>Governance Committee charter provides that the Nomination Committee (sub-committee of the Governance Committee) shall have oversight functions in the selection, nomination and appointment of members of senior management.</p> <p>Governance Committee has the following sub-committees:</p> <ul style="list-style-type: none"> • Nomination Sub-committee • Compensation and Remuneration Sub-Committee • Performance Evaluation Sub-Committee <p>One of the Duties and Responsibilities of the Governance Committee is to oversee the nomination of officers and managers. In addition, the Board is responsible for approving the selection of the CEO and key members of senior management and control functions and oversee their performance.</p> <p><i>Source: Bank's Corporate Governance Manual (CGM) Section 05.02</i> <i>Link: https://www.pbc.com.ph/about-us/manual-corporate-governance</i></p> <p>Members of the Senior Management Team as of 31 December 2022 are as follows:</p> <table border="1" data-bbox="699 1089 1650 1425"> <tr> <td>President & CEO</td> <td>Patricia May T. Siy</td> </tr> <tr> <td>EVP & Chief Operations Officer</td> <td>John Howard D Medina</td> </tr> <tr> <td>EVP & Corporate & Commercial Banking Group Head</td> <td>Victor O. Martinez</td> </tr> <tr> <td>EVP & Treasurer</td> <td>Alan E. Atienza</td> </tr> <tr> <td>SVP & Controller</td> <td>Arlene M. Datu</td> </tr> <tr> <td>SVP & Transaction Banking Group Head</td> <td>Expedito G. Garcia</td> </tr> <tr> <td>SVP & Branch Banking Group Head</td> <td>Erico C. Indita</td> </tr> <tr> <td>SVP & General Services Group Head</td> <td>Jane Lim-Laragan</td> </tr> <tr> <td>SVP & Chief Audit Executive</td> <td>Jeruel N. Lobien</td> </tr> </table>	President & CEO	Patricia May T. Siy	EVP & Chief Operations Officer	John Howard D Medina	EVP & Corporate & Commercial Banking Group Head	Victor O. Martinez	EVP & Treasurer	Alan E. Atienza	SVP & Controller	Arlene M. Datu	SVP & Transaction Banking Group Head	Expedito G. Garcia	SVP & Branch Banking Group Head	Erico C. Indita	SVP & General Services Group Head	Jane Lim-Laragan	SVP & Chief Audit Executive	Jeruel N. Lobien	
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		SVP & Human Resources Head	Mina F. Martinez	
		FVP & Chief Information Officer	Vacant	
		FVP & Chief Risk Officer	Lorelei Paula B. Arjonillo	
		FVP & Trust Officer	Dreda Teresa D. Mendoza	
		FVP and Legal Services Group Head	Jo-Anne R. Legaspi	
		VP & Chief Compliance Officer	Angelita U. Egalin	
2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Compliant	<p>One of the general responsibilities of the Board of Directors is to approve the selection of the CEO and key members of senior management and control functions and oversee their performance.</p> <p>The Bank implements a holistic performance management system to its employees including the heads of its governance groups, namely: Chief Risk Officer whose performance is assessed by the Risk Oversight Committee, Chief Compliance Officer, by the Corporate Governance Committee, and Chief Audit Executive, by the Audit Committee. Assessment is being done on an annual basis. Refer to annex C of the Corporate Governance Manual</p> <p><i>Source: Bank's Corporate Governance Manual (CGM) Section 05.02</i> <i>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</i></p>		
Recommendation 2.9				
1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	Compliant	<p>Performance Assessment Program</p> <p>The Bank recognizes the need to link overall business goals to team and individual contributions to ensure optimal productivity; thus it implements a performance management system to cascade deliverables, quantify output and address performance gaps.</p>		
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.	Compliant	<p><i>Source: Performance Management Policy</i></p>		
Recommendation 2.10				
1. Board oversees that an appropriate internal control system is in place.	Compliant	<p>Purpose/objectives with regard to internal control as follows:</p> <p>This Charter sets forth the authority and responsibilities of the Audit Committee of the Board of Directors</p>		
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of	Compliant	<p>A. The Committee assists the board in fulfilling its oversight responsibilities with respect to internal controls including financial reporting control and</p>		

<p>the Management, members and shareholders.</p>		<p>information technology security, accounting policies, and auditing and financial reporting practices</p> <p>Source: <i>Audit Committee Charter</i> Link: https://www.pbcom.com.ph/about-us/board-committees</p> <p>The Bank also has a policy on Related Party Transactions that monitors and manages potential conflicts of interest. Please see related provision below:</p> <p>A Director and Officer shall disclose whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Bank in order to identify, manage and prevent potential or actual conflicts of interest that may arise.</p> <p>They shall abstain from the discussion, approval and management of such transaction or matter affecting the Bank. In case they refuse to abstain, their attendance shall not be counted for purposes of assessing the quorum and their votes shall not be counted for purposes of determining majority approval.</p> <p>Source <i>Bank's Corporate Governance Manual – Annex D: Related Party Transactions Policy</i> Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</p>	
<p>3. Board approves the Internal Audit Charter.</p>	<p>Compliant</p>	<p>The Internal Audit Charter is included in the Audit Policies and Procedures Manual (APPM) which is reviewed annually and approved by the Board through the Audit Committee. The result of annual review of the Internal Audit Charter was presented to the Audit Committee during its January 2023 meeting.</p> <p>Source: <i>Audit Committee Charter</i> Link: https://www.pbcom.com.ph/about-us/board-committees</p>	
Recommendation 2.11			
<p>1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.</p>	<p>Compliant</p>	<p>The Board of Directors, directly or through Board Committees, ensures alignment of business decisions with the Bank's strategies and its risk appetite. It approves key risk policies, limits, strategies, and the Bank's risk appetite. It is responsible for establishing and maintaining a sound risk management system and is ultimately accountable for risks taken within the bank. In line with good corporate governance, the Board's responsibilities in the enterprise risk management environment include:</p>	
<p>2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures,</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • <u><i>Policy structure and Enterprise Risk Management Framework</i></u>. The Board shall approve and periodically review the overall institutional tolerance for risk as well as the business strategies, policies and risk philosophy of the bank. The Board shall set 	

<p>as well as the effectiveness of risk management strategies.</p>		<p>up an enterprise risk management framework that specifies responsibilities and institutes controls to comply with policies.</p> <ul style="list-style-type: none"> • <u>Setting limits.</u> The Board shall set a limit structure that reflects its maximum tolerance for all material risks including new and emerging risks, as well as hard to quantify risks on a group-wide and entity specific levels. • <u>Risk exposure measurement.</u> The Board shall ensure that risk exposures are quantified as well as possible, with appropriate controls. • <u>Enterprise risk management decision-making.</u> The Board shall ensure that thoughtful, well-informed, and coordinated risk management decisions are taken in a timely manner. • <u>Implementing risk philosophy and control culture.</u> The Board shall take the lead in disseminating PBCOM's risk philosophy and control culture throughout the organization. This involves making all employees aware of their role in both the risk and internal control process, recognizing the need to act responsibly and report problems in operations, policy violations, illegal actions and non-compliance with regulations and the Code of Ethics. The Board shall ensure that management is fully capable of managing the activities of the Bank and is made responsible for implementing the strategies approved by the Board, maintaining an organization structure that clearly delineates responsibility, authority and reporting relationships of each unit. • <u>Risk management oversight.</u> The Board must oversee the enterprise risk management process to ensure that policies are followed, limits are observed and controls are in place. <p><i>Source: Refer also to write up on Risk Management framework of SEC 17-A</i> <i>Link:</i> https://edge.pse.com.ph/openDiscViewer.do?edge_no=a8814a3025976d7f9e4dc6f6c9b65995</p>	
Recommendation 2.12			
<p>1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.</p>	<p>Compliant</p>	<p>The roles, responsibilities and accountabilities of the Board, Board of Directors/Board Committees are documented in the Bank's Governance Manual.</p> <p>General Responsibility of the Board as provided in the Bank's Governance Manual as follows:</p>	
<p>2. Board Charter serves as a guide to the directors in the performance of their functions.</p>	<p>Compliant</p>	<p>1. The position of the bank director is a position of trust. The Director assumes certain responsibilities to different constituencies or stakeholders, i.e., the Bank itself, its stockholders, its depositors and other creditors, its management and employees, and the public at large. These constituencies or stakeholders have the right to expect that the Bank is being run in a prudent and sound manner.</p>	
<p>3. Board Charter is publicly available and posted on the company's website.</p>	<p>Compliant</p>		

		<ol style="list-style-type: none"> 2. The Board of Directors is primarily responsible for defining the Bank’s vision and mission. 3. The Board of Directors has the fiduciary roles, responsibilities and accountabilities as provided under the law, the Bank’s articles and by-laws, and other legal pronouncements and guidelines to the Bank, all its shareholders including minority shareholders and other stakeholders. 4. It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework. 5. The board of directors shall approve the selection of the CEO and key members of senior management and control functions and oversee their performance. 6. The Board also recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the bank to grow its business, while contributing to the advancement of the society where it operates. <p>The specific duties and responsibilities as follows:</p> <ol style="list-style-type: none"> 1. The Board of Directors shall define the Bank’s corporate culture and values. 2. The Board of Directors shall be responsible for approving Bank’s objectives and strategies and in overseeing management’s implementation thereof. 3. The Board of Directors shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel. 4. The Board of Directors shall be responsible for approving and overseeing implementation of the Bank’s corporate governance framework. 5. The Board of Directors shall be responsible for approving Bank’s risk governance framework and overseeing management’s implementation thereof. 6. The board of directors may delegate some of its functions, but not its responsibilities, to board-level committees. <p><i>Source: Bank’s Corporate Governance Manual (CGM) – 05.02</i> <i>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</i></p>	
Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.	Compliant	<p>Employees of PBCOM may not trade in stocks or other securities of the Bank based on inside information. Inside information may include information that relates to clients of the Bank.</p> <p><i>Source: Bank’s Insider Trading Policy</i> <i>Link: https://www.pbcom.com.ph/about-us/company-policies</i></p>	

Optional: Principle 2

<p>1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.</p>	<p>Compliant</p>	<p>With respect to Loans & Other Credit Accommodations to Directors, Officers, Stockholders and Related Interest (DOSRI), the regulations in Section 341 to 348 of the MORB & Bank's Credit Policy no. 25 shall be strictly observed.</p> <p>DOSRI transactions, regardless of amount, are subject for approval by the Board of Directors.</p> <p><i>Source: Bank's Credit Policy on DOSRI</i> <i>Link: https://www.pbcom.com.ph/about-us/company-policies</i></p>	
<p>2. Company discloses the types of decision requiring board of directors' approval.</p>	<p>Compliant</p>	<p>The Board approves among others the following:</p> <ul style="list-style-type: none"> • Bank's strategic objectives and plans • Code of Conduct and Ethics • Policies governing major areas of the Bank's operations. • Appointment of Chief Executive Officer (CEO) and other key personnel, including members of senior management and heads of control functions (Chief Risk Officer, Chief Compliance Officer, Chief Audit Executive) • Bank's corporate governance framework • Overarching policy on the handling of RPTs • Material RPTs/DOSRI • Bank's risk governance framework • Board Committee (Governance, Risk Oversight, Audit, RPT) charters <p><i>Source: Specific duties and responsibilities of the Board/ Bank's Corporate Governance Manual (CGM) – 05.02</i> <i>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</i></p>	

ESTABLISHING BOARD COMMITTEES

Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.

Recommendation 3.1

<p>1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.</p>	<p>Compliant</p>	<p>The Board constitutes the following committees to ensure efficiency and allow deeper focus on specific area</p> <ol style="list-style-type: none"> 1. Audit Committee 2. Risk Oversight Committee 3. Governance Committee 4. Related Party Transaction Committee <p><i>Link: https://www.pbcom.com.ph/about-us/board-committees</i></p>	
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Recommendation 3.2

<p>1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.</p>	<p>Compliant</p>	<p>The Bank has an Audit Committee. Duties and responsibilities are:</p> <ul style="list-style-type: none"> • Oversees the financial reporting framework. • Monitors and evaluates the adequacy and effectiveness of the internal control system. • Oversees the internal audit function. • Oversees the external audit function. • Oversees the implementation of corrective actions. • Investigates significant issues/concerns raised. • Establishes whistleblowing mechanism. • Performs oversight functions over the Bank's Internal and External Auditors. • Coordinates, monitors and facilitates compliance with laws, rules and regulations. <p>Oversight of the external audit function includes the responsibility for the appointment, fees, and replacement of external auditor. The Audit Committee shall review and approve the engagement contract and ensure that the scope of audit likewise cover areas specifically prescribed by the BSP and other regulators.</p> <p>Source: <i>Audit Committee Charter</i> Link: https://www.pbcom.com.ph/about-us/board-committees</p>									
<p>2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.</p>	<p>Compliant</p>	<p>As of December 31, 2022, the Audit Committee is composed of three (3) non-executive directors all of whom, including the Chairman, are independent.</p> <p>Members of the Audit Committee as follows:</p> <table border="1" data-bbox="701 873 1293 1010"> <tr> <td>Emmanuel Y. Mendoza</td> <td>Chairman & ID</td> </tr> <tr> <td>Gilda E. Pico</td> <td>Independent Director</td> </tr> <tr> <td>Teresita J. Herbosa*</td> <td>Independent Director</td> </tr> <tr> <td>Jaime J. Bautista**</td> <td>Director</td> </tr> </table> <p>*<i>Joined the Audit Committee in November 2022.</i> **<i>Member of the Audit Committee until June 2022.</i></p> <p>Refer to recommendation 1.1 for the qualifications Link: https://www.pbcom.com.ph/about-us/our-team</p>	Emmanuel Y. Mendoza	Chairman & ID	Gilda E. Pico	Independent Director	Teresita J. Herbosa*	Independent Director	Jaime J. Bautista**	Director	
Emmanuel Y. Mendoza	Chairman & ID										
Gilda E. Pico	Independent Director										
Teresita J. Herbosa*	Independent Director										
Jaime J. Bautista**	Director										
<p>3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.</p>	<p>Compliant</p>	<p>Refer to recommendation 1.1 on the background, knowledge, skills, and/or experience of the members of the Audit Committee.</p> <p>Link: https://www.pbcom.com.ph/about-us/our-team</p>									
<p>4. The Chairman of the Audit Committee is not the Chairman</p>	<p>Compliant</p>	<p>Independent Director Emmanuel Y. Mendoza is not the Chairman of the Board and not a Chairman of any other Board Committee.</p>									

of the Board or of any other committee.		Refer to recommendation 1.1 for information on Director Mendoza. Link: https://www.pbcom.com.ph/about-us/our-team	
Supplement to Recommendation 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor.	Compliant	<p>The Charter of the Audit Committee contains a provision on the recommendation as follows:</p> <p><u>The Committee’s Relationship with the External Auditors</u> The Committee is responsible for the pre-approval of all audit and permitted non-audit services performed by the external auditors, and the Committee will not engage the external auditors to perform the specific non-audit services prescribed by law or regulation. The Committee may delegate authority for the pre-approval of all audit and non-audit services to a member of the Committee. All such approvals will be reported at the next subsequent Committee meeting. As an alternative to pre-approving each non-audit service, the Committee may establish and disclose policies and procedures for pre-approval, provided they are consistent with requirements of applicable laws and regulations. The Committee will review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation’s overall consultancy expenses.</p> <p>Source: <i>Audit Committee Charter</i> Link: https://www.pbcom.com.ph/about-us/board-committees</p>	
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	Compliant	<p>The Audit Committee conducts a planning meeting with the external auditor to discuss key focus areas and other relevant items and a closing meeting to discuss the results of the audit. The Internal Audit schedules the Partner-in-Charge to have a separate session alone with the Audit Committee prior to the closing meeting to discuss the results of the annual audit of the financial statements.</p> <p>An executive session between the Audit Committee and the Bank’s External Auditor (SGV) was conducted on March 30, 2022, via Zoom.</p> <p>Source: <i>Audit Committee Charter</i> Link: https://www.pbcom.com.ph/about-us/board-committees</p>	
Optional: Recommendation 3.2			
1. Audit Committee meet at least four times during the year.	Compliant	The Charter of the Audit Committee contains a provision on the recommendation as follows:	

		<p>The Committee shall meet once a month at the 5th floor Boardroom, PBCOM Tower, Makati City. The meetings of the Committee may also be conducted through modern technologies such as, but not limited to teleconferencing and video conferencing as long as the member who is taking part in said meetings can actively participate in the deliberations on matters taken up therein: Provided, That the attendance and participation of the members shall be considered in the assessment of continuing fitness and propriety of each director as member of the Audit Committee and the Board of Directors. A quorum at any meeting of the Audit Committee shall consist of a majority of its independent and non-executive members.</p> <p>The Audit Committee had 13 meetings in 2022, member attendance as follows:</p> <table border="1" data-bbox="699 472 1293 613"> <tr> <td>Emmanuel Y. Mendoza, Chairman</td> <td>13/13</td> </tr> <tr> <td>Gilda E. Pico</td> <td>13/13</td> </tr> <tr> <td>Teresita J. Herbosa*</td> <td>2/2</td> </tr> <tr> <td>Jaime J. Bautista**</td> <td>7/7</td> </tr> </table> <p><i>*Joined the Audit Committee in November 2022.</i> <i>**Member of the Audit Committee until June 2022.</i></p>	Emmanuel Y. Mendoza, Chairman	13/13	Gilda E. Pico	13/13	Teresita J. Herbosa*	2/2	Jaime J. Bautista**	7/7	
Emmanuel Y. Mendoza, Chairman	13/13										
Gilda E. Pico	13/13										
Teresita J. Herbosa*	2/2										
Jaime J. Bautista**	7/7										
<p>2. Audit Committee approves the appointment and removal of the internal auditor.</p>	<p>Compliant</p>	<p>The Charter of the Audit Committee contains a provision on the recommendation as follows:</p> <p>Duties and Responsibilities - Matters to be reviewed and discussed by the Committee.</p> <p>The Committee shall be responsible for the appointment/selection, remuneration and dismissal of the Chief Audit Executive. It shall review and approve the audit scope and frequency. It shall ensure that the scope covers the review of the effectiveness of internal controls including financial, operational and compliance controls and risk management system. The Committee shall functionally meet with the Chief Audit Executive and such meetings shall be duly minuted and adequately documented. In this regard, the Committee shall review and approve the performance and compensation of the Chief Audit Executive and budget of the internal audit function.</p> <p>Source: <i>Audit Committee Charter</i> Link: https://www.pbcom.com.ph/about-us/board-committees</p>									
Recommendation 3.3											
<p>1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities,</p>	<p>Compliant</p>	<p>The Bank has a Governance Committee:</p> <p>Duties and responsibilities of the GovCom as provided in the Bank’s Governance Manual are:</p>									

<p>including the functions that were formerly assigned to a Nomination and Remuneration Committee.</p>		<ul style="list-style-type: none"> • Oversees the nomination process for members of the board of directors and for positions appointed by the board of directors. • Oversees the continuing education program for the board of directors. • Oversees the performance evaluation process. • Oversees the design and operation of the remuneration and other incentives policy. • Oversees the implementation of the corporate governance framework. • Adopts corporate governance policies <p>The following sub-committees shall fall under the purview of the Governance Committee:</p> <ul style="list-style-type: none"> • Nomination Sub-committee • Compensation and Remuneration Sub-Committee • Performance Evaluation Sub-Committee <p>Source: <i>Source: Bank's Corporate Governance Manual (CGM); Governance Committee Charter – Annex A-2</i></p> <p>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance https://www.pbcom.com.ph/about-us/board-committees</p>											
<p>2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.</p>	<p>Compliant</p>	<p>The Governance Committee is composed of five (5) non-executive directors three of whom, including the Chairman, are independent directors.</p> <p>Members of the Governance Committee as follows:</p> <table border="1" data-bbox="699 870 1602 1040"> <tr> <td>Gilda E. Pico</td> <td>Chairman & ID</td> </tr> <tr> <td>Eric O. Recto</td> <td>Chairman of the Board</td> </tr> <tr> <td>Leonardo B. Dayao</td> <td>Vice Chairman of the Board</td> </tr> <tr> <td>Conrado A. Gloria Jr.</td> <td>Independent Director</td> </tr> <tr> <td>Stephen Anthony T. CuUnjieng</td> <td>Independent Director</td> </tr> </table> <p>Please refer to recommendation 1.1 for the qualifications. Link: https://www.pbcom.com.ph/about-us/our-team</p>	Gilda E. Pico	Chairman & ID	Eric O. Recto	Chairman of the Board	Leonardo B. Dayao	Vice Chairman of the Board	Conrado A. Gloria Jr.	Independent Director	Stephen Anthony T. CuUnjieng	Independent Director	
Gilda E. Pico	Chairman & ID												
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Leonardo B. Dayao	Vice Chairman of the Board												
Conrado A. Gloria Jr.	Independent Director												
Stephen Anthony T. CuUnjieng	Independent Director												
<p>3. Chairman of the Corporate Governance Committee is an independent director.</p>	<p>Compliant</p>	<p>Refer to recommendation 1.1 on information regarding Gilda E. Pico, Chairman of the GovCom. Link: https://www.pbcom.com.ph/about-us/our-team</p>											
<p>Optional: Recommendation 3.3</p>													

<p>1. Corporate Governance Committee meet at least twice during the year.</p>	<p>Compliant</p>	<p>The Governance Committee Charter provides: The Committee shall meet once a quarter or whenever necessary to discuss, agree and prepare consolidated reports on recommendations from its sub-committees. It shall prepare/distribute minutes and make other regular reports to the Board.</p> <p>The Governance Committee had meetings in 2022, members' attendance as follows:</p> <table border="1" data-bbox="699 310 1535 513"> <tr> <td>Gilda E. Pico</td> <td>12/12</td> </tr> <tr> <td>Eric O. Recto</td> <td>8/12</td> </tr> <tr> <td>Leonardo B. Dayao</td> <td>11/12</td> </tr> <tr> <td>Conrado A. Gloria Jr.</td> <td>12/12</td> </tr> <tr> <td>Stephen Anthony T. CuUnjieng*</td> <td>5/5</td> </tr> <tr> <td>Bienvenido E. Laguesma**</td> <td>5/5</td> </tr> </table> <p>*joined the Committee in July 2022 **resigned effective June 2022</p> <p>Source: Source: Bank's Corporate Governance Manual (CGM); Governance Committee Charter – Annex A-2</p> <p>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance https://www.pbcom.com.ph/about-us/board-committees</p>	Gilda E. Pico	12/12	Eric O. Recto	8/12	Leonardo B. Dayao	11/12	Conrado A. Gloria Jr.	12/12	Stephen Anthony T. CuUnjieng*	5/5	Bienvenido E. Laguesma**	5/5	
Gilda E. Pico	12/12														
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Conrado A. Gloria Jr.	12/12														
Stephen Anthony T. CuUnjieng*	5/5														
Bienvenido E. Laguesma**	5/5														

Recommendation 3.4

<p>1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.</p>	<p>Compliant</p>	<p>The Bank has a Risk Oversight Committee.</p> <p>The Risk Oversight Committee has been established by the Board of Directors to assist it in the effective discharge of its function in overseeing the risk management framework of the Bank, its subsidiaries and its trust unit. The ROC shall advise the board of directors on the Bank's overall current and future risk appetite, oversee senior management's adherence to the risk appetite statement, and report on the state of risk culture of the Bank.</p> <p>An effective risk management program is critical component for the safe and sound operation of the Bank. It is a key element in achieving PBCOM's goal and objectives, optimizing growth and capital while minimizing losses to the Bank.</p> <p>The core duties and responsibilities of the ROC are as follows:</p> <ul style="list-style-type: none"> • Oversees the risk management framework. • Oversees adherence to risk appetite. • Oversees the risk management function. 	
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		<p>Source: Source: Bank's Corporate Governance Manual (CGM); Risk Oversight Committee Charter – Annex A-3</p> <p>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance https://www.pbcom.com.ph/about-us/board-committees</p>											
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Compliant	<p>The Risk Oversight Committee is composed of five (5) members of the Board three (3) of which, including the Chairman, are independent directors.</p> <table border="1"> <tr> <td>Conrado A. Gloria, Jr.</td> <td>Chairman & ID</td> </tr> <tr> <td>Patricia May T. Siy</td> <td>President & CEO</td> </tr> <tr> <td>Levi B. Labra</td> <td>Director</td> </tr> <tr> <td>Teresita J. Herbosa*</td> <td>Independent Director</td> </tr> <tr> <td>Robert Y. Cokeng+</td> <td>Independent Director</td> </tr> </table> <p><i>*addition of Atty. Teresita J. Herbosa effective November 2, 2022 + untimely demise on December 26, 2022</i></p>	Conrado A. Gloria, Jr.	Chairman & ID	Patricia May T. Siy	President & CEO	Levi B. Labra	Director	Teresita J. Herbosa*	Independent Director	Robert Y. Cokeng+	Independent Director	
Conrado A. Gloria, Jr.	Chairman & ID												
Patricia May T. Siy	President & CEO												
Levi B. Labra	Director												
Teresita J. Herbosa*	Independent Director												
Robert Y. Cokeng+	Independent Director												
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Compliant	<p>Please refer to recommendation 1.1 on information regarding Conrado A. Gloria Jr., Chairman of the Risk Oversight Committee.</p> <p>Link: https://www.pbcom.com.ph/about-us/our-team</p>											
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Compliant	<p>Please refer to recommendation 1.1 on the background, skills, &/or experience of the members of the Risk Oversight Committee members.</p> <p>Link: https://www.pbcom.com.ph/about-us/our-team</p>											
Recommendation 3.5													
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	Compliant	<p>The Bank has a Related Party Transactions Committee composed of four (4) members of the Board three (3) of which, including the Chairman, are independent directors.</p> <p>The RPT Committee shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, in compliance with applicable laws and regulations, conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged to protect the interest of depositors, creditors, fiduciary client and other Stakeholders.</p> <p>Duties and responsibilities of the RPTCom are as follows:</p> <ul style="list-style-type: none"> • Evaluates on an ongoing basis existing relations between and among businesses and counterparties. • Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms. 											

		<ul style="list-style-type: none"> • Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the bank’s RPT exposures, and policies on conflicts of interest or potential conflicts of interest. • Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties • Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process • Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures. <p>Source: Bank’s Corporate Governance Manual (CGM) Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</p>											
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	Compliant	<p>The Bank has a Related Party Transactions Committee composed of four (4) members of the Board three (3) of which, including the Chairman, are independent directors.</p> <table border="1"> <tr> <td>Robert Y. Cokeng *</td> <td>Chairman & ID</td> </tr> <tr> <td>Conrado A. Gloria Jr.</td> <td>Independent Director</td> </tr> <tr> <td>Gilda E. Pico</td> <td>Independent Director</td> </tr> <tr> <td>Levi B. Labra</td> <td>Director</td> </tr> <tr> <td>Stephen Anthony T. CuUnjieng**</td> <td>Independent Director</td> </tr> </table> <p><i>*untimely demise- December 2022</i> <i>**elected as ID effective July 1, 2022</i></p> <p>Please refer to recommendation 1.1 for the qualifications. Link: https://www.pbcom.com.ph/about-us/our-team</p>	Robert Y. Cokeng *	Chairman & ID	Conrado A. Gloria Jr.	Independent Director	Gilda E. Pico	Independent Director	Levi B. Labra	Director	Stephen Anthony T. CuUnjieng**	Independent Director	
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Levi B. Labra	Director												
Stephen Anthony T. CuUnjieng**	Independent Director												
Recommendation 3.6													
1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	Compliant	<p>Please refer to Committee Charters & Performance Evaluation of Board Committees.</p> <p>Link: https://www.pbcom.com.ph/about-us/board-committees</p>											
2. Committee Charters provide standards for evaluating the performance of the Committees.	Compliant												

3. Committee Charters were fully disclosed on the company's website.	Compliant	Link: https://www.pbcom.com.ph/about-us/board-committees	
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FOSTERING COMMITMENT

Principle 4:

To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

Recommendation 4.1

1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.	Compliant	<p>Bank's Governance Manual provides that: Regular meeting of the Board of Directors shall be held in the Philippines at least once a month on such date and at such hour as may be fixed by the Board.</p> <p>Special meeting of the Board shall likewise be held in the Philippines and may be called by the Chairman motu proprio or at written request of any four (4) members of the Board. Notice of such special meeting shall be sent by the Secretary to the Directors.</p> <p>a) Full board of directors' meetings The meetings of the board of directors may be conducted through modern technologies such as, but not limited to, teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein.</p> <p>Every member of the board of directors shall participate in at least fifty percent (50%) and shall physically attend at least twenty-five percent (25) of all meetings of the board of directors every year.</p> <p>The absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election.</p> <p>The twenty-five percent (25%) physical attendance requirement, as above-mentioned, is lifted during periods of national emergencies, public health emergencies, and major disasters, among others, that affect mobility, activity, and access to the banks</p> <p>b) Board-level committee meetings Board-level committees shall meet as prescribed in their respective charters. Participation of committee members may likewise be in person or through modern technologies: Provided, That the attendance and participation of members in committee meetings shall be considered in the assessment of continuing fitness and</p>	
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		<p>propriety of each director as member of board-level committees and the board of director</p> <p>All meetings of the Stockholders shall be held at the head office of the Bank or such other place within Metro Manila as may be determined by the Board of Directors.</p> <p>The annual meeting of the Stockholders shall be held on the 3rd Tuesday of June in each calendar year, at 4:00pm, if not a legal holiday, but if a legal holiday, it shall be held on the next business day immediately following.</p> <p>Director with material interest in any transactions affecting the bank should abstain from taking part in the deliberation for the same.</p> <p><i>Source: Bank's Corporate Governance Manual (CGM)</i> Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</p>	
2. The directors review meeting materials for all Board and Committee meetings.	Compliant	<p>The board materials are provided to Board members at least three days in advance so that they can review these before the meeting.</p> <p>The Board Committee members require that meeting materials be received by them two days in advance so that they can review these before the meeting.</p>	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant	<p>The Board members attend meetings and actively discuss all materials/reports.</p> <p>The Corporate Secretary and respective committee secretary can attest on the clarifications / questions raised which were documented in the minutes of the meeting.</p>	
Recommendation 4.2			
1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.	Compliant	<p>Bank's Governance Manual provides below policy on Multiple Board Seats provides:</p> <ul style="list-style-type: none"> • There need not be a limit to the number of directorships a director may have in other companies as long as he is able to attend to his obligations and as long as the company/ies he is a director in is/are not direct competitor. Further, the director must be able to attend at least 50% of the board and/or board level committee meetings in a year. • Each director should disclose at the time of his appointment, and on an annual basis, the number and nature of offices held in public companies or organizations and other significant commitments, with the identity of the public companies or organizations and an indication of the time involved. • Further, he/she should notify the Board where he/she • is an incumbent director before accepting a directorship in another company. 	

		<p>Directorship in Other Reporting Companies</p> <p>Mr. Eric O. Recto is also a Director of Atok-Big Wedge Co. Inc. and Aboitiz Power Corporation</p> <p>Mr. Leonardo B. Dayao is also a Director of Puregold Price Club, Inc. and Cosco Capital, Inc.</p> <p>Mr. Lucio L. Co is also a Director of Puregold Price Club, Inc., Cosco Capital, Inc., and The Keepers Holdings, Inc. (formerly Da Vinci Capital Holdings, Inc).</p> <p>Ms. Susan P. Co is also a Director of Puregold Price Club, Inc. and Cosco Capital, Inc.</p> <p>Mr. Levi B. Labra is also a Director of Cosco Capital, Inc.</p> <p>Mr. Gregorio T. Yu is also a Director of Vantage Equities, Inc.</p> <p>Mr. Jack Ekian T. Huang is also a Director of Puregold Price Club, Inc.</p> <p>Mr. Stephen Anthony T. CuUnjieng is also a Director of First Philippine Holdings Corporation, Century Properties Group and Phoenix Petroleum Philippines, Inc.</p> <p>Shares of Atok-Big Wedge Co., Inc. (AB), Aboitiz Power Corporation (AP), Puregold Price Club, Inc. (PGOLD), Cosco Capital, Inc. (COSCO), Keepers Holdings, Inc. (KEEPR) (formerly Da Vinci Capital Holdings, Inc.), Vantage Equities, Inc. (V), First Philippine Holdings Corporation (FPH), Century Properties Group (CPG) and Phoenix Petroleum Philippines, Inc. (PNX) are all listed in the Philippine Stock Exchange, Inc.</p>	
Recommendation 4.3			
1. The directors notify the company's board before accepting a directorship in another company.	Compliant	Refer to Recommendation 4.2	
Recommendation 4.4			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	Compliant	Patricia May T. Siy, Executive Director, does not serve as director in other listed companies.	
2. Company schedules board of directors' meetings before the start of the financial year.	Compliant	The schedules for 2022 Board and Executive Committee meetings were approved by the Board of Directors in its December 15, 2021 meeting.	

3. Board of directors meet at least six times during the year.	Compliant	<p>The Board met 15 times in 2022.</p> <table border="1" data-bbox="699 180 1545 786"> <tr><td>Eric O. Recto, Chairman</td><td>14/15</td></tr> <tr><td>Leonardo B. Dayao, Vice Chairman</td><td>15/15</td></tr> <tr><td>Lucio L. Co, Director & ExCom Chairman</td><td>15/15</td></tr> <tr><td>Patricia May T. Siy, President & CEO</td><td>15/15</td></tr> <tr><td>Jaime J. Bautista, Director (up to 6-29-22)</td><td>9/9</td></tr> <tr><td>Bunsit Carlos G. Chung, Director</td><td>15/15</td></tr> <tr><td>Susan P. Co, Director</td><td>13/15</td></tr> <tr><td>Jack Ekian T. Huang, Director</td><td>15/15</td></tr> <tr><td>Levi B. Labra, Director</td><td>12/15</td></tr> <tr><td>Gregorio T. Yu, Director</td><td>14/15</td></tr> <tr><td>Robert Y. Cokeng, Independent Director (up to 12/26/22)</td><td>15/15</td></tr> <tr><td>Conrado A. Gloria, Jr., Independent Director</td><td>15/15</td></tr> <tr><td>Bienvenido E. Laguesma, Independent Director (up to 6-14-2022)</td><td>8/8</td></tr> <tr><td>Emmanuel Y. Mendoza</td><td>14/15</td></tr> <tr><td>Gilda E. Pico, Independent Director</td><td>14/15</td></tr> <tr><td>Stephen Anthony T. CuUnjieng (effective 7-1-2022)</td><td>5/6</td></tr> <tr><td>Teresita J. Herbosa (effective 11-2-22)</td><td>2/2</td></tr> </table>	Eric O. Recto, Chairman	14/15	Leonardo B. Dayao, Vice Chairman	15/15	Lucio L. Co, Director & ExCom Chairman	15/15	Patricia May T. Siy, President & CEO	15/15	Jaime J. Bautista, Director (up to 6-29-22)	9/9	Bunsit Carlos G. Chung, Director	15/15	Susan P. Co, Director	13/15	Jack Ekian T. Huang, Director	15/15	Levi B. Labra, Director	12/15	Gregorio T. Yu, Director	14/15	Robert Y. Cokeng, Independent Director (up to 12/26/22)	15/15	Conrado A. Gloria, Jr., Independent Director	15/15	Bienvenido E. Laguesma, Independent Director (up to 6-14-2022)	8/8	Emmanuel Y. Mendoza	14/15	Gilda E. Pico, Independent Director	14/15	Stephen Anthony T. CuUnjieng (effective 7-1-2022)	5/6	Teresita J. Herbosa (effective 11-2-22)	2/2	
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4. Company requires as minimum quorum of at least 2/3 for board decisions.	Non-Compliant	<p>The Bank's By-laws on Quorum provides: The majority of the entire membership of the board constitute quorum.</p> <p>Except when law provides otherwise, majority of directors present constituting a quorum to transact business <i>Link: https://www.pbcom.com.ph/about-us/articles-incorporation-and-laws</i></p>	<p>The Bank's By-laws on Quorum provides: The majority of the entire membership of the board constitute quorum.</p> <p>Except when law provides otherwise, majority of directors present constituting a quorum to transact business <i>Link: https://www.pbcom.com.ph/about-us/articles-incorporation-and-laws</i></p>
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REINFORCING BOARD INDEPENDENCE

Principle 5:

The Board should endeavor to exercise an objective and independent judgment on all corporate affairs.

Recommendation 5.1

1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	Compliant	Of the 14 members of the Board, 5 are Independent Directors.																			
Recommendation 5.2																					
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Compliant	Please refer to Recommendation no. 1.1 on the qualifications of independent directors.																			
Supplement to Recommendation 5.2																					
1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	Compliant	There are no voting trust agreements or any other agreements/ arrangements that may result in a change in control of the Company. Source: SEC Form 17-A																			
Recommendation 5.3																					
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	Compliant	<table border="1"> <thead> <tr> <th>Name of Independent Directors</th> <th>Date Elected</th> <th>No. of Years as Independent Director</th> </tr> </thead> <tbody> <tr> <td>Emmanuel Y. Mendoza</td> <td>Dec 19, 2014</td> <td>8 yrs.& 12 days</td> </tr> <tr> <td>Gilda E. Pico</td> <td>Feb 22, 2017</td> <td>5 yrs. & 10 mos.</td> </tr> <tr> <td>Conrado A. Gloria, Jr.</td> <td>June 4, 2019</td> <td>3 yrs. & 7 mos.</td> </tr> <tr> <td>Stephen Anthony T. CuUnjieng</td> <td>July 1, 2022</td> <td>5 months</td> </tr> <tr> <td>Teresita J. Herbosa</td> <td>November 2, 2022</td> <td>2 months</td> </tr> </tbody> </table>	Name of Independent Directors	Date Elected	No. of Years as Independent Director	Emmanuel Y. Mendoza	Dec 19, 2014	8 yrs.& 12 days	Gilda E. Pico	Feb 22, 2017	5 yrs. & 10 mos.	Conrado A. Gloria, Jr.	June 4, 2019	3 yrs. & 7 mos.	Stephen Anthony T. CuUnjieng	July 1, 2022	5 months	Teresita J. Herbosa	November 2, 2022	2 months	
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2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Compliant	<p>Rules on the term limit of independent directors are as follows:</p> <p>a) A Bank's independent director may only serve for a maximum cumulative term of nine (9) years.</p> <p>b) After which, the independent director should be perpetually barred from re-election as such in the same bank, but may continue to qualify for nomination and election as a regular director</p> <p>Source: Bank's Corporate Governance Manual (CGM) Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</p>																			
3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides	Compliant	No Independent directors serving more than 9 years. Refer to Recommendation no. 5.3 item no. 2																			

meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.			
Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Compliant	Mr. Eric O. Recto is the Chairman of the Board while Ms. Patricia May T. Siy is the President & CEO. Mr. Recto and Ms. Siy are not related to each other up to the fourth civil degree either by consanguinity or affinity.	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	<p>Bank's Governance Manual provides the following:</p> <p>Duties and Responsibilities of the Chairman of the Board are:</p> <ul style="list-style-type: none"> • Provides leadership in the board of directors. The chairperson of the board shall ensure effective functioning of the board, including maintaining a relationship of trust with board members. • Ensures that the board takes an informed decision. The chairperson of the board shall ensure a sound decision making process and he should encourage and promote critical discussions and ensure that dissenting views can be expressed and discussed within the decision-making process." • Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations; • Guarantees that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions; • Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging in the skills and expertise of individual directors; • Ensures that the Board sufficiently challenge and inquires on reports submitted and representations made by Management; • Ensures the conduct of proper orientation for first time directors and continuing training opportunities for all directors; and • Ensures conduct of performance evaluations of the board of directors at least once a year. <p>Duties and Responsibilities of the Chief Executive Officer:</p> <p>The CEO shall be the overall-in-charge of the management of the business and affairs of the Bank governed by the strategic direction and risk appetite approved by the board of directors. He shall be primarily accountable to the board of directors in championing the desired conduct and behavior, implementing strategies, and in promoting the long-term interest of the Bank.</p>	

		<p>The CEO has the following roles and responsibilities, among others:</p> <ul style="list-style-type: none"> • Determines the corporation’s strategic direction and formulates and implements its strategic plan on the direction of the business; • Communicates and implements the corporation’s vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same; • Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan; • Has a good working knowledge of the corporation’s industry and market and keeps up-to-date with its core business purpose; • Directs, evaluates and guides the work of the key officers of the corporation; • Manages the corporation’s resources prudently and ensures a proper balance of the same; • Provides the Board with timely information and interfaces between the Board and the employees; • Builds the corporate culture and motivates the employees of the corporation; and • Serves as the link between internal operations and external stakeholders. <p><i>Source: Bank’s Corporate Governance Manual (CGM)</i> <i>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</i></p>	
Recommendation 5.5			
<p>1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.</p>	<p>Compliant</p>	<p>The Board designated the Chairman of the Governance Committee to be the Lead Director.</p> <p>The functions include, among others the following:</p> <ul style="list-style-type: none"> ▪ Serves as an intermediary between the Chairman and other directors when necessary; ▪ Convenes and chairs meeting of the non-executive directors; and • Contributes to the performance evaluation of the Chairman, as required. <p>Eric O. Recto, Chairman of Board is not an Independent Director.</p>	
Recommendation 5.6			
<p>1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.</p>	<p>Compliant</p>	<p>Bank’s RPT Policy on Conflict of Interest provides that: The Board of Directors, Officers & Stockholders shall disclose whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Bank. Directors & Officers with interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the bank.</p> <p>Abstention of the Director (if any) was documented in the minutes of the meeting.</p> <p><i>Source: Bank’s Corporate Governance Manual (CGM) - Annex D</i></p>	

		Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance	
Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	Compliant	The Audit Committee conducts a planning meeting with the external auditor to discuss key focus areas and other relevant items and a closing meeting to discuss the results of the audit. The Internal Audit schedules the Partner-in-Charge to have a separate session alone with the Audit Committee prior to the closing meeting to discuss the results of the annual audit of the financial statements.	
2. The meetings are chaired by the lead independent director.	Compliant	An executive session between the Audit Committee and the Bank's External Auditor (SGV) was conducted on March 30, 2022, via Zoom. Because it was an executive session, the meeting was not recorded. Also, the SGV presented its 2022 Audit Plan to the Audit Committee during its October 18, 2022 meeting.	
Optional: Principle 5			
1. None of the directors is a former CEO of the company in the past 2 years.	Compliant	Patricia May T. Siy is the Bank's President and CEO from June 1, 2015 to Present,	
ASSESSING BOARD PERFORMANCE			
Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.			
Recommendation 6.1			
1. Board conducts an annual self-assessment of its performance as a whole.	Compliant	Refer to Governance Manual – Self-Evaluation, Evaluation of Board Performance and Evaluation of Board Committees. Evaluation is conducted yearly, reviewed by the Governance Committee and presented to the Board. <i>Source: Bank's Corporate Governance Manual (CGM)</i> Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance	
2. The Chairman conducts a self-assessment of his performance.	Compliant		
3. The individual members conduct a self-assessment of their performance.	Compliant		
4. Each committee conducts a self-assessment of its performance.	Compliant		
5. Every three years, the assessments are supported by an external facilitator.	Non-Compliant	The Governance Committee, chaired by Independent Director oversee the performance evaluation of the Board/Board Committees.	The Governance Committee, chaired by Independent Director oversees the performance evaluation of the Board/Board Committees.
Recommendation 6.2			

1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	Compliant	Refer to Governance Manual – Self-Evaluation, Evaluation of Board Performance and Evaluation of Board Committees. Evaluation is conducted yearly, reviewed by the Governance Committee and presented to the Board. <i>Source: Bank’s Corporate Governance Manual (CGM)</i> <i>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</i>	
2. The system allows for a feedback mechanism from the shareholders.	Compliant	The Board approves results of the performance after the review/endorsement by the Governance Committee. Summary of the acts of Management are submitted for ratification of the stockholders during annual stockholders meeting. The shareholders are allowed to ask questions and provide feedback during ASM. Contact details of the IRO is also available in the website.	
STRENGTHENING BOARD ETHICS			
Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			
Recommendation 7.1			
1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	Compliant	The Bank has a Code of Business Ethics and Code of Conduct to instill high level of integrity and professionalism in the conduct and behavior of its people. They also define the core values which must permeate in all business dealings and transactions. <i>Link: https://www.pbcom.com.ph/about-us/code-business-conducts-and-ethics</i>	
2. The Code is properly disseminated to the Board, senior management and employees.	Compliant	The PBCOM Code of Conduct is part of the P-ONE (PBCom On-boarding for New Employee), an orientation seminar for new hires and is posted in the public folder. Excerpts of the Code of Business Ethics and Code of Conduct are posted in website. <i>Link: https://www.pbcom.com.ph/about-us/code-business-conducts-and-ethics</i>	
3. The Code is disclosed and made available to the public through the company website.	Compliant	<i>Link: https://www.pbcom.com.ph/about-us/code-business-conducts-and-ethics</i>	
Supplement to Recommendation 7.1			
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	Compliant	Refer to Bank’s Code of Business Ethics <i>Source: PBCOM Code of Conduct and Business Ethics</i> <i>Link: https://www.pbcom.com.ph/about-us/code-business-conducts-and-ethics</i>	
Recommendation 7.2			

1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Compliant	All employees regardless of rank are required to comply with the Bank's Code of Conduct and Code of Business Ethics <i>Source: PBCOM Code Business Ethics</i> <i>Link: https://www.pbcom.com.ph/about-us/code-business-conducts-and-ethics</i>	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant		
Disclosure and Transparency ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES			
Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
Recommendation 8.1			
1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.	Compliant	Corporate Governance Manual on Reports or Disclosure provides that: <ul style="list-style-type: none"> • The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders. • The Board should fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might attend their judgment. • The Bank shall require all directors and officers to disclose/report to the bank any dealings in the bank's shares within three business days. <i>Source: Bank's Corporate Governance Manual (CGM)</i> <i>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</i>	
Supplement to Recommendation 8.1			
1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.	Compliant	The reports were submitted to PSE on the following dates and are all compliant to the requirements of the SEC & PSE: 2022 Annual Report - April 18, 2023 3rd Qtr. 2022 Report – 45 days (Nov. 14, 2022) 2nd Qtr. 2022 Report 43 days (Aug. 12, 2022) 1st Qtr. 2022 Report – 45 days (May 15, 2022) <i>Link: http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=208</i>	
2. Company discloses in its annual report the principal risks	Compliant	<i>Source: SEC Form 17A</i>	

<p>associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.</p>		<p>Link: https://edge.pse.com.ph/openDiscViewer.do?edge_no=a8814a3025976d7f9e4dc6f6c9b65995</p>	
Recommendation 8.2			
<p>1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.</p>	<p>Compliant</p>	<p>Reports or Disclosure provides that:</p> <ul style="list-style-type: none"> • The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders. • The Board should fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might attend their judgment. • The Bank shall require all directors and officers to disclose/report to the bank any dealings in the bank's shares within three business days <p><i>The Bank disclosed such dealings in the SEC 23A & B.</i></p> <p><i>Source: Bank's Corporate Governance Manual (CGM)</i> Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=208</p>	
<p>2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.</p>	<p>Compliant</p>		
Supplement to Recommendation 8.2			
<p>1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).</p>	<p>Compliant</p>	<p>Please refer to the following uploaded in the PSE: SEC Form 23A & B SEC 17-A Top 100 shareholders</p> <p>Link: http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=208</p>	
Recommendation 8.3			
<p>1. Board fully discloses all relevant and material information on individual board members to</p>	<p>Compliant</p>	<p>Refer to recommendation 1.1</p>	

<p>evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</p>		<p>Refer to items 5, 9 & 11 of SEC form 17A - Annual Report for the directors' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended</p> <p><i>Link:</i> https://edge.pse.com.ph/openDiscViewer.do?edge_no=a8814a3025976d7f9e4dc6f6c9b65995 <i>Link:</i> https://www.pbcom.com.ph/about-us/our-team</p>	
<p>2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</p>	<p>Compliant</p>	<p>Refer to recommendation 1.1</p> <p>Refer to items 5, 9 & 11 of SEC form 17A – Annual Report for the key officers' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended</p> <p><i>Link:</i> https://edge.pse.com.ph/openDiscViewer.do?edge_no=a8814a3025976d7f9e4dc6f6c9b65995 <i>Link:</i> https://www.pbcom.com.ph/about-us/our-team</p> <p>In addition, all officers of the Bank are required to disclose the required information via the BSP Bio-data and other onboarding forms as well as annual updates of the BSP Bio-data and other relevant forms once they are already employed.</p>	
<p>Recommendation 8.4</p>			
<p>1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.</p>	<p>Compliant</p>	<p>Refer to Item 10 Executive Compensation of SEC 17A Annual Report</p> <p><i>Link:</i> https://edge.pse.com.ph/openDiscViewer.do?edge_no=a8814a3025976d7f9e4dc6f6c9b65995 <i>Link:</i> https://www.pbcom.com.ph/about-us/manual-corporate-governance</p>	
<p>2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.</p>	<p>Compliant</p>	<p>Article V Item 12 of the Bank's By-laws states "12. Compensation. All officers, agents & employees shall receive such salaries or emoluments as may be fixed from time to time by the Board of Directors, but the power to determine salaries or emoluments may be delegated to any officer(s)."</p> <p>The Bank also has in place a policy on salary administration.</p> <p><i>Source: Refer to Item 10 Executive Compensation of SEC 17A Annual Report</i></p>	
<p>3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.</p>	<p>Compliant</p>	<p>Since the Bank obtained an exemption from the SEC to disclose the required detailed compensation information, disclosure of aggregate compensation for 2022 of Bank's Chief Executive Officer and four other most highly compensated executive officers (PMTSiy, JHDMedina, AEAtienza, VOMartinez & AMDatu) are as follows (in P000):</p>	

		<p>Salary P64,015 Bonus 21,338 Total P85,353</p> <p>The director's per diem and other fees amounted to P10.53M as of December 31, 2022.</p> <p>The five (5) independent and four (4) other Directors are entitled to a Director's per diem for attending Board meetings. The remaining six (6) Directors have waived their right to receive Director's fees. As stipulated in the By-laws, Directors are also entitled to share in the net profits to be distributed in such manner as the Board may provide but not exceeding four (4) percent.</p> <p><i>Source: Refer to Item 10 Executive Compensation of SEC 17A Annual Report.</i></p>	
Recommendation 8.5			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	Compliant	<p><i>Refer to RPT Policy, Annex D of Bank's Corporate Governance Manual</i> <i>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</i> <i>https://www.pbcom.com.ph/about-us/company-policies</i></p>	
2. Company discloses material or significant RPTs reviewed and approved during the year.	Compliant	For 2022, the Board upon endorsement of the ExCom and review/vetting of the RPT Committee approved the credit lines of the following Related Parties: Multiplast Corporation – from Php80M to Php and Unistart Credit – Php510M.	
Supplement to Recommendation 8.5			
1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	Compliant	<p>Bank's RPT Policy provides that the Board of Directors, Officers & Stockholders shall disclose whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Bank. Directors & Officers with interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the bank.</p> <p>Such are documented (if any) in the minutes of the meeting or approval media</p> <p><i>Source: Bank's Corporate Governance Manual – Annex D</i> <i>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</i> <i>https://www.pbcom.com.ph/about-us/company-policies</i></p>	
Optional : Recommendation 8.5			
1. Company discloses that RPTs are conducted in such a way to	Compliant	The RPT Committee evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor,	

ensure that they are fair and at arms' length.		collateral requirement) to such related parties than similar transactions with nonrelated parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. Refer also to recommendation 2.7	
Recommendation 8.6			
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.	Compliant	The Board commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders. The Bank complies with the SEC/PSE requirements on disclosure. <i>Link:</i> http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=208	
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Compliant	The Board constitutes the Related Party Transactions (RPT) Committee which is composed of four (4) directors, majority are independent, including the Chairman. The RPT Committee shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders. <i>Source: Bank's Corporate Governance Manual – Annex A-4 RPTCom Charter.</i> <i>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</i> <i>https://www.pbcom.com.ph/about-us/board-committees</i> Bank's RPT Policy provides below guidelines in ensuring arm's length transactions : In order to ensure that RPTs are at arm's length basis it should be conducted in the regular course of business and not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such Related Parties than similar transactions with non-related parties under similar circumstances (fair terms), the Bank shall implement a price discovery system to determine a fair price for RPTs and are engaged into at terms that promote the best interest of the Bank and its stakeholders. <ul style="list-style-type: none"> • Standard shall price, rate, limit, fees, commission, terms and conditions shall apply • Standard process and approval shall apply 	

		<ul style="list-style-type: none"> • Related party transaction shall be compared to at <u>least two (2) non-Related Parties</u> of the same category, industry, terms, facility etc. • In case no non RP to compare or comparison is not feasible, such shall be disclosed and justified • To further assist the RPTCom and/or the Board in determining on whether the RP transactions are at arm’s length basis, the proponent units/officers (e.g. RM/AO) shall accomplish the prescribed template. <p>Before execution of the Material RPT (10% of the Bank’s Asset), the Board of Directors shall appoint an external independent party to evaluate the fairness of the material RPT.</p> <p>Additional factors to be considered in determining whether a transaction has been conducted on an arm’s length basis:</p> <ol style="list-style-type: none"> 1. Validate the terms of the overall transaction to those of any comparable transaction on an arm’s length basis. 2. Check any options available to the Bank. 3. Check if any external expert advice has been received by the Bank (including any professional or expert advice from appropriately qualified advisers). 4. Validate the terms of the proposed transaction, if it’s fair to the Bank and on the same basis that would apply to the transaction of non-related party. 5. Verify the business reasons for the Bank to enter into the proposed transaction 6. Ensure that the proposed transaction does not prejudice the independence of the relevant director. 7. Ensure that the transaction has no implications to the Bank’s financial position and performance. 8. Validate the nature and content of the bargaining process, look for any unique or unusual terms/content. <p>Source: <i>Bank’s Corporate Governance Manual – Annex D RPTCom Policy.</i> Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance https://www.pbcom.com.ph/about-us/company-policies</p>	
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Supplement to Recommendation 8.6			
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<p>1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and</p>	<p>Compliant</p>	<p>There is no voting trust agreements or any other agreement/arrangements that may result in a change in control of the Company.</p> <p>Refer to Item 11 of Annual Report (SEC 17A) – Security Ownership of Certain Beneficial Owners and Management.</p>	
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strategic direction of the company.		Link: https://edge.pse.com.ph/openDiscViewer.do?edge_no=a8814a3025976d7f9e4dc6f6c9b65995	
Recommendation 8.7			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance Governance Manual was submitted to SEC on May 31, 2017.	
2. Company's MCG is submitted to the SEC and PSE.	Compliant		
3. Company's MCG is posted on its company website.	Compliant		
Optional: Principle 8			
1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	Compliant	The Governance Manual was submitted to SEC last May 2017.	
Optional: Principle 8			
1. Does the company's Annual Report disclose the following information:		Refer to 2022 SEC 17A – Annual Report which contains the following:	
a. Corporate Objectives	Compliant	a. Item 1 – The Company	
b. Financial performance indicators	Compliant	b. Item 6 - Management's Discussion and Analysis or Plan of Operations	
c. Non-financial performance indicators	Compliant	c. Item 6 - Management's Discussion and Analysis or Plan of Operations	
d. Dividend Policy	Compliant	d. Item 5 - Market for Issuer's Common Equity and Related Stockholder	
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	Compliant	e. Item 9 - Directors and executive officers of the Issuer	
f. Attendance details of each director in all directors meetings held during the year	Compliant	f. Attendance of the Directors in the Board/Committee meetings are disclosed in the Annual Report under Corporate Governance	
g. Total remuneration of each member of the board of directors	Compliant	g. Item 10 Executive Compensation	
		Source: SEC form 17-A Link: https://edge.pse.com.ph/openDiscViewer.do?edge_no=a8814a3025976d7f9e4dc6f6c9b65995	

2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.	Compliant	<p>This I-ACGR document the Bank's compliance with the Code of Corporate Governance.</p> <p>Refer also to item 13 – Corporate Governance of SEC 17A Annual Report</p> <p>Source: SEC form 17-A Link: https://edge.pse.com.ph/openDiscViewer.do?edge_no=a8814a3025976d7f9e4dc6f6c9b65995</p>	
3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.	Compliant	<p>Refer to Annual Report - Statement of Management's Responsibility for Financial Statements</p> <p>Source: SEC form 17-A Link: https://edge.pse.com.ph/openDiscViewer.do?edge_no=a8814a3025976d7f9e4dc6f6c9b65995</p>	
4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/ risk management systems.	Compliant	<p>Refer to Annual Report - Statement of Management's Responsibility for Financial Statements</p> <p>Source: SEC form 17-A Link: https://edge.pse.com.ph/openDiscViewer.do?edge_no=a8814a3025976d7f9e4dc6f6c9b65995</p>	
5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).	Compliant	<p>Refer to item 1 - The Company under Risk Management.</p> <p>Source: SEC form 17-A Link: https://edge.pse.com.ph/openDiscViewer.do?edge_no=a8814a3025976d7f9e4dc6f6c9b65995</p>	

STRENGTHENING THE EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY

Principle 9:

The company should establish standards for the appropriate selection of an external auditor; and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

Recommendation 9.1

1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	Compliant	<p>The Charter of the Audit Committee contains a provision with regard to the selection and oversight of external auditors which contains detailed requirements and processes.</p> <p>Source: Audit Committee Charter Link: https://www.pbcom.com.ph/about-us/board-committees</p>	
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2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	Compliant	85.26% - Refer to Minutes of Annual Stockholders meeting held last June 7, 2022.	
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	Compliant	Not applicable for the current year. SGV is still the same external auditor. It is the Bank's policy to a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs.	
Supplement to Recommendation 9.1			
1. Company has a policy of rotating the lead audit partner every five years.	Compliant	The Charter of the Audit Committee contains a provision with regard to the rotation of the lead audit partner. Source: <i>Audit Committee Charter</i> Link: https://www.pbcom.com.ph/about-us/board-committees	
Recommendation 9.2			
1. Audit Committee Charter includes the Audit Committee's responsibility on: i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.	Compliant	The Charter of the Audit Committee contains provisions with respect to its responsibilities regarding the said recommendations. Source: <i>Audit Committee Charter</i> Link: https://www.pbcom.com.ph/about-us/board-committees	
2. Audit Committee Charter contains the Committee's	Compliant	The Charter of the Audit Committee contains provisions with respect to its responsibilities regarding the said recommendation.	

responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.		Source: <i>Audit Committee Charter</i> Link: https://www.pbcom.com.ph/about-us/board-committees	
Supplement to Recommendation 9.2			
1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	Compliant	The Charter of the Audit Committee contains provisions with respect to its responsibilities regarding the said recommendation. Source: <i>Audit Committee Charter</i> Link: https://www.pbcom.com.ph/about-us/board-committees	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	Compliant	The Charter of the Audit Committee contains provisions with respect to its responsibilities regarding the said recommendation. Source: <i>Audit Committee Charter</i> Link: https://www.pbcom.com.ph/about-us/board-committees	
Recommendation 9.3			
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	Compliant	SGV did not perform any non-audit service for the Bank. <i>Source: Refer to Item 7 – Financial Statements of SEC 17A Annual Report</i> <i>Source: Sec form 17-A</i> Link: https://edge.pse.com.ph/openDiscViewer.do?edqe_no=a8814a3025976d7f9e4dc6f6c9b65995	
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	Compliant	The Charter of the Audit Committee contains provisions with respect to its responsibilities regarding the said recommendation. Per Audit Committee Charter, the Committee will disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, will be disclosed in the Bank's Annual Report and Annual Corporate Governance Report, including the non-audit fees paid and the corporation's overall consultancy expenses. Source: <i>Audit Committee Charter</i> Link: https://www.pbcom.com.ph/about-us/board-committees	

Supplement to Recommendation 9.3

<p>1. Fees paid for non-audit services do not outweigh the fees paid for audit services.</p>	Compliant	<p>Audit fee for 2022 is Php5.256 M.</p> <p>The above audit fees are inclusive of the following: (a) Other assurance related services by the External Auditor that are reasonably related to the performance of the audit or review of the Bank’s financial statements and (b) All Other Fees. Fees paid to professional partnerships like SGV are not subject to withholding tax.</p> <p><i>Source: Refer to Item 7 – Financial Statements of SEC 17A Annual Report</i></p> <p><i>Link:</i> https://edge.pse.com.ph/openDiscViewer.do?edqe_no=a8814a3025976d7f9e4dc6f6c9b65995</p>	
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Additional Supplement to Principle 9

<p>1. Company’s external auditor is duly accredited by the SEC under Group A category.</p>	Compliant	<p>Audit Engagement Partner: Ray Francis C. Balagtas CPA Certificate No. 108795</p> <p>SEC Accreditation No. 1510-AR-1 (Group A), Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions Tax Identification No. 216-950-288 BIR Accreditation No. 08-001998-107-2020, November 27, 2020, valid until November 26, 2023 PTR No. 8853467, January 3, 2022, Makati City</p> <p>Auditing Firm: SyCip Gorres Velayo & Co. 6760 Ayala Avenue, 1226 Makati City Tel: (632) 891 0307</p>	
<p>2. Company’s external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC’s Office of the General Accountant (OGA).</p>	Compliant	<p>The external auditor agreed to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC’s Office of the General Accountant (OGA)</p> <p>Details below:</p> <ul style="list-style-type: none"> • Date it was subjected to SOAR inspection, it subjected - November 12-23, 2018 • Name of Firm - SGV & Co. • Members of the engagement team inspected by SEC – the names of the members of the engagement team were provided to the SEC during the SOAR inspection. 	

INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING**Principle 10**

The company should ensure that the material and reportable non-financial and sustainability issues are disclosed

Recommendation 10.1

1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	Compliant	BSP Circulars 1085 (Sustainable Finance Framework) and 1128 (Environmental & Social Risks Management Framework) dated April 29, 2020 and October 20, 2021 were approved by the Board of Directors on October 26, 2022. 2022 Sustainability Report was submitted together with Annual Report (17A) <i>Link:</i> https://edge.pse.com.ph/openDiscViewer.do?edge_no=a8814a3025976d7f9e4dc6f6c9b65995	
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Compliant		

PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION

Principle 11.

The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

Recommendation 11.1

1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	Compliant	Available channels of communications: <ul style="list-style-type: none"> • Finance Group quarterly publishes financial disclosures in print media • CorSec regularly updates company disclosures in the website ✓ https://www.pbcom.com.ph/about-us/other-disclosures • CorSec gathers all shareholders in an Annual Shareholders' meeting ✓ https://www.pbcom.com.ph/about-us/minutes-all-general-or-special-stockholders-meeting • Annual Report is distributed to all shareholders during the meeting via QR code. ✓ https://www.pbcom.com.ph/about-us/annual-report 	
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Supplement to Principle 11

1. Company has a website disclosing up-to-date information on the following:		a. Financial Statements/Reports: https://www.pbcom.com.ph/about-us/annual-report	
a. Financial statements/reports (latest quarterly)	Compliant	b. Media Articles: https://www.pbcom.com.ph/basic-page/media-center	
b. Materials provided in briefings to analysts and media	Compliant	c. Annual Report: https://www.pbcom.com.ph/about-us/annual-report	
c. Downloadable annual report	Compliant	d. Notice to ASM:	

d. Notice of ASM and/or SSM	Compliant	https://www.pbcom.com.ph/about-us/asm-2020	
e. Minutes of ASM and/or SSM	Compliant	e. Minutes of ASM: https://www.pbcom.com.ph/about-us/minutes-all-general-or-special-stockholders-meeting	
f. Company's Articles of Incorporation and By-Laws	Compliant	f. Articles of Incorporation & By-laws: https://www.pbcom.com.ph/about-us/articles-incorporation-and-laws	
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	Compliant	Link: https://www.pbcom.com.ph/	
Internal control system and risk management framework			
STRENGTHENING THE INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK			
Principle 12: To ensure integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.			
Recommendation 12.1			
1. Company has an adequate and effective internal control system in the conduct of its business.	Compliant	Management is in charge with the responsibility for establishing a network of processes with the objective of controlling the operations of the Bank in a manner which provides the Board of Directors' reasonable assurance regarding the achievement of objectives. The Board approves the policy and likewise renders oversight on the effectiveness while management implements. The review of the internal control system is conducted year-round in the audit of branches, Head Office units and IT applications/process following a risk-based approach.	
2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	Compliant	ERM Framework: Enterprise Risk Management Process Definitions of Risk: General Definitions <ul style="list-style-type: none"> • A possibility of loss, damage, liability, or any other undesirable event or circumstances • Potential for realizing low earnings or even losing capital • Uncertainty in the return of the investment • Effect of uncertainty on objectives BSP Circular 510 Definition <ul style="list-style-type: none"> • Uncertain future events which could adversely influence the achievement of a bank's objectives • Potential exposure to unexpected financial and non-financial damage arising from deficiencies in the management of the organization 	

		<p>COSO ERM Definition</p> <ul style="list-style-type: none"> • The possibility that an event will occur and adversely affect the achievement of objectives <p>The Enterprise Risk Management Process: The ERM process refers to the systematic application of management policies, procedures and practices to the activities of identifying, measuring, controlling, monitoring and reporting risks and controls.</p> <p>Risk and Control Assessment: This is the process determining the level of probability and severity of risks and the effectiveness of existing controls.</p> <p>Accurate and timely measurement of risks and existing controls is essential to effective enterprise risk management systems. Without a risk measurement system, PBCOM will have limited ability to control or monitor risk levels. Thus, it must make a strong effort to ensure that risks and controls are appropriately measured across the consolidated entity.</p> <ul style="list-style-type: none"> • Level of risk is the magnitude of a risk or combination of risks, and can be expressed as Inherent Risk and as Residual Risk. Inherent risk is the level of potential threat to PBCOM in the absence of any controls. It has two factors: Probability and Severity; and are measured based on established criteria. <ul style="list-style-type: none"> a) Probability is the chance of a risk event to happen. b) Severity is the effect of of a risk event should it happen. Severity can be described or measured along one or more impact areas (Financial, Strategic, Operational, Compliance, Legal, Products and Services, and Reputation). • Existing controls are rated as to their effectiveness based on established criteria. • Residual Risk is the level of potential threat to PBCOM when existing controls are considered after measuring the Inherent Risk level. Residual risk provides the basis for decisions about risk treatment. • Risk treatment is the business decision applied to the risk event based on its residual risk level. The business decision affects the residual risk level by removing or modifying the causes, and/or improving controls. Risk treatment can create new risks or modify existing risks. The treatment option may be: <ul style="list-style-type: none"> • Risk Avoidance – Avoid the potential risk to the business; or exiting the activities that give rise to the risk. The probability of occurrence is too high and when it occurs, the severity/financial impact will be too great. • Risk Sharing – Reducing the risk frequency or impact by transferring or otherwise sharing a portion of the risk. Transfer the risk or the consequences of the risk to a third party. 	
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		<ul style="list-style-type: none"> • Risk Reduction – Action is taken to detect the risk, followed by action to reduce frequency and or impact of occurrence. Severity impacts will not adversely affect the business or is able to manage and reduce those risks internally by providing protection systems procedures. • Risk Monitoring and Control – Risks are currently under control or otherwise within acceptable levels based on PBCOM’s risk appetite. They are monitored as new policies, modified processes, new business activities, changes in the economic environment, increased transaction errors, or non-compliance to policies and procedures may still precipitate escalation of the risk event into a higher risk level. <p>Risk Monitoring and Reporting: PBCOM and its individual units should monitor risk levels to ensure timely review of risk positions and exceptions. Monitoring reports should be frequent, timely, accurate, and informative and should be distributed to appropriate individuals or levels in the organization to ensure action, when needed. Monitoring is essential to ensure that management’s decisions are implemented for all geographies, products, and organizational units.</p> <p>The Framework is being reviewed annually.</p> <p>Refer also to Risk Management portion of item 1 – The Company of SEC 17A Annual Report</p> <p>Source: SEC form 17-A/Annual Report Link: https://edqe.pse.com.ph/openDiscViewer.do?edqe_no=a8814a3025976d7f9e4dc6f6c9b65995</p>	
Supplement to Recommendation 12.1			
<p>1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.</p>	<p>Compliant</p>	<p>The compliance system, as incorporated in Bank’s Compliance Manual and approved by the Board of Directors has the following elements:</p> <p>Compliance program which shall set out the planned activities of the compliance function, such as:</p> <ul style="list-style-type: none"> • Review and implementation of specific policies and procedures • Compliance Testing and Monitoring <ul style="list-style-type: none"> o Compliance risk assessment o Compliance testing, monitoring and reporting • Educating staff on compliance matters • Monitoring compliance risk exposures • Reporting to the Governance Committee/Board of Directors 	

		<p>The program shall be updated at least annually to incorporate changing responses to evolving internal and external conditions and also changes in laws and regulations. Any changes in the program shall be approved by the Bank's Board of Directors/Board-level Committee.</p> <p>The compliance program is distinguished from the risk and internal audit program. Compliance mitigates business risk while risk program covers financial risks that arise from the balance sheet exposure of the bank. The audit program, on the other hand, shall review on an ex-post basis whether prescribed guidelines of the bank were followed in administering transactions, handling procedures, making decisions, and undertaking related activities.</p> <p>Compliance Office conducts the periodic independent compliance testing to validate compliance while Internal Audit conducts the independent validation of Compliance Deviation Report during assurance review. On the other hand, the process of assessment, measurement, testing and reporting of various risk which covers enterprise risk/business risk (e.g. reputational, legal, operational, strategic, among others) is being done by the Enterprise Risk Management Group.</p> <p><i>Source: Compliance Policies and Procedures Manual</i></p>	
Optional: Recommendation 12.1			
<p>1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.</p>	<p>Compliant</p>	<p>IT GOVERNANCE</p> <p>The IT Steering Committee acts as the delegated governance body of the Board of Directors to oversee implementation of technology-enabled projects to support the Bank's strategic business plans and objectives and ensure compliance with the Bank's Technology Risk Management Framework developed in accordance with regulatory requirements.</p> <p>The Committee ensures that an Information Systems Plan is in place and is current, and that this Plan is aligned with the Bank's business plans and projects. The Committee also ensures policies and procedures are in place needed to implement these plans and projects in a timely, cost effective and efficient manner.</p> <p>In compliance with BSP Circular 808, the Committee cohesively monitors IT performance and institutes appropriate actions to ensure the achievement of desired results and regularly provide adequate information to the Board regarding IT performance, status of major IT projects or other significant issues to enable the Board to make well-informed decisions about the Bank's IT operations.</p> <p>CYBERSECURITY</p>	

		<p>The Board Risk Oversight Committee (ROC) ensures that the Bank’s IT risk management system, governance structure and processes are commensurate with the attendant IT risks, as well as information / cybersecurity risks through robust, resilient, and enterprise-wide Information Technology Risk Management (ITRM) and Information Security Risk Management (ISRM) frameworks.</p> <p>The Bank also maintains a comprehensive, well-defined and board-approved Information System Plan (ISP), Information Security Strategic Plan (ISSP) and Information Security Program that is commensurate with its operational and IT profile complexity.</p> <p>To implement these plans and programs, PBCOM uses multiple layers (defense-in-depth) of security measures and controls to ensure confidentiality, integrity, availability and privacy protection. The Bank consistently monitors, develops and improves its information technology networks and security infrastructure to prevent, deter, detect and timely mitigate risks of security threats to Bank’s information and information systems.</p>	
Recommendation 12.2			
1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company’s operations.	Compliant	The Bank has an independent internal audit function (Internal Audit Group) reporting directly to the Audit Committee of the Board of Directors. Also, the Internal Audit Group generally conforms to the International Standards for the Professional Practice of Internal Auditing (ISPPA) and IIA’s Code of Ethics per independent assessment conducted by Isla Lipana & Co., the Philippine member firm of the PwC global network.	
Recommendation 12.3			
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	Compliant	<p>The CAE is SVP Jeruel N. Lobien. He meets the qualifications of the head of the internal audit function as provided in the BSP’s Manual of Regulations for Banks (MORB) Section 163 – Internal Audit Function.</p> <p>Duties and responsibilities of the Internal Auditor as provided in the Bank’s Governance Manual are:</p> <ol style="list-style-type: none"> 1. To demonstrate appropriate leadership & have the necessary skills to fulfill his responsibilities for maintaining the unit’s independence and objectivity. 2. To be accountable to the board of directors or audit committee on all to be accountable to the board of directors or audit committee on all matters related to the performance of its mandate as provided in the internal audit charter. The head of the internal audit function/Chief Audit Executive shall submit a report to the audit 	

		<p>committee or board of directors on the status of accomplishments of the internal audit unit, including findings noted during the conduct of the internal audit as well as status of compliance of concerned departments/units.</p> <ol style="list-style-type: none"> 3. To ensure that the internal audit function complies with sound internal auditing standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics. 4. To develop audit plan based on robust risk assessment, including inputs from the board of directors, audit committee and senior management and ensure that such plan is comprehensive and adequately covers regulatory matters. 5. To ensure that the internal audit function has adequate human resources with sufficient qualifications and skills necessary to accomplish its mandate. 6. To periodically reviews the internal audit charter and presents it to senior management and Audit Committee for approval. 7. Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and Audit Committee for review and approval. 8. Spearheads the performance of the internal audit activity to ensure it adds value to the bank. 9. Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan. 10. Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes. <p>Source: Corporate Governance Manual Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</p>	
<p>2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.</p>	<p>Compliant</p>	<p>The CAE oversees and is responsible for the internal audit activity of the Bank, including outsourced audit engagements. These responsibilities are articulated in the Internal Audit Charter.</p>	
<p>3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.</p>	<p>Compliant</p>	<p>Internal Audit function is not outsourced.</p>	


Recommendation 12.4

<p>1. Company has a separate risk management function to identify, assess and monitor key risk exposures.</p>	<p>Compliant</p>	<p>The Bank has a risk management function, Enterprise Risk Management Group (ERMG) directly reports to the Risk Oversight Committee (ROC)/Board of Directors.</p> <p>The primary function is to assist management in meeting its responsibility to understand and manage risk exposures and ensure the development and consistent implementation of risk policies, processes, and procedures throughout the bank.</p> <p>Duties and responsibilities as follows:</p> <ol style="list-style-type: none"> 1. The risk management function shall be responsible for overseeing the risk-taking activities across the Bank, as well as in evaluating whether these remain consistent with the Bank's risk appetite and strategic direction. 2. It shall ensure that the risk governance framework remains appropriate relative to the complexity of risk taking activities of the Bank. 3. The risk management function shall be responsible for identifying, measuring, monitoring and reporting risk on an enterprise-wide basis as part of the second line of defense. 4. The risk management function involves the following activities, among others: <ol style="list-style-type: none"> a) identifying the key risk exposures and assessing and measuring the extent of risk exposures of the bank and its trust operations; b) monitoring the risk exposures and determining the corresponding capital requirement in accordance with the Basel capital adequacy framework and based on the bank's internal capital adequacy assessment on an on-going basis; c) monitoring and assessing decisions to accept particular risks whether these are consistent with board approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures; and d) Reporting on a regular basis to senior management and to the board of directors of the results of assessment and monitoring. e) Defining a risk management strategy. f) Identifying and analyzing key risks exposure relating to economic, environmental, social and governance (EESG) factors and the achievement of the bank's strategic objectives. g) Evaluating and categorizing each identified risk using the bank's predefined risk categories and parameters. h) Establishing a risk register with clearly defined, prioritized and residual risks. i) Developing a risk mitigation plan for the most important risks to the bank, as defined by the risk management strategy. j) Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Risk Oversight Committee. k) Monitoring and evaluating the effectiveness of the bank's risk management processes. 	
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Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally.	Compliant	<p>Risk Management Framework on Validation of Risk Measurement tools - Resources provides:</p> <p>The Enterprise Risk Management Group shall be given adequate resources to enable it to effectively perform its functions. The risk management function shall be afforded with adequate personnel, access to information technology systems and systems development resources, and support and access to internal information.</p>	
Recommendation 12.5			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	Compliant	<p>Lorelei Paula B. Arjonillo – FVP & Chief Risk Officer</p> <p>Qualifications:</p> <ul style="list-style-type: none"> • Has over 38 years of experience in the financial industry in the Philippines and abroad, 26 years of which are in banking, holding CRO/head of Risk Management positions in previous stints. • Fields of specialization include Risk Management, Treasury and Balance Sheet management, and Macro-economics, complemented by work in related fields such as corporate credit rating, SME lending, bank supervision and examination, stock market research and analysis, bond market infrastructure and credit guarantee. • A Certified Public Accountant, obtained the Financial Risk Manager (FRM) designation in 2008, a globally recognized standard for those who manage financial risk, provided by the Global Association of Risk Professional based in the USA. • A double degree graduate in Economics and Accounting from De La Salle University (Taft) and an MBA degree holder from University of the Philippines (Diliman). <p>The Chief Risk Officer (CRO) shall have sufficient stature, authority and seniority within the bank. He / She shall be independent from Executive functions and business line responsibilities, operations, and revenue-generating functions, and shall have access to</p>	

		<p>such information as he / she deems necessary to form his judgment. The CRO shall have direct access to the BOD and the ROC without any impediment.</p> <p>Qualifications: The CRO should have the knowledge and skills necessary to oversee the Bank’s risk management activities. The CRO should have the ability to interpret and articulate risk in a clear and understandable manner and, without compromising his/her independence, can engage in a constructive dialogue with the BOD, Pres. & CEO, and other senior management on key risk issues</p> <p>Duties and Responsibilities of the Chief Risk Officer as provided under Sec. 5.02 of Bank’s Corporate Governance Manual are the following:</p> <ul style="list-style-type: none"> • The Chief Risk Officer (CRO) shall be responsible for overseeing the risk management function and shall support the board of directors in the development of the risk appetite and risk appetite statement of the Bank and for translating the risk appetite into a risk limits structure. • The CRO shall likewise propose enhancements to risk management policies, processes, and systems to ensure that the Bank’s risk management capabilities are sufficiently robust and effective to fully support strategic objectives and risk-taking activities. • The CRO has the following functions: <ul style="list-style-type: none"> ○ Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation; ○ Communicates the top risks and the status of implementation of risk management strategies and action plans to the Risk Oversight Committee; ○ Collaborates with the CEO in updating and making recommendations to the Risk Oversight Committee; ○ Suggests ERM policies and related guidance, as may be needed; and ○ Provides insights on the following: <ul style="list-style-type: none"> • Risk management processes are performing as intended; • Risk measures reported are continuously reviewed by risk owners for effectiveness; and • Established risk policies and procedures are being complied with, 	
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Compliant	<p>Bank’s Governance Manual provides that:</p> <ul style="list-style-type: none"> • The Chief Risk Officer functionally reports to the Risk Oversight Committee/Board. He shall have direct access to the Board of Directors and the Risk Oversight Committee without any impediment. 	

		<ul style="list-style-type: none"> • The CRO shall have sufficient stature, authority and seniority within the bank. This will be assessed based on the ability of the CRO to influence decisions that affect the bank’s exposure to risk. • The CRO shall have the ability, without compromising his independence, to engage in discussions with the board of directors, chief executive officer and other senior management on key risk issues and to access such information as he deems necessary to form his or her judgment. • The CRO shall meet with the board of directors/risk oversight committee on a regular basis and such meetings shall be duly minuted and adequately documented. <p>Source: Bank’s Corporate Governance Manual (CGM) and ERMG Charter Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</p>	
Additional Recommendation to Principle 12			
<p>1. Company’s Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.</p>	Compliant	<p>The Audit Committee approved the 2022 Chief Executive Officer and Chief Audit Executive Attestation on the effectiveness of the Bank’s internal control system and internal audit function during its April 2023 meeting.</p> <ul style="list-style-type: none"> ▪ Based on the assurance activities performed by Philippine Bank of Communications’ Internal Audit and its external auditor for the year 2022, we assess that the Bank’s system of internal controls is in place and continue to be adequate and generally effective, in all material respects. These processes provide a level of assurance that enables the Senior Management of the Bank to recognize, understand, manage and effectively control its exposure to risks. ▪ We likewise confirm that the audit scope and coverage are sufficient, comprehensive and risk-based, that Management is aware of its responsibility for internal control, and that there is no interference with the accomplishment of audit activities and reporting of relevant issues and other pertinent information to the Audit Committee and the Board of Directors. The Internal Audit Charter and Internal Audit Policies are also sufficient in terms of forms and content to support consistency, quality and sustainability of internal audit activity processes. ▪ In 2022, the Bank engaged Isla Lipana & Co. (PwC) for the conduct of an External Quality Assessment following a Self-Assessment with Independent Validation (SAIV) Approach. Results of assessment disclosed that IAG “Generally Conforms” with the International Standards for the Professional Practice of Internal Auditing (ISPPA) and the Institute of Internal Auditors Code of Ethics. The rating is the highest of the three conformance ratings. The Bank undertook this assessment to validate IAG’s continuing compliance with the Standards and compliance to BSP’s regulatory requirement under MORB 162 (a)(4) which states that “the board of directors shall 	

		likewise commission an assessment team outside of the organization to conduct an independent quality assurance review of the internal audit function every five (5) years.”.	
		 Internal Control and Internal Audit A	

Cultivating a synergic relationship with shareholders

PROMOTING SHAREHOLDER RIGHTS

Principle 13:
The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

Recommendation 13.1

1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	Compliant	Bank’s Governance Manual Section 05.06 – Shareholder’s Benefit provides: <ol style="list-style-type: none"> 1. The Bank recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the provisions discussed in the succeeding paragraphs are issued for the guidance of all parties concerned. 2. Rights of Investors/Minority Interests The Board shall be committed to respect the following rights of the stockholders: <ol style="list-style-type: none"> a. Voting Right <ol style="list-style-type: none"> i. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. ii. Cumulative voting shall be used in the election of directors. iii. A director shall not be removed without cause if it will deny minority shareholders representation in the Board. b. Pre-emptive Right All stockholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code. c. Power of Inspection All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions. 	
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		<p>d. Right to Information</p> <ul style="list-style-type: none"> i The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers. ii The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. iii The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of legitimate purposes". <p>e. Right to Dividends</p> <ul style="list-style-type: none"> i Shareholders shall have the right to receive dividends subject to the discretion of the Board. ii The company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies. <p>f. Appraisal Right</p> <p>The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:</p> <ul style="list-style-type: none"> i In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; 	
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		<p>ii In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and</p> <p>iii In case of merger or consolidation.</p> <p>g. It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.</p> <p><i>Source: Bank's Corporate Governance Manual (CGM) – Section Vi</i> <i>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</i></p>	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	Compliant	<p><i>Source: Bank's Corporate Governance Manual (CGM) – Section Vi</i> <i>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</i></p>	
Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	Compliant	<p>Refer to 2022 Definitive Information Statement - Voting securities and Principal Holders & Voting Procedures</p> <p>Number of votes per share: one (1) vote per share</p> <p>The vote required for acts required stockholders' approval is at least a majority of the outstanding capital stock.</p> <p>In the election of director, the 15 nominees with the greatest number of votes will be elected directors.</p> <p>Every stockholder is entitled to one vote. However, with respect to the election of directors, the stockholders may vote such number of shares for as many as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number pf shares owned by him as shown in the books of the Corporation multiplied by the number of directors to be elected.</p>	

2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Compliant	Refer to Supplement to Recommendation 13.1 no. 1.	
3. Board has an effective, secure, and efficient voting system.	Compliant	Refer to 2022 Definitive Information Statement - Voting Procedures	
4. Board has an effective shareholder voting mechanisms such as supermajority or “majority of minority” requirements to protect minority shareholders against actions of controlling shareholders.	Compliant	<p>SEC 2015 Definitive Statement under Security ownership of certain records and Beneficial owners provides:</p> <p>The Board of Directors and Management of the Bank have no knowledge of any persons who, as of the date of this report, was indirectly or directly the beneficial owner of more than five percent of Bank’s outstanding shares of common stock or who has voting power of investment power with respect to share comprising more than five percent of the outstanding shares of common stock. There are no persons holding more than 5% of the Bank’s common stocks that are under a voting trust or similar agreement.</p>	
5. Board allows shareholders to call a special shareholders’ meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.	Compliant	<p>Bank’s By-laws Special Meetings:</p> <p>Special meeting of the stockholders may be called by a majority of the members of the Board or by the Chairman or on demand of the stockholders holding at least thirty (30%) percent of the outstanding capital stock.</p> <p><i>Link: https://www.pbcom.com.ph/about-us/articles-incorporation-and-laws</i></p>	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	Compliant	<p>Refer to Corporate Governance Manual Section VI Shareholder’s Benefit</p> <p><i>Source: Bank’s Corporate Governance Manual (CGM)</i></p> <p><i>Link: https://www.pbcom.com.ph/about-us/manual-corporate-governance</i></p>	
7. Company has a transparent and specific dividend policy.	Compliant	<p>Dividend Policy</p> <p>The board of directors of a stock corporation may declare dividends out of the unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them: Provided, that any cash dividends due on delinquent stock shall first be applied to the unpaid balance on the subscription plus costs and expenses, while stock dividends shall be withheld from the delinquent stockholder until his unpaid subscription is fully paid: Provided, further, that no stock dividend shall be issued without the approval of stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose.</p> <p><i>Source: 2021 Annual report under Corporate Governance</i></p>	

		<p>Market for Issuer’s Common Equity and Related Stockholder Matters</p> <p>The Bank strictly complies with the BSP regulatory requirements under Manual of Regulations for Banks Section 124 which states that before any declaration of dividends, banks shall comply with the following</p> <p>Clearing account with the Bangko Sentral is not overdrawn;</p> <p>b. Liquidity floor requirement for government funds;</p> <p>c. Minimum capitalization requirement and risk-based capital ratios as provided under applicable and existing capital adequacy framework;</p> <p>d. The combined requirement for capital conservation buffer and the countercyclical capital buffer as defined in Appendix 59</p> <p>e. Higher loss absorbency requirement, phased-in starting 1 January 2017 with full implementation by 1 January 2019, in accordance with Domestic Systemically Important Banks (DSIBs) Framework as provided under Sec. 128</p> <p>f. Has not committed any unsafe or unsound banking as defined under existing regulations and/or major acts or omissions as may be determined by the</p> <p>Bangko Sentral to be ground for suspension of dividend distribution, unless this has been addressed by the bank as confirmed by the Monetary Board or the Deputy Governor of the appropriate sector, as may be applicable, upon recommendation of the appropriate supervising department of the Bangko Sentral.</p> <p>Source: SEC 17A – Item 5</p> <p>Link: https://edqe.pse.com.ph/openDiscViewer.do?edqe_no=a8814a3025976d7f9e4dc6f6c9b65995</p> <p>Link: https://www.pbcom.com.ph/about-us/sec-filings</p>	
Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders’ Meeting.	Compliant	Refer to 2022 Definitive Information Statement - Voting Procedures	
Recommendation 13.2			
1. Board encourages active shareholder participation by	Compliant	Date of publication of notice: May 14 & 15, 2022 Date of Annual Stockholders Meeting: June 7, 2022	

<p>sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.</p>		<p>Number of days: 17 business days</p> <p>Date of publication of Notice: February 18 & 19, 2022 Date of Special Stockholders' Meeting: March 15, 2022 Number of days: 17 business days</p> <p>There is no action pertaining to any plan involving the payment or distribution of cash or non-cash compensation will be taken during the Annual Meeting (As indicated in the SEC201S Definitive Statement – Compensation plan)</p>	
Supplement to Recommendation 13.2			
<p>1. Company's Notice of Annual Stockholders' Meeting contains the following information:</p>	<p>Compliant</p>	<p>Links: https://www.pbcom.com.ph/about-us/notice-annual-or-special-stockholders-meeting</p>	
<p>a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)</p>			
<p>b. Auditors seeking appointment/re-appointment</p>			
<p>c. Proxy documents</p>	<p>Compliant</p>		
Optional: Recommendation 13.2			
<p>1. Company provides rationale for the agenda items for the annual stockholders meeting</p>	<p>Non-compliant</p>	<p>The required information/ data by the regulators are already incorporated in the Definitive Information Statement and there is no other items submitted for approval or consideration, other than those required in the ordinary course of business that requires approval or presentation to the shareholders.</p>	<p>The required information/ data by the regulators are already incorporated in the Definitive Information Statement and there is no other items submitted for approval or consideration, other than those required in the ordinary course of business that requires approval or presentation to the shareholders.</p>
Recommendation 13.3			
<p>1. Board encourages active shareholder participation by making the result of the votes</p>	<p>Compliant</p>	<p>Results of the annual stockholders meeting are being uploaded in the PSE edge the same day.</p>	

taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.			
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	Compliant	Results of the annual stockholders were uploaded in the PSE edge the same day.	
Supplement to Recommendation 13.3			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	Compliant	Refer to the results of the annual stockholders uploaded in the PSE edge & draft minutes of the annual shareholders meeting held on June 7, 2022.	
Recommendation 13.4			
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	Compliant	No record of any disputes among shareholders in the past years. Shareholders are aware of the process and procedures when seeking to redress the violation of their rights.	
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	Non-Compliant	Shareholders are aware of the process and procedures when seeking to redress the violation of their rights.	Shareholders are aware of the process and procedures when seeking to redress the violation of their rights.
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Compliant	Information is available in the website https://www.pbcom.com.ph/about-us/investor-inquiries Justin Robert G. Ladaban Vice President Treasury Group 3F PBCOM Tower 6795 Ayala Avenue corner V.A. Rufino Street, Makati City, Philippines 1226 Telephone: +632 8830 7000 local 7013 Fax: +632 8818 2633	

		Email: investorrelations@pbcom.com.ph URL: http://www.pbcom.com.ph/investor-relations.html	
2. IRO is present at every shareholder's meeting.	Compliant	The Investor Relation Officer is present during the Annual Stockholders meeting as well as the Corporate Information Officer. The Corporate Secretary/Assistant Corporate Secretary as appointed/ designated by the Board is the Bank's Corporate Information Officer. The CIO handles receiving of feedback, complaints and queries from shareholders and ensure that all information regarding the activities of the Bank are properly and timely communicated to shareholders	

Supplemental Recommendations to Principle 13

1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	Compliant	There is no voting trust agreements/arrangements that may result in a change in control of the company. Refer to SEC 17A & 20-IS under Security Ownership of Management. <i>Link:</i> https://edge.pse.com.ph/openDiscViewer.do?edqg_no=a8814a3025976d7f9e4dc6f6c9b65995	
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	Compliant	Public float as of December 31, 2022 is 34.99%, well above the 12% minimum float requirement of the Exchange	

Optional: Principle 13

1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting	Compliant	Investor inquiries can be coursed through Investor Relation Officer Contact details as posted in the website.	
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.	Non-Compliant	Stockholder may execute a proxy in favor of representative, should a stockholder is unable to attend ASM	Stockholder may execute a proxy in favor of representative, should a stockholder is unable to attend ASM.

Duties to stakeholders

RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR THE VIOLATION OF STAKEHOLDERS' RIGHTS

Principle 14:

The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights

Recommendation 14.1

<p>1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.</p>	<p>Compliant</p>	<p>The top 20 registered stockholders as of 31 December 2022 as follows:</p> <ol style="list-style-type: none"> 1. P.G. Holdings, Inc. 2. VFC Land Resources, Inc. 3. PCD Nominee Corp. 4. Eric O. Recto. 5. Ralph C. Nubla, Jr. 6. Telengtan Brothers & Sons, Inc. 7. Langford Universal Finance Ltd. 8. La Suerte Workmen's Compensation Fund 9. TTC Development Corporation 10. Roxas-Chua, Ray Anthony Go 11. Edison Siy Cham 12. KLG International, Inc. 13. Yu, Gregorio 14. Chungunco, Raymond N. 15. TFC Holdings, Inc. 16. Chung, Bunsit G. (a.k.a. Carlos G. Chung) 17. Chung, Patricia Regine K. 18. Chung, Philippe Ryan K. 19. Ching, Winnifred 20. Ching, Jeffrey <p>Item 5 – Market for Issue's Common Equity and Related Stockholder Matter of SEC 17A Annual Report</p> <p>Link: http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=208</p>	
Recommendation 14.2			
<p>1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.</p>	<p>Compliant</p>	<p>The Bank has customer service standards which are being observed specifically by all front liners from the different groups/divisions of the Bank. Standards on customer handling, SLA achievements, grooming standards to name a few. The metrics for being compliant with the service standards implemented are also part of the key performance indicators not only limited to branch personnel but for business units handling external customers. Standards of Conduct for Financial Consumer protection and Data Protection are also part of Compliance Monitoring report.</p> <p>FCP Standards of Conduct which pertain to Fair Treatment and Protection of Client Information are observed by the Business Units. Compliance on both standards of conduct are evident in the daily practices of our employees. The Bank ensures that our customers are treated fairly, honestly and professionally at all stages of their relationship with PBCOM.</p>	

The Bank has adopted a mechanism that safeguards the interest of our customers which includes professional behavior in dealing with both internal and external customers. We equip our employees with accurate information by conducting product training, updates on regulations, awareness campaigns and enhance their skills in customer handling so that they can provide our financial customers the right information to empower our customers to make good financial decision and to prevent our customers from being victims of fraud and bad financial decisions.

We have VOCs in place to measure our customers experience with the product and service provided which is also being utilized by the Bank as basis for improvement on process, product and service. These are all evident in our Consumer Assistance related policies and procedures. Mystery Shopping and Mystery Call are part of the metrics by CX unit to ensure that all front liners are compliant to the standards that were set. Results of the VOC and CX measures are also presented to SMT and the Board so that top management is aware and has a view on the Bank's compliance. BOD and SMT also provide recommendations and instructions to further improve our servicing. SLA monitoring is also being conducted for concerns received to ensure timely resolution and accurate feedback to be provided to our customers.

As of December 2022, our SLA achievement for complaint resolution is at 98% and CSAT is consistently above the target of 90%.

The Bank, thru its DPO, closely coordinates with NPC (National Privacy Commission), BAP, Bank Privacy Practitioners on the in latest advisories in compliance with the RA 10173 and its IRR. Updates and advisories are communicated to the Board and SMT thru ROC and email advisories by the DPO.

Data privacy standards of conduct are being observed by business units processing personal information, DP Consent, Data sharing agreements, review of 3rd party vendors terms and conditions, awareness campaigns, Privacy Impact Assessments and Security Breach exercises were implemented last year. This is in coordination with the Data Privacy Breach Team, Marketing, HRG, Legal and Vendor Management.

Capacity Building for all employees related to customer service, product knowledge, operational efficiency is being facilitated thru seminars, workshops, awareness campaigns, compliance check and quality monitoring to ensure that excellent service delivery is consistently provided.

In PBCOM, we give importance to customer centricity which is aligned with our core values.

Recommendation 14.3

<p>1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.</p>	<p>Compliant</p>	<p>PBCOM has published all available customer channels to log in and communicate with the Bank to voice out their concerns and/or complaints.</p> <p>We ensure that PBCOM provides an accessible, affordable, convenient and efficient ways of resolving our customers concerns and/or complaints. This does not only cater to concerns related to the product and services but also to data protection. The email addresses, phone numbers and contact persons are all in the Banks official website www.pbcom.com.ph, in our IVRS, Social Media accounts, CAMS displayed in all our branches, ATM Machines, Annual Reports and internal communication materials as well. We ensure that our customers know where and how to contact the Bank for their inquiries, request and complaints.</p> <p>Non-voice channels were deployed at the start of the pandemic to make it more easy for our customers to reach out for customer support. The utilization of these channels are increasing because it's more accessible and convenient.</p>	
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Supplement to Recommendation 14.3

<p>1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.</p>	<p>Compliant</p>	<p>CCARE and CAO handle customer complaints, disposition and resolution provided being monitored by Customer Protection and Experience Division (CPED) Head and presented to the President.</p> <p>The Bank has established a Customer Assistance Management system which employs various channels for clients to lodge their feedback and complaints. This includes:</p> <ol style="list-style-type: none"> 1. Customer Care Hotline 877-PBCOM (87772266) 2. Domestic Toll Free Number –1800-10-877PBCOM (87772266) 3. PBCOM Website/Contact Us Tab – www.pbcom.com.ph 4. Customer Care mail 5. Walk in at any PBCOM branch 6. Official Facebook Page 7. Customer Satisfaction Survey via SMS and website 8. Live Chat/ Chatbot 9. SMS 10. Secured Inbox <p>Communication of disposition and resolution to customer complaints is in compliance with the turn-around-time as stated in BSP CN 1048. Feedback is being provided utilizing the customer's preferred channel of communication.</p> <p>Non-voice channels were added as alternative in our dispute resolution system. The following channels were activated to give more options to our customers and to adapt</p>	
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		<p>to the way they reach out to the Bank which is aligned to the basic requirements of CN1048 under effective recourse which are affordable, accessible, independent timely, fair , accountable and efficient</p> <ol style="list-style-type: none"> a. Secured inbox from our digital platforms (POP and PBCOMobile) <ul style="list-style-type: none"> ➤ Clients with POP and PBCOMobile accounts can send their feedback / complaints using these Apps. <ul style="list-style-type: none"> ○ POP – Inbox ○ PBCOMobile - Concierge b. 2 way SMS <ul style="list-style-type: none"> ➤ Clients may send their feedback / complaints via this SMS through this number 0922-110-1332. ➤ This number is posted in our official website under Contact Us page. c. CHATBOT _ Live Chat <ul style="list-style-type: none"> ➤ Clients may also access the PBCOM Chatbot to inquire and login their requests. They have an option to choose Live Chat if they wish to be assisted by a Customer Care Officer. Callouts will be conducted if the concern requires PID and providing feedback containing PI/SPI. <p>Feedback on resolution of complaints/disputes are provided over a recorded or documented manner and importance on achievement of SLA on providing feedback on resolution is a priority for CPED.</p> <p>In addition to the non-voice customer channels deployed, the Bank also have an SMS self-service platform that caters to card blocking for lost or stolen cards and to prevent continuous usage for unauthorized transactions.</p>	
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Additional Recommendations to Principle 14

<p>1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.</p>	<p>Compliant</p>	<p>No request for exemption</p>	
<p>2. Company respects intellectual property rights.</p>	<p>Compliant</p>	<p>The following trademarks are IPO registered:</p> <ul style="list-style-type: none"> ● PBCOM ● Philippine Bank of Communications 	

		<ul style="list-style-type: none"> • PBCOM Together We Grow • PBCOM POP-UP Branch • PBCOMobile • PBCOM eRegalo 	
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Optional: Principle 14

1. Company discloses its policies and practices that address customers' welfare	Compliant	<p>PBCOM website has a BSP Consumer Protection link which includes infographics on how the Bank's Client Assistance Management System works:</p> <p>In addition to the published FCP materials in the official website, CPED also activated an awareness campaign that addresses our client's welfare in accordance with FCP circular and Data Privacy.</p> <p>Campaigns to inform our customers to be more aware on security measures for their accounts that the Bank implements and how they can protect their information not limited to their account transaction but also with their daily dealings that involves their personal information.</p> <p>Materials also were mirrored on the profile of our customers so that information retention will be easier.</p> <p>Link: https://www.pbcom.com.ph/about-us/customer-protection</p>	
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2. Company discloses its policies and practices that address supplier/contractor selection procedures	Compliant	<p>The Bank has existing internal references pertaining to supplier / contractor selection:</p> <ul style="list-style-type: none"> • Policies on: <ol style="list-style-type: none"> 1. Procurement Bidding 2. Managing Outsourced Services • Board-delegated approving authorities on: <ol style="list-style-type: none"> 3. Procurement, and Bidding Deviations 4. Outsourcing, and Accreditation Deviation • Detailed procedures on: <ol style="list-style-type: none"> 5. Conduct of Procurement 6. Conduct of Procurement Bidding 7. Vendor / Supplier Management, as amended by OB 2022-18-0008 8. Managing Outsourced / Third Party Services, as amended by OB 2022-18-0003 	
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ENCOURAGING EMPLOYEES' PARTICIPATIONS

Principle 15:
A mechanism for employee participation should be develop to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes

Recommendation 15.1

1. Board establishes policies, programs and procedures that	Compliant	The Bank recognizes the need to enhance employees' competencies and development at work through its training and development programs designed to bring out	
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encourage employees to actively participate in the realization of the company's goals and in its governance.		employees' full potential towards the realization of bank's goals. The Bank also has employee engagement programs in place which aim to motivate the employees to feel committed to the organization's goals and values and to foster camaraderie and goodwill between and among the employees.	
Supplement to Recommendation 15.1			
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	Compliant	The Bank has in place policies on salary administration and performance management resulting in commensurate and rational salary structure for the employees. <i>Source: Bank's Policies on Performance Policy and Salary Administration</i>	
2. Company has policies and practices on health, safety and welfare of its employees.	Compliant	The Bank provides health care program via the HMO that provides medical and hospitalization assistance to all employees. It also maintains a clinic within its premises to attend to the health needs of its employees in the workplace. <i>Refer also to Policy and Data Relating to Health, Safety and Welfare of Employees, including bank sponsored trainings</i> <i>Link: https://www.pbcom.com.ph/about-us/company-policies</i>	
3. Company has policies and practices on training and development of its employees.	Compliant	The Bank has existing policies in Training and Development which can be viewed in the PBCOM public folders Trainings are also disclosed in the published Annual Report <i>Link: https://www.pbcom.com.ph/about-us/annual-report</i>	
Recommendation 15.2			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	Compliant	PBCOM Code of Ethics/Code of Conduct: Receiving gifts and gratuities. Employees of PBCOM may not receive gifts, free travel, out-of-the-ordinary entertainment, or anything else of value in exchange for a favorable decision on bank-related matters. Normal hospitality and gifts of small value intended to generate ordinary goodwill are permitted as in travel to ordinary meetings. (a) An employee of PBCOM traveling on company business may accept the courtesy of free lodging in a client facility as long as it is properly noted in PBCOM's travel expense records. (b) Attempts to influence procurement decisions by way of any compensation, commission, kickback, paid vacation, special discount on a product or service, entertainment or any form of gift or gratuity must be firmly rejected by all employees. (c) Included within the scope of this prohibition is the acceptance by PBCOM employees	

		of money, property or services (e.g. free trips) from business associates who transact with the Bank. <i>Link: https://www.pbcom.com.ph/about-us/company-policies</i>	
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	Compliant	The Bank provides an Annual Training Plan covering Core, Regulatory, Professional, Leadership and Technical / Functional Trainings. It also offers a PBCOM Orientation for New Employees for all new hires. The policies and programs are shared with all employees and accessible through the Bank's public folders.	
Supplement to Recommendation 15.2			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	Compliant	Bank's Code of Ethics/Code of Conduct provides that every employee of the Bank must uphold the PBCOM First policy and always protect the interest of the Bank. Employee should avoid situations which would make it difficult for him to make decisions that would conflict with the interest of the Bank. Failure to do so shall constitute violations of this provision and shall subject the employee to disciplinary measures. <i>Link: https://www.pbcom.com.ph/about-us/code-business-conducts-and-ethic</i>	
Recommendation 15.3			
1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation	Compliant	The Bank has in place a policy on reporting suspected improprieties, malpractices or fraudulent activities, on reporting of crimes and losses and on handling of administrative cases. The Bank encourages and protects officers and staff who report possible improprieties or malpractices to persons or entities that have power to take corrective action. As such, retaliation for filing a good faith report is prohibited by the policy, and is cause for disciplinary action, up to and including termination. The guideline likewise discourages "witch-hunting" and filing of malicious and unwarranted or false information against another employee. Such actions shall be subjected to administrative sanctions in accordance with the Bank's Code of Conduct. Any employee who knows of or suspects improprieties, malpractices or fraudulent activity must promptly notify any of the following: <ul style="list-style-type: none"> • Chairman of the Audit Committee • Internal Audit Head • Any SMT Member • Head, HRG Labor Relations and Management Services • Immediate Supervisor 	
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit	Compliant	The existing policy encourages the employee to report directly to the Chairman of the Audit Committee (an Independent Director) at the below email address. <i>AuditCommittee@pbcom.com.ph</i>	

created to handle whistleblowing concerns.			
3. Board supervises and ensures the enforcement of the whistleblowing framework.	Compliant	The Bank has board-approved policies in place to ensure the enforcement of the whistleblowing framework. The existing policy encourages the employees to report directly to the Chairman of the Audit Committee (an Independent Director) at this e-mail address: AuditCommittee@pbcom.com.ph	

ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Principle 16:

The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

Recommendation 16.1

1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	Compliant	<p>PBCOM gives back to the community through the following initiatives:</p> <ol style="list-style-type: none"> 1. 2013 PBCOM Moves - PBCOM enjoined employees and stakeholders in rebuilding and rehabilitating Yolanda victims http://www.pbcom.com.ph/files/2013-annual-report.pdf 2. 2015 Donate Joy and Make a Difference - PBCOM employees to raise funds to support Children’s Joy Foundation Inc. to renovate their shelter house. http://www.pbcom.com.ph/news-article-039.html 3. 2016 Cup of Joy – continuing support of PBCOM employees to the less fortunate children of Children’s Joy Foundation Inc. http://www.pbcom.com.ph/files/2016%20PBCOM%20ANNUAL%20REPORT.pdf 4. 2017 Box of Joy – PBCOM employees raise funds to help rebuild Marawi. https://www.facebook.com/civildefensePH/posts/1659543990808090 5. 2018 Bed of Joy – PBCOM employees raise funds to buy additional beds for the shelter house of Children’s Joy Foundation Inc. https://www.facebook.com/PhilippineBankofCommunications/photos/a.381017995381080/1308418442641026/?type=3&theater 6. 2019 Mug of Joy – PBCOM employees raise funds to provide Temporary Learning Shelter to Mindanao Earthquake victims. Luayon Senior High School in Makilala, North Cotabato is the beneficiary. https://www.pbcom.com.ph/media-center/pbcom-funds-temporary-learning-shelters-mindanao 7. 2020 Ream of Joy – PBCOM employees contribute money to buy bond paper ream and photocopier to produce learning modules for Luayon Senior High School in Makilala, North Cotabato https://www.pbcom.com.ph/about-us/corporate-social-responsibility 8. 2021 Scent of Joy - PBCOM initiated an employee fundraising project called “Scent of Joy” where the bank sold hanging car diffuser scents to its employees. These diffuser scents are a product of La Liga Mariquina’s livelihood program made by the less privileged residents of the community. 	
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		<p>https://www.pbcom.com.ph/about-us/corporate-social-responsibility</p> <p>9. 2022 Strengthens partnership with La Liga Mariquina through their livelihood projects like candle making, basic baking, flower arrangement, dishwashing and powdered soap making, dimsum making to help the less privilege residents in Marikina and Rizal start their own business and improve their state of life.</p> <p>https://www.pbcom.com.ph/media-center/pbcom-strengthens-csr-program-thru-la-liqa-mariquina</p>	
Optional: Principle 16			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	Compliant	<p>It has been a yearly tradition of the Bank to help save the environment through the following initiatives</p> <ul style="list-style-type: none"> • 2016 Green Christmas – shared tips to employees on how they can go green and declutter by using recycled materials to decorate the office during the holiday season and launched Christmas décor contest using materials available in the office. • 2017 Ang Star ng Pasko – launched lantern making contest using recycled materials to declutter the office. • 2018 Happily Ever After – a Disney themed Christmas décor contest using recycled materials available in the office. • 2019 Bank ‘O Treat – Halloween décor contest using recycled materials available. • 2019 Santa’s Coming to Town – a Santa themed Christmas décor contest using recycled materials available in the office. • 2020 Maskquerade – a protective mask-making contest using recycled materials found at home. • 2021 PBCOM Goes Green – a long-term initiative of the Bank to be more environmentally conscious in its operations. In an effort to build an office culture that promotes environmental sustainability, this initiative aims to educate employees on the environmental • 2022 Vote for Earth - in line with PBCOM’s ongoing PBCOM goes GREEN campaign, the Bank joined the Tree Planting & Clean-up Program for the Marikina River Ecosystem called “Luntiag Marikina” initiated by La Liga Mariquina. 	
2. Company exerts effort to interact positively with the communities in which it operates	Compliant	<p>PBCOM helps build the community through education:</p> <ul style="list-style-type: none"> • 2014 to 2018, PBCOM conducts Fraud and Counterfeit Seminar nationwide - PBCOM branches invite retail client owners and their staff for a seminar on How to Detect Counterfeit Money and Cyber Fraud. 	

- 2017 Financial Literacy – PBCOM participated in the BSPs annual nationwide financial literacy campaign held at Seda Hotel in Davao City. The conference series, entitled “Gearing up for External Competitiveness, aims to promote market awareness of the benefits of hedging.
<https://www.pbcom.com.ph/sites/default/files/2018-08/2016%20PBCOM%20ANNUAL%20REPORT.pdf>
- 2018 Financial Education – released educational tips to its community in the PBCOM social media channel.
<https://www.facebook.com/PhilippineBankofCommunications/photos/a.381017995381080/1271149233034614/?type=3>
<https://www.facebook.com/PhilippineBankofCommunications/photos/a.381017995381080/1239545372861667/?type=3&theater>
<https://www.facebook.com/PhilippineBankofCommunications/photos/a.381017995381080/1214528785363326/?type=3&theater>
- 2019 Financial Literacy - PBCOM launched OPLAN IPON program last quarter of the year.
 - ✓ Conducted 4 small talks in-branch and costumer premises on how to save to with a total of 49 participants.
 - ✓ Oplan Ipon Challenge was rolled-out to support the talks. Participants are encouraged to join this challenge to save P6000 for 6 months at P1000 per month. To encourage participation, freebies are given away every time they deposit.
 - ✓ Released regular saving tips in Facebook.
- 2020 Financial Literary - Continue lectures on how to save under Oplan Ipon program. Rolled-out 14 seminars nationwide with a total of 578 participants before the pandemic. During the pandemic, the program focuses on regular releases on how to save in Facebook and website.
<https://www.pbcom.com.ph/article/pbcomoplanipon-saving-tips>
<https://www.pbcom.com.ph/article/pbcomipontip-no-1-umiwas-sa-softdrinks>
<https://www.pbcom.com.ph/article/oplan-ipon-smart-ba-ang-ipongoals-mo>
<https://www.pbcom.com.ph/article/oplan-ipon-wants-vs-needs>
<https://www.pbcom.com.ph/article/oplan-ipon-ang-tamang-paraan-ng-pag-iipon>

		<p>https://www.pbcom.com.ph/article/oplan-ipon-maliit-na-bagay-malayo-ang-mararating</p> <p>https://www.pbcom.com.ph/article/oplan-ipon-kung-walang-itinanim-walang-aanihin</p> <ul style="list-style-type: none">• 2021 Financial Education - Continued financial education initiatives thru posting of several articles related to basic finance handling and consumer-friendly banking education. https://www.pbcom.com.ph/basic-page/phoebe-stories• 2022 Financial Education - Continued financial education initiatives thru posting of several articles related to basic finance handling and consumer-friendly banking education in Facebook. https://www.pbcom.com.ph/basic-page/phoebe-stories	
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Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on 12 May 2023.

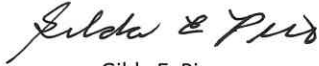
SIGNATURES



Eric O. Recto
Chairman of the Board



Patricia May T. Siy
President & CEO



Gilda E. Pico
Independent Director & Chairman Governance Committee




Emmanuel Y. Mendoza
Independent Director



Conrado A. Gloria, Jr.
Independent Director



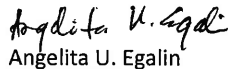
Stephen Anthony T. CuUnjieng
Independent Director



Teresita J. Herbosa
Independent Director



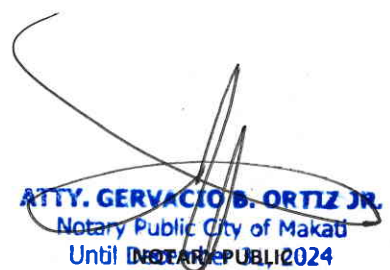
Michael Stephen H. Lao
Corporate Secretary



Angelita U. Egalin
Chief Compliance Officer

SUBSCRIBED AND SWORN to before me this 12 day of **MAY 12 2023** 2023, affiant(s) exhibiting to me their TIN, as follows:

NAME/NO.	TIN No./ID no.
Eric O. Recto	108-730-891
Patricia May T. Siy	131-483-846
Gilda E. Pico	112-411-729
Emmanuel Y. Mendoza	102-092-096
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Stephen Anthony T. CuUnjieng	123-371-417
Teresita J. Herbosa	125-673-135
Michael Stephen H. Lao	P2038491B
Angelita U. Egalin	122-820-838



ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until ~~December 31, 2024~~
IBP No. 05729-Lifetime Member
MCLE Compliance No. VII-0022734
valid until April 14, 2025
Appointment No. M-39 (2023-2024)
PTR No. 9563522 Jan. 3, 2023/ Makati
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

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