

GOVERNANCE COMMITTEE CHARTER

Purpose and Objective

1. The Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. It shall review and evaluate the qualifications of all persons nominated to the board as well as those nominated to other positions requiring appointment by the board of directors.
2. The Committee assists the Board of Directors in its oversight of the Bank's compliance with legal and regulatory requirements, the Bank's Compliance Function and the performance of the Chief Compliance Officer and the Compliance Management Group.

Membership

1. The Governance Committee shall be composed of at least three (3) members of the Board of Directors, who shall be all non-executive directors, majority of whom shall be independent directors, including the chairperson.
2. The Board of Directors shall duly appoint the members of the Committee.

Duties and Responsibilities

The Committee shall be responsible for ensuring the Board's effectiveness and due observance of Corporate Governance principles and guidelines. It shall assist the board of directors in fulfilling its corporate governance responsibilities. In this regard, the Corporate Governance Committee shall:

1. *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 shall recommend to the board of directors matters pertaining to the assignment to board committees as well as succession plan for the members of the board of directors and senior management.

2. *Oversee the continuing education program for the board of directors.*

The committee shall ensure allocation of sufficient time, budget and other resources for the continuing education of directors, and draw on external expertise as needed.

The committee shall establish and ensure effective implementation of policy for on-boarding/orientation program for first time directors and annual continuing education for all directors.

3. *Oversee the performance evaluation process.*

The committee shall oversee the periodic evaluation of contribution and performance (e.g., competence, candor, attendance, preparedness and participation) of the board of directors, board-level committees, and senior management. Internal guidelines shall be adopted that address the competing time commitments of directors serving on multiple boards.

4. *Oversee the design and operation of the remuneration and other incentives policy.*

The committee shall ensure that the remuneration and other incentives policy is aligned with operating and risk culture as well as with the strategic and financial interest of PBCOM, promotes good performance and conveys acceptable risk-taking behavior defined under its Code of Ethics, and complies with legal and regulatory requirements. It shall work closely with the Bank's risk oversight committee in evaluating the incentives created by the remuneration system. In particular, the risk oversight committee shall examine whether incentives provided by the remuneration system take into consideration risk, capital, and the likelihood and timing of earnings. Moreover, it shall monitor and review the remuneration and other incentives policy including plans, processes and outcomes to ensure that it operates and achieves

6. The Committee shall develop and recommend amendments to the Articles of Incorporation and By-Laws as well as the set of guiding corporate governance principles, policies and best practices including but not limited to:

- Size of the Board (number of members)
- Criteria for Membership (e.g. Qualifications, Stock Ownership, diversity)
- Retirement Age of Members
- Mix of Management and Independent Directors
- Conflicts of Interest
- Compensation and benefits of managing and non-managing members of the Board, Senior Management
- Structure and charter of Board Committees
- Rotation of Committee members and chairs
- Performance Evaluation of CEO and the members of the Board
- Succession Planning and Senior Management Directors Development

7. The Governance Committee shall oversee the Compliance System and shall be responsible in the:

- Review and monitoring of the effectiveness of the Compliance Function Approval and monitoring of the Annual Compliance Program
- Approval of any revisions/updates to the Compliance Policies Procedures Manual (Corporate Governance; Compliance Program; Money Laundering Prevention Program)
- Review and monitoring of the Bank's replies to BSP's Report of Examination (ROE)
- Monitoring of actions/implementation of commitment to the ROE

8. The Governance Committee is the mother group for the following sub-committees:

➤ **Nomination Sub-Committee**

Taking into account such relevant factors 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.

➤ **Compensation and Remuneration Sub-Committee**

Based on the needs of the business to attract the best talents to help it accomplish its objectives and guided by periodic benchmarking with practices/offers of other leading financial institutions, the Compensation and Remuneration Sub-Committee shall recommend and oversee implementation of the program of salaries and benefits for Directors and senior management; the sub-committee shall monitor adequacy, effectiveness and consistency of compensation program vis-a-vis corporate philosophy and strategy.

➤ **Performance Evaluation Sub-Committee**

The Performance Evaluation Sub-Committee shall recommend and oversee the implementation of a Performance Management Process for Senior Management and the Members of the Board: review Performance vis-a-vis agreed upon objectives, evaluate progress made with respect to Senior Management Directors Development plans, monitor changes in professional affiliations, personal status even health, which could have qualifications, resignation and succession implications.

Meetings

1. The Committee shall meet every two months or whenever necessary to discuss, agree and prepare II consolidated reports on recommendations from its sub-committees. It shall prepare/distribute minutes and make other regular reports to the Board.
2. Annually, it shall review and assess the adequacy of its own/sub-committees' charters and its overall performance then recommend changes for the approval of the Board when and where necessary.