

CORPORATE GOVERNANCE

RAISING THE STANDARD IN GOVERNANCE



The Board and its Management believe that corporate governance is necessary component of what constitutes sound business management and therefore undertake every effort necessary to create awareness within the Bank.



BOARD GOVERNANCE

The Board of the Bank represents the owners' interests in the Bank's objective to sustainably increase shareholder value and to ensure the long term success of the business. The Board is actively responsible in ensuring that the Bank is properly managed in attaining this objective. In addition to fulfilling the Board's obligations for increased shareholder value, it also has the responsibility to protect the interests of other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates. The Board is primarily responsible for the observance of governance, including business and risk strategies, organization and financial soundness of the Bank. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent checking and effective oversight of the Management.

Composition of the Board

The Board is composed of 11 members elected by the stockholders. All members of the Board are Filipinos and possess all the qualifications and none of the disqualifications to hold a directorship as prescribed under the Corporation Code and existing rules and regulations of the Bangko Sentral ng Pilipinas (BSP) and Securities and Exchange Commission (SEC). They all passed the fit and proper test for the position of director of the Bank, taking into account their integrity and probity, physical and mental fitness, competence, relevant education,

financial literacy and training, diligence and knowledge and expertise. They are known for their independence and professionalism, and for making decisions with complete fidelity to the Bank while cognizant of their responsibilities under existing applicable laws, rules and regulations.

The Board is composed of three (3) types of directors: executive, non-executive and independent directors. Five (5) of the members are independent; two (2) are executive and the rest are non-executive directors. Majority of the membership of the Board is composed of independent and non-executive directors.

The five (5) independent directors (ID) are independent of Management are free from any business or other relationship which could or could reasonably be perceived to materially interfere with their exercise of independent judgement in carrying out their responsibilities as a director. They hold no interest or relationship with the Bank that may hinder their independence from the Bank of Management or will interfere with the exercise of independent judgment in fulfilling their responsibilities. They are compliant with all the qualifications required of an independent director and none of the disqualifications as provided in the MORB. An independent director only serves as such for a minimum cumulative term of nine (9) years reckoned from the time of his election but or 2012, whichever is later; after which he shall be perpetually barred from serving as independent director but may continue to serve as a regular director.



The executive directors are either part of the Senior Management (i.e., President) or have a hand in the day-to-day operation (being a member of a management committee).

Non-executive members of the Board are those who are not part of the day-to-day management of banking operations. A sufficient number of qualified non-executive members have been elected to promote the independence of the Board from views of the Senior Management.

There was no change in composition of the Board of Directors for the year.

CORPORATE SECRETARY

The Bank's Corporate Secretary assists the Board in its duties and responsibilities primarily to the corporation and its shareholders. His duties and responsibilities, among others, include assistance to the Board and the Board committees 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 its committees to set agendas for these meetings; safekeeps and preserves the integrity of the minutes of the Board and its committees, as well as other documents such as corporate seal, stock certificates, stock and transfer books, records, documents and papers of the Bank. Prepare ballots of annual election and keep a complete and updates list of the stockholders and their addresses. Keep abreast with on relevant laws, all governance issuances, relevant

industry developments and operations of the Bank, and advises the Board and the Chairman relevant issues as may arise. The Bank also makes sure that the Corporate Secretary annually attends relevant trainings on corporate governance and other related topics.

CHAIRMAN OF THE BOARD

The Chairman of the Board ensures that the meetings of the Board are held in accordance with the by-laws; makes certain that the meeting agenda focus on the strategic matters, including all the overall risk appetite of the bank; and guarantees that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable to make sound decisions. Likewise, the Chairman makes sure that performance of the Board is evaluated at least once a year and discussed/followed-up on.

BOARD MEETINGS AND SUPPLY OF INFORMATION

As provided for in the Bank's By-Laws, the Board schedules and holds regular monthly meetings and convenes special meetings when necessary. The Corporate Secretary provides the directors the notice, agenda and meeting materials prior to each meeting. Proceedings of the meeting are properly documented and duly minuted.

In accordance the rules and regulations of the SEC and BSP, the members of the Board attend regular and/or special meetings in person or through teleconferencing and video conferencing which allows the directors to actively participate in the deliberations or matters taken. The Board ensures availability of teleconferencing

facilities if and when a director cannot physically attend the meetings by submitting written comments on the agenda to the Corporate Secretary and the Chairman prior to the meeting pursuant to Section 132 of the MORB.

In 2019, all members of the Board have substantially complied with the attendance requirement and actively participated in the deliberations on matters taken up during the regular and/or special meetings.



BOARD COMMITTEES

In order to increase efficiency and gain deeper focus in specific areas, the Board has created committees, which are relative and consistent to the size, complexity of operations, long term strategies and risk tolerance level of the Bank. The scope, authority and responsibility of these committees are defined in their respective board-approved charter which is subject to regular review and updated at least annually or whenever there are significant changes.

The Board has appointed the members of the Committees taking into account the optimal mix of skills and experience which would allow them to fully understand, be critical and objectively evaluate the issues discussed in the different committees. To promote objectivity, the Board has appointed independent directors and non-executive directors to the greatest extent possible and ensure that such mix will not impair the collective skills, experience and effectiveness of the committees. Each of these committees maintains appropriate records (e.g. minutes of meetings) of their deliberations and decisions, subject to the notation and/or confirmation of the Board. The records document the committees' fulfillment of their responsibilities and facilitate the assessment of the effective performance of their functions which is regularly and periodically conducted.

The Board has established and delegated responsibilities to seven committees, namely: the Executive Committee, the Corporate Governance Committee, the Risk Oversight Committee, the Audit Committee, the Trust Committee, the Related Party Transactions Committee and the IT Steering Committee.

BOARD MEETINGS ATTENDED

LANCE Y. GOKONGWEI	10/15	66%
FREDERICK D. GO	14/15	93%
ELFREN ANTONIO S. SARTE	14/15	93%
ROBINA Y. GOKONGWEI-PE	15/15	100%
PATRICK HENRY C. GO	14/15	93%
OMAR BYRON T. MIER	14/15	93%
ANGELES Z. LORAYES (ID)	15/15	100%
HERMOGENES S. ROXAS (ID)	14/15	93%
ESPERANZA S. OSMEÑA (ID)	14/15	93%
DAVID C. MERCADO (ID)	15/15	100%
ROBERTO S. GAERLAN (ID)	15/15	100%

1. Executive Committee

The Bank's Executive Committee has been created as the highest credit approving body of the Bank after the Board. The Committee provides the necessary approvals for applications, deviations and other loan transactions. Resolutions of the Committee may be overruled only by the Board.

The Executive Committee provides decisions regarding applications for critical loan accounts and deviations that require careful deliberation. Approvals made are in compliance with internal policies and those required under existing laws, rules and regulations. Decisions made are influenced by the latest profitability and delinquency figures of an account or loan product.

In particular, the Committee oversees the development and implementation of corporate governance principles and policies, reviews and evaluates the qualifications of the persons nominated to the Board as well as those nominated for election to other positions requiring appointment by the Board, decides the manner by which the Board's performance is evaluated and assists the Board in the periodic performance evaluation of the Board and its committees and executive management, and oversees the development and implementation of professional development programs for directors and officers.

The Committee is composed of five members, three of whom are independent directors including the Chairperson and Vice-Chairperson. The Committee holds regular meetings and may call for special meetings as deemed necessary. To properly evaluate its performance, the Committee meetings are properly and duly minuted.



3. Risk Oversight Committee

To aid the Board in efficiently carrying out its function on risk management, it created the Risk Management Committee. This committee oversees the development and oversight of the Bank's risk management program including Trust Group and ensures an acceptable level of risk while minimizing losses. The Committee oversees the system of limits to discretionary authority that the Board delegates to management, supervises the system and ensures its effectiveness, provides and set limits and ensures that these are properly observed and that immediate corrective actions are taken should breaches occur.

them to develop appropriate strategies for preventing more losses when they occur. The committee members meet regularly and may call for special meetings whenever necessary.

“This committee oversees the development and oversight of the Bank's risk management program including Trust Group and ensures an acceptable level of risk while minimizing losses.”

The Board has appointed five members of the Committee who possess a broad-range of expertise as well as adequate knowledge of the Bank's risk exposures which enables

EXECUTIVE COMMITTEE MEETINGS ATTENDED

LANCE Y. GOKONGWEI	44/45	98%
FREDERICK D. GO	44/45	98%
ELFREN ANTONIO S. SARTE	42/45	93%
OMAR BYRON T. MIER	43/45	96%

CORPORATE GOVERNANCE COMMITTEE MEETINGS ATTENDED

ROBERTO S. GAERLAN (ID)	6/6	100%
<i>(elected as member during the Organizational Meeting on June 26, 2019)</i>		
ANGELES Z. LORAYES (ID)	12/12	100%
ESPERANZA S. OSMEÑA (ID)	11/12	92%
PATRICK HENRY C. GO	12/12	100%
OMAR BYRON T. MIER	11/12	92%
HERMOGENES S. ROXAS (ID)	5/6	83%
<i>(replaced as member during the Organizational Meeting on June 26, 2019)</i>		

RISK OVERSIGHT COMMITTEE MEETINGS ATTENDED

ESPERANZA S. OSMEÑA (ID)	12/12	100%
ROBERTO S. GAERLAN (ID)	12/12	100%
DAVID C. MERCADO (ID)	12/12	100%
ELFREN ANTONIO S. SARTE	11/12	92%
OMAR BYRON T. MIER	12/12	100%

4. Audit Committee

The Board has constituted an Audit Committee to provide oversight over the Bank's financial reporting policies, practices and control, and internal and external audit functions. In particular, the Committee aids the Board in monitoring and evaluating the adequacy, effectiveness, and efficiency of the Bank's internal controls system. Further, the Committee assists the Board in fulfilling its oversight responsibilities with regard to the integrity of the Bank's financial reporting process, the independence and performance of the Bank's external and internal auditors, the compliance to corporate governance policies and guidelines, and the Bank's compliance with regulatory requirements.

“The Board has constituted an Audit Committee to provide oversight over the Bank's financial reporting policies, practices and control, and internal and external audit functions. In particular, the Committee aids the Board in monitoring and evaluating the adequacy, effectiveness, and efficiency of the Bank's internal controls system.”

To carry-out its mandate, the Committee has explicit authority to investigate any matter within its terms of reference, full access and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.

As prescribed under existing rules and regulations, the Committee is composed of, to the greatest extent possible, sufficient number of independent and non-executive board members. All members of the Committee, including the Chairperson who is an ID, possess the required qualifications and none of the disqualifications. The Committee holds regular meetings and may call special meetings upon the request of the Chairperson or by at least two of its members, which proceedings are duly minuted.



5. Trust Committee

The Trust Committee provides the overall direction and guidelines in the conduct of the Trust business, reviews plans for new investments, trust products and business development, and conducts assessment of Trust and Investments Group's performance and operational effectiveness.



6. Related Party Transactions Committee

Pursuant to existing rules and regulations on related party transactions issued by the BSP, the Board created a Related Party Transactions Committee. This stems from the recognition of management that the Bank engages in transactions between and among related parties, which brings a need to exercise appropriate oversight and implement control systems for managing said exposures as these may potentially lead to conflict of interests if not abuses that are disadvantageous to the Bank and its depositors, creditors, and other stakeholders.

The Committee supports the Board in the exercise of appropriate oversight and implements a control system for

managing exposures to related parties. It assists the Board in ensuring that transactions with related parties are handled in a sound and prudent manner and in compliance with applicable laws, rules and regulations to protect the interest of its depositors, creditors, and other stakeholders.

In particular, the Committee identifies related parties and monitors their transactions, evaluates related party transactions which are classified material and endorse the same to the Board for approval, ensures disclosure and reporting of related party transactions and oversees the implementation of a system to facilitate its functions as well as the development and periodic review of policies and procedures for related party transactions.

The Committee is composed of four members of the Board who are all independent directors. In case a member has a conflict of interest in a particular transaction, he should refrain from evaluating that particular transaction. The Chief Compliance Officer and Chief Audit Officer and/or their representatives including an executive director sit as resource persons in the said Committee.





7. IT Steering Committee

In compliance with BSP Circular 808, the Board has created the Information Technology Steering Committee which oversees a safe, sound, controlled and efficient information technology operating environment that supports the Bank’s goals and objectives. In particular, the Committee, among others: reviews and monitors the performance of all IT projects; reviews the Bank’s current IT infrastructure, system performance, associated risks and other significant issues and events and institutes appropriate actions to achieve the desired results; monitors and evaluates the performance of third party service providers on all information technology initiatives subject of the service contract; and reports to the Board relevant and adequate information regarding IT performance, status of major IT projects and significant issues affecting the Bank’s IT operations.

“The Committee, among others: reviews and monitors the performance of all IT projects; reviews the Bank’s current IT infrastructure, system performance”

The Committee is chaired by a non-executive and independent director, assisted by the Head of IT Group as Vice-Chairperson and executive officers of the Bank. The

heads of Audit, Risk and Compliance are also invited in the regular and/or special meetings of the Committee as resource persons.

IT STEERING COMMITTEE MEMBERS

DAVID C. MERCADO (ID)	6/6	100%
<i>(replaced as Chairman during the Organizational Meeting on June 26, 2019)</i>		
ELFREN ANTONIO S. SARTE	6/6	100%
<i>(replaced as member during the Organizational Meeting on June 26, 2019)</i>		
HERMOGENES S. ROXAS (ID)	6/6	100%
<i>(elected as Chairman during the Organizational Meeting on June 26, 2019)</i>		
OMAR BYRON T. MIER	6/6	100%
<i>(elected as Vice-Chairman during the Organizational Meeting on June 26, 2019)</i>		
ANGELITO V. EVANGELISTA	12/12	100%
ERIC C. MACALINTAL	12/12	100%
AGNES A. SALVADOR	6/6	100%
<i>(replaced as member during the Organizational Meeting on June 26, 2019)</i>		
IRMA D. VELASCO	3/6	50%
<i>(replaced as member during the Organizational Meeting on June 26, 2019)</i>		
RAMON EDUARDO E. ABASOLO	5/6	83%
<i>(replaced as member during the Organizational Meeting on June 26, 2019)</i>		



CORPORATE SECRETARY

The Bank’s Corporate Secretary, who is a separate individual from its Compliance Officer, assists the Board in its duties and is responsible primarily to the corporation and its shareholders. His duties and responsibilities, among others, include assistance to the Board and the board committees 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 its committees to set agendas for those meetings; Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well other documents such as the corporate seal, stock certificates, stock and transfer books, records, documents and papers of the Bank; Prepare ballots for annual elections and keep a complete and up-dated list of the stockholders and their addresses; Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise. The Bank also makes sure that the Corporate Secretary annually attends relevant trainings on corporate governance and other related topics. Presently, the Bank’s Chief Legal Counsel is its concurrent Corporate Secretary.



BOARD TRAINING

In accordance with the Corporate Governance Manual and Subsection X141.3 of the MORB, the Corporate Governance Committee is responsible for making recommendations to the Board on the required trainings and continuing education of the directors. Relative thereto, members of the Board have attended the required corporate governance seminar for bank directors at BSP-accredited training providers, a pre-requisite for Monetary Board confirmation. These include topics on risk and governance, audit and control, and accountability. The members of the Board and members of the Senior Management regularly



SELECTION PROCESS FOR BOARD AND SENIOR MANAGEMENT

The Bank has transparent procedure for the nomination and election of directors to the Board. Shareholders regularly nominate candidates who shall be evaluated based on qualifications provided under the MORB and a pool of candidates is formed. The eleven (11) board seats shall be filled through an election from the pool of candidates.



PRESIDENT & CEO EVALUATION

The performance of the President and CEO is evaluated as a member of the Board and Senior Management where the results are discussed and approved by the Corporate Governance Committee and confirmed by the board.



BOARD AND COMMITTEE PERFORMANCE EVALUATION

Annual performance evaluation of the Board and board committees. Performance evaluation is through a Peer Assessment Questionnaire being accomplished by the Directors of their fellow Directors and, for members of the different board committees to assess the performance of the committee pursuant to their mandates.



EDUCATION AND TRAINING

In accordance with Corporate Governance Manual and Section 132 of the MORB, the Corporate Governance Committee is responsible for making recommendations to the Board on the required trainings and continuing education of the directors. Relative thereto, members of the Board are required to attend seminar on corporate governance for bank directors from a BSP-accredited training provider upon assumption of the position. The



members of the Senior Management likewise regularly attend seminars on corporate governance, Anti-Money Laundering laws and regulations and risk management for updates in these areas.

“Members of the Board are required to attend seminar on corporate governance for bank directors from a BSP accredited training provider upon assumption of the position.”

The Bank is committed to continually strengthen its compliance culture through education and training. The Compliance Group, in coordination with HRMG Training Department regularly conducts briefings to employees to raise the level of awareness and understanding of the principles, concepts, and elements of good corporate governance and compliance. All new employees of the Bank undergo basic orientation on Compliance System, Anti-Money Laundering (AML), Risk Awareness, Information Security, Data Privacy and Corporate Governance. Refresher courses on these topics are annually given to all employees. In addition, tidbits and bulletins are also sent out to all employees as reminders of critical areas on these mandatory topics.



COMPENSATION POLICY

The Board of Directors compensation is a fee or per diem in an amount as may be determined by the Board which shall be paid to each director for attendance to any meeting of the Board, subject to the approval of the stockholders; provided, however, that nothing herein contained shall be construed to preclude any directors from serving in any capacity and receiving compensation therefor. The Board, as may be delegated by the stockholder, shall fix the compensation and other remunerations. Pursuant to a delegated authority, the Board may fix the compensation and other remuneration of any Director of any other officer of the Bank should they be designated to perform executive functions or any special service to the Bank. In no case shall the total yearly compensation of directors, as such directors, exceed ten percent (10%) of the net income before income tax of the Bank during the preceding year.

The Bank's Senior Management and Key Executive remuneration program encourages the attraction and retention of high caliber professionals possessing the required experience and capabilities to drive success of the business. The compensation structure is designed to be at par with the prevailing banking industry rates. Consistent with the Bank's principle of pay for performance or meritocracy and Remuneration Policy, the Board-approved compensation and BSP approved fringe benefit program consists of car plan, various types of leave benefits, allowances and financial assistance in the form of employee loans, are provided to Senior Management

and Key Executives. The health and well-being of Senior Management and Executives are likewise given importance as their Group Hospitalization Plan/HMO provides for extensive Executive Check-up Packages.

Granting of compensation agreements/offer, recommendations for annual merit increases and promotion increases, variable bonuses are approved by the Chairman of the Board.



REMUNERATION POLICY FOR EMPLOYEES

The Bank's employees compensation structure is designed to be at par with the prevailing banking industry rates. The compensation package is composed of guaranteed compensation, inclusive of statutory and company-initiated bonuses and variable monetary benefits based on the performance for a particular year. It's policy is pay for performance or meritocracy, highlighted by a competitive salary scale, annual merit increase and employee promotion which are hinged on employee performance and attainment of the Bank's Key Indicators. On top of the regular compensation, certain sales personnel are provided with the variable compensation scheme based on their achievement of the defined targets and their contributions to the Bank's objectives. Competitive fringe benefit programs such as various types of leave benefits, uniform

“The compensation package is composed of guaranteed compensation, inclusive of statutory and company-initiated bonuses and variable monetary benefits based on performance”



RETIREMENT AND SUCCESSION POLICY

Except for independent directors who are subject to maximum term limit to remain so, directors may remain on the Board for as long as he/she remains to be physically and mentally fit and proper for the position of director, able to discharge his duties pursuant to regulatory requirements for banks. For succession, replacement or vacancy, the Bank's by-Laws provide that vacancies in the Board may be filled by appointment or election of the remaining directors, if still constituting a quorum; otherwise, the stockholders shall fill such vacancy in a regular or special meeting called for this purpose.

Members of the Senior Management are covered by the Bank's Multi-Employer Retirement Plan under its parent company JG Summit; it is a non-contributory defined benefit plan covering all regular and permanent employees of the conglomerate. The Retirement Policy covers compulsory, early retirement as well as resignation payment schemes for qualified employees based on set criteria.

The Bank has a Succession Management Program for Senior Management whereby high potential candidates from critical functions were identified by the incumbent officers and, in coordination with the Human Resources Management Group, came up with an Individual Development Plan to prepare such candidates to take on the critical positions in case of vacancies. The development plan is updated annually.



RELATED PARTY TRANSACTIONS

In compliance with BSP Circular 895, as amended, the Bank has created a Related Party Transactions (RPT) Committee that supports the Board in managing exposures to related parties. Under its policy, the Bank defined related parties to include directors, officers, stockholders, or related interests (DOSRI) of the Bank and their close family members. It also includes corresponding persons in affiliated companies, subsidiaries and affiliates, any party that the Bank exerts control over the Bank, and such other entity whose interest may pose potential conflict with the interest of the Bank.

The Committee evaluates material RPTs to ensure that these are not undertaken on more favourable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties that similar transactions with non-related parties are 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.

All material RPTs are evaluated and endorsed by the Committee to the Board for approval. Refer to the Notes to Financial Statements for the Bank's related party transactions.

SELF-ASSESSMENT FUNCTIONS:



COMPLIANCE SYSTEM

The BSP issued Circular No. 747 - Revised Compliance Framework for Banks as amended by Circular No. 972, in order to actively promote the safety and soundness of the Philippine Banking System through an enabling policy and oversight environment. Such an environment is governed by the high standards and accepted practices of good corporate governance as collectively designed by the BSP and its supervised institutions. Towards this end, a

robust, dynamically responsive and distinctly appropriate Compliance Risk Management System has been put in place as an integral component of the Bank's culture and risk governance framework. In this respect, it is the responsibility and shared accountability of all personnel, officers, and the board of directors.

“Towards this end, a robust, dynamically-responsive and distinctly-appropriate Compliance Risk Management System has been put in place as an integral component of the Bank’s culture and risk governance framework.”

Part of the Compliance Risk Management System is the Bank's strong compliance infrastructure. The Board of Directors, through the Corporate Governance Committee, exercises oversight implementation of compliance policy, ensuring policies and procedures are followed and corrective actions are taken by the management to address breaches, failures and control deficiencies identified. In its effort to address compliance risk effectively, the Board established the Compliance function and appointed a Chief Compliance Officer who is the lead operating officer on compliance

The Senior Management sees to it that applicable law and regulations are complied with and, through the Chief Compliance Officer, render periodic reporting of compliance issues that the Bank is beset with. As Bank employee, everyone should conduct business activities in adherence to high standards of honesty and integrity and shall abide by the laws, regulations, rules, standards and codes of conduct and good governance applicable to our banking activities. This may cover observing market rules, managing conflict of interest, proper accounting and recording, applying



best practices, compliance with tax laws, developing new products and electronic delivery channels, providing e-banking services and may also include specific areas such as prevention of money laundering and terrorist financing.

The Bank's Compliance Risk Management System is anchored on a program that ensures proper dissemination of laws, rules and regulation, self-assessment of compliance therewith, validation of self-assessment and monitoring to ensure that all are compliant therewith. The Compliance Group disseminates laws, rules and regulations, including revisions or updates thereon, which are affecting the different operational areas of the Bank. The different business units conduct periodic self-assessment of its compliance of their compliance with relevant laws, rules and regulations through the Compliance Self-Assessment Checklist. Results of the self-assessment shall then be validated by an independent testing conducted by the Compliance Group. Any exceptions found in the self-assessment as well as the independent testing are then properly reported to the Corporate Governance Committee and subject of close monitoring to ensure they are properly addressed to be compliant with laws, rules and regulations. The compliance program is subject to review and revision as maybe necessary to be updated with new issuances and depending on its effectiveness to achieving excellent compliance and monitoring of compliance risks.



MONEY LAUNDERING AND TERRORIST FINANCING PREVENTION PROGRAM

As approved by the Board and as required by BSP, the Bank implements a program to combat money laundering and terrorist financing. The Program has been issued and is regularly updated to comply with RA No. 9160, as amended, BSP Circular No. 1022 and other policies of the State. The Program is intended to protect the integrity and confidentiality of the accounts of the clients, and ensure that the Bank is not used as money laundering site for the proceeds of any unlawful activities, taking into consideration best practices to combat terrorist financing.

The Program has been developed to disseminate information which will help the employees understand and prevent money laundering activities, detect and report suspicious transactions and know better the Bank's customers, understand the penalties of noncompliance; take the required AML training for responsible officers and personnel of the Bank; satisfy legal and ethical responsibilities with a minimal adverse impact on the Bank's overall daily business responsibilities and performance goals. Moreover, the Program has been promulgated to protect the Bank as well as its employee's interests.



Laws governing secrecy on bank deposits have been strictly complied with by the Bank when implementing procedures related to combating money laundering and terrorist financing. The Program provides guidance in complying with the Anti-Money Laundering Law as well as other applicable regulations without violating relevant laws and without losing legitimate business or clients in the process.

INTERNAL CONTROL AND AUDIT

The Bank has implemented its internal control processes which are designed and effected by its Board of Directors, Senior Management and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations, reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, supervisory requirements and the Bank's policies and procedures.

The Bank put in place an adequate and effective internal control framework for the conduct of its business taking into account the size, risk profile and complexity operations. The

framework embodies management oversight and control culture, risk recognition and assessment, control activities; information and communication; and monitoring activities and correcting deficiencies.

“The Bank put in place an adequate and effective internal control framework for the conduct of its business taking into account the size, risk profile and complexity operations.”

The control environment of the Bank consists of: (a) the Board which ensures that the Bank is properly and effectively managed and supervised; (b) Management that actively manages and operates the Bank in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management support systems; and (d) an

independent audit mechanism to monitor the accuracy and effectiveness of the Bank's governance, operations and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets and compliance with laws, rules and regulations and contracts.

The Bank has an internal audit system that reasonably assures the Board, Management and stockholders that the Bank's key organizational and operational controls are faithfully complied with. The Board appointed an Internal Auditor to perform the function, and required the Auditor to report to the Audit Committee, a board-level committee, which allows the internal audit activity to fulfill its mandate. The Internal Auditor is guided by the International Standards on Professional Practice of Internal Auditing and existing laws, rules and regulations. With the Board appointment, the Chief Audit Officer oversees the implementation of the internal audit system.

management of their respective duties and responsibilities to stockholders and other stakeholders. The Manual is periodically reviewed with the objective of continually aligning the Bank's policies with the BSP and SEC circulars or issuance on corporate governance including best practices issued by the Basel Committee on Banking Supervision. This ensures that the stockholders, directors, officers and employees are aware of their responsibilities and the business of the Bank is conducted in a safe and sound manner.

CODE OF ETHICS AND POLICY ON CONFLICT OF INTEREST

The Bank's Code of Conduct for Employees exists to develop and maintain a level of conduct that is in accordance with the Bank's standards. The Code is implemented by the Human Resources and Management Group. Copies of the Code of Conduct are given to employees upon hiring, while seminars are conducted regularly to further expound on the subject.

OTHER GOVERNANCE POLICIES

WHISTLEBLOWING

Employees of the Bank are encouraged to perform the duty of disclosing to their immediate superior the existing or potential violations and wrongdoings that they are or may become aware of. The Bank's Policy on Timely Reporting of Concerns and incidents, otherwise known as the Whistleblowing Policy, serves as a guide for all employees for reporting matters that breach integrity and the Bank's Code of Conduct.

CORPORATE GOVERNANCE MANUAL

The Board adopted a corporate governance framework or the Corporate Governance Manual (Manual) that embodies the rules, systems and processes in the Bank. The framework governs the performance of the Board and

“Copies of the Code of Conduct are given to employees upon hiring, while seminars are conducted regularly to further expound on the subject”

DIVIDEND POLICY

Subject to the provisions of the Bank's by-laws and the resolution of the Bank's Board, dividends may be declared annually. The Board, however, may only declare dividends out of its surplus profits or unrestricted retained earnings after making due provisions for the necessary reserves (losses and bad debts) in accordance with the Corporation Code, Securities Regulation Code, General Banking Law, MORB, and all regulations and circulars issued by the BSP.

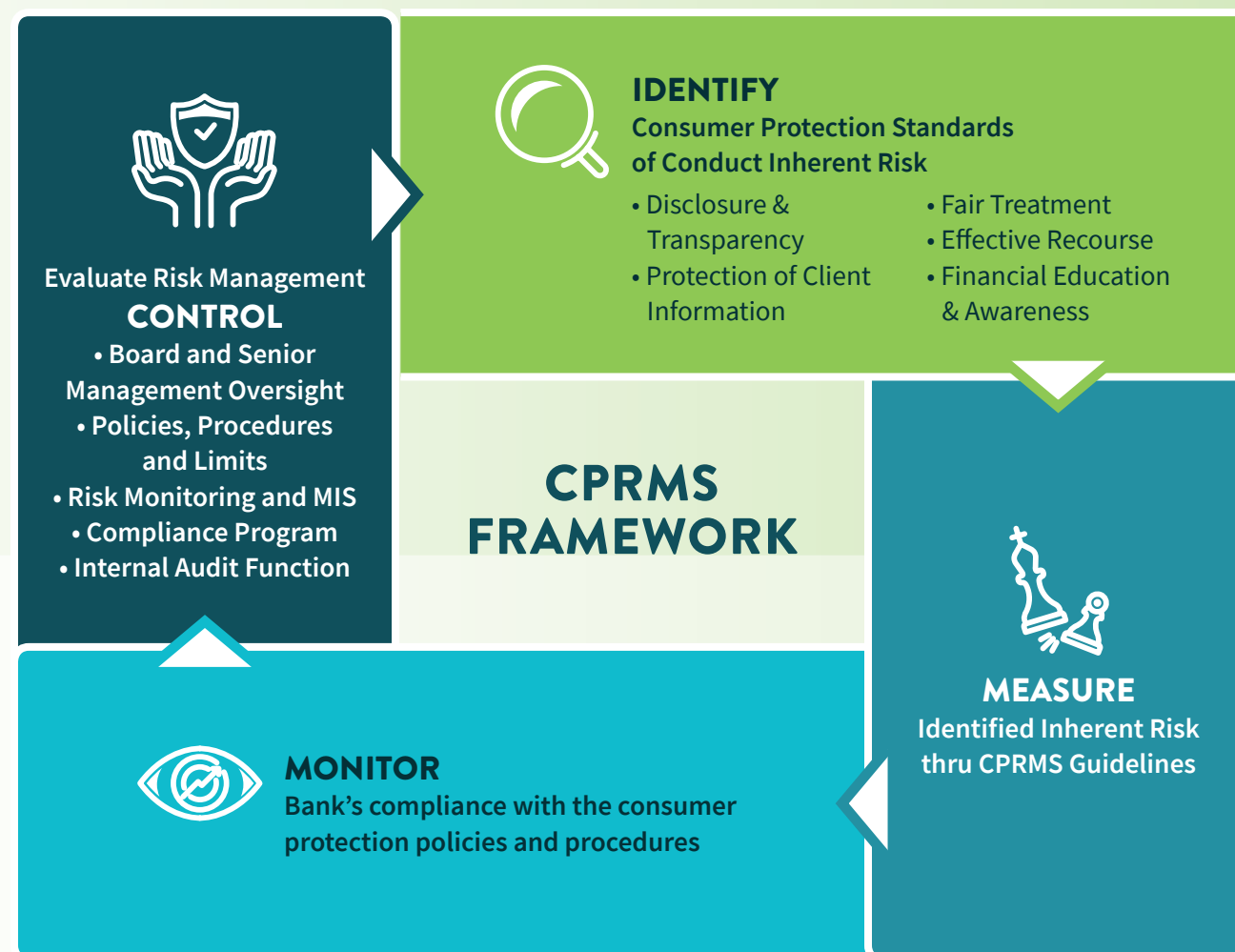
CONSUMER PROTECTION RISK MANAGEMENT SYSTEM (CPRMS)

Pursuant to the BSP Circular No. 857 entitled BSP Regulations on Financial Consumer Protection, Robinsons Bank released Consumer Protection and Risk Management System (CPRMS) Guidelines. Several

revisions were made to include recommendations from the internal and external audits (BSP).

The CPRMS Guidelines aim to identify, measure, monitor and control consumer protection risks inherent in its operations. These include both risk to the financial consumer and the Bank.

The Bank also issued other consumer protection policies such as Electronic Banking Consumer Awareness Policy and Trust and Investments Accounts.



CONSUMER PROTECTION OVERSIGHT FUNCTION

The Risk Oversight Committee (ROC) and Board of Directors are primarily responsible for approving and periodically (at least annually) reviewing the Bank's financial consumer protection risk management policies, procedures, and/or system, as well as the oversight to ensure compliance with the said policies. They are responsible in monitoring and overseeing the Senior Management's performance in managing the consumer protection activities of the Bank.

The Senior Management is responsible for the implementation of the consumer protection policies approved by the Board. They are also in charge of managing the day-to-day consumer protection activities of the Bank.

The Enterprise Risk Management Group provides foundation for ensuring that the Bank's consumer protection policies, procedures and practices address and prevent identified risk to the Bank and associated risk of financial loss to consumers.

The Compliance Group ensures that the policies and procedures are consistent with the consumer protection policies approved by the Board and address compliance with the consumer protection laws, rules and regulations.

The Internal Audit Group provides the Senior Management and the Board with analysis, findings and corrective actions or recommendations in meeting the consumer protection objectives.

All business units are responsible in the complete and timely reporting of all requests, queries and complaints (ROCs) received from all contact points of the Bank. They ensure that all ROCs received are forwarded to the Bank's Customer Care Center (C3) Unit.



SERVICE QUALITY DEPARTMENT

Consumer Assistance Management is handled by the Service Quality Department. Digitization has opened pathways for Robinsons Bank to build relationships to its customers in order to serve them better. Obsessed with the customer at the heart of service, the Bank received inquiries, requests, feedbacks and complaints from customers regarding its products and services through digital platforms. Various communication channels through the Customer Care Center (C3) such as the hotline, email feedback forms, website, social media, etc. are made available to clients so they can easily contact the Bank regarding these concerns.



MONITORS daily inquiries, requests, and complaints received from customers and reports these to the management to provide solutions on the Bank's products and services to ensure service quality at all times.



MANAGES the issues received from customers through the different channels, coordinate with concerned units, and respond to clients in efficient and professional manner within the committed turn-around-time to ensure customer satisfaction.



RECORDS issues raised by employees regarding concerns within the Bank, and suggestions for improvement. Reports are included in the concerned unit's performance evaluation.