



## **CORPORATE GOVERNANCE MANUAL**

Updated as of 30 June 2019

### **Metrobank 2018 Annual Report**

*Metrobank recognizes strong corporate governance as key element in sustaining long-term growth and success of the organization. The Bank upholds the highest standards of corporate governance principles that underpin the mechanism in ensuring optimization of performance, sustainable value creation and protection of interests of all our stakeholders.*

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## **PART I – INTRODUCTION**

This Manual shall be known as the “Corporate Governance Manual of Metropolitan Bank & Trust Company (the Bank)”.

It shall serve as reference or guide for the Bank, its subsidiaries and affiliates in the implementation of Bangko Sentral ng Pilipinas (BSP) Circular No. 749 and 757 “Guidelines in Strengthening Corporate Governance in BSP Supervised Financial Institutions”, BSP Memorandum No. 2013-002 “Guidelines in Assessing the Quality of Corporate Governance in BSP-Supervised Financial Institutions”, Circular No. 969 “Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions”, Securities and Exchange Commission (SEC) Memorandum Circular No. 19, s2016 “Code of Corporate Governance for Publicly Listed Companies”, applicable provisions in the BSP Manual of Regulations for Banks (MORB) and other relevant references.

The Board of Directors (the Board), Management, Officers and Staff of the Bank commit themselves to the principles and practices contained in this Manual and acknowledge that the same will guide them in the performance of their respective duties and responsibilities to stockholders and other stakeholders and in the development and achievement of the Bank’s corporate goals. To enjoin Bank-wide compliance, this Manual is posted and available in the Insight Online/Compliance Library for easy access of all employees, officers and directors of the Bank.

This manual shall be submitted to the regulators and posted on the Bank’s website. All references to the masculine gender in the salient provisions of this Manual shall likewise cover the feminine gender.

### *Metrobank 2018 Annual Report*

*For over five decades, we remain to be your most trusted bank. And we will continue to be in the years to come. Everything that we do is anchored upon the highest level of professionalism and ethics. Our adherence to strong moral principles will continue to make us worthy of your trust.*

## PART II – GOVERNANCE STRUCTURE

### A. BOARD OF DIRECTORS

#### 1. Composition of the Board<sup>1</sup>

- a. Pursuant to Sec. 15 and 17 of R.A. 8791 “The General Banking Law of 2000”, there shall be at least five (5), and a maximum of fifteen (15) members of the Board. The Board shall determine the appropriate number of its members to ensure that the number is commensurate with the size and complexity of the Bank’s operations.

To the extent practicable, the members of the Board shall be selected from a broad pool of qualified candidates. External databases of professional search firms (e.g. Institute of Corporate Directors) as well as recommendations from shareholders and existing directors may be used for sourcing of possible candidates as directors.

The Board shall be composed of directors with collective relevant working knowledge, experience or expertise. The Board shall ensure that its composition reflect an appropriate mix with regards to skill representation, board experience, tenure, gender, age, and geographic experience. Other considerations are personal qualities, communication capabilities, ability and commitment to devote appropriate time to properly discharge the task, professional reputation and community standing and alignment of the quality of directors with the Bank’s strategic directions. The Bank may compile a board profile when considering candidates to the Board (i.e., identify the professional skills and personal characteristics present on the current Board; identify the missing skills and characteristics; and nominate individuals who could fill the possible gaps).<sup>2</sup>

It shall be headed by a competent and qualified Chairperson.<sup>3</sup>

- b. As a rule, non-executive directors, who shall include independent directors, shall comprise at least majority of the Board to promote the independent oversight of management by the Board. They shall possess the necessary qualifications to effectively participate and help secure objective, independent judgement on corporate affairs and to substantiate proper checks and balances. Non-executive members of the Board shall refer to those who have no executive responsibility<sup>4</sup> and are not part of the day to day management of banking operations and shall include the independent directors.<sup>5</sup>
- c. The Board should have at least one-third (1/3) but not less than (2) independent directors. Provided, that any fractional result from applying the required minimum proportion, i.e., one-third (1/3) shall be rounded up to the nearest whole number.

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<sup>1</sup> BSP MORB Sec. 132

<sup>2</sup> ICD ASEAN Corporate Governance Scorecard

<sup>3</sup> BSP MORB Sec. 132

<sup>4</sup> BSP MORB Sec. 132

- d. Non-Filipino citizens may become members of the Board to the extent of the foreign participation in the equity of the Bank: provided, pursuant to Section 23 of the Corporation Code of the Philippines (BP Blg. 68), a majority of the directors must be residents of the Philippines.

## 2. Powers/Responsibilities and Duties of the Board

### a. Corporate Powers of the Board<sup>6</sup>

The corporate powers of the Bank shall be exercised, its business conducted and all its resources controlled through its Board. The powers of the Board as conferred by law are original and cannot be revoked by the stockholders. The directors shall hold their office charged with the duty to exercise sound and objective judgment for the best interest of the Bank.

### b. General Responsibility of the Board<sup>7</sup>

The Board is primarily responsible for defining the Bank's vision and mission. It has the fiduciary responsibility to the Bank and all its shareholders including minority shareholders. It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework. The Board shall approve the selection of the President and key members of senior management and control functions and oversee their performance.

### c. Specific Duties and Responsibilities of the Board<sup>8</sup>

1) *Define the Bank's corporate culture and values.* The Board shall establish a code of conduct and ethical standards in the Bank and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body.

- (a) Approve a code of conduct or code of ethics, which shall articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the Bank as well as the corresponding disciplinary actions and sanctions.

The Code of Conduct shall explicitly provide that directors, officers, and all personnel are expected to conduct themselves ethically and perform their job with skill, due care, and diligence in addition to complying with laws, regulations, and internal policies.

- (b) Consistently conduct affairs of the Bank with a high degree of integrity and play a lead role in establishing the Bank's corporate culture and values.

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<sup>6</sup> BSP MORB Sec. 132

<sup>7</sup> BSP MORB Sec. 132

<sup>8</sup> BSP MORB Sec. 132

The Board shall establish, actively promote, and communicate a culture of strong governance in the Bank, through adopted policies and displayed practices. They shall ensure that the President and executive team champion the desired values and conduct, and that they face material consequences if there are persistent or high profile conduct and value breaches.

- (c) Oversee the integrity, independence, and effectiveness of the Bank's policies and procedures for whistleblowing.

The policy shall allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the Board or to any independent unit. It shall likewise be set on how such concerns shall be investigated and addressed.

The policy on whistleblowing shall prevent the use of the facilities of the Bank in the furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.

- 2) Responsible for approving the Bank's objectives and strategies and in overseeing Management's implementation thereof.

- (a) Ensure that the Bank has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.
- (b) Approve the Bank's strategic objectives and business plans, taking into account the Bank's long-term financial interests, its level of risk tolerance and ability to manage risks effectively.

The Board shall establish a system of measuring performance against plans.

- (c) Actively engage in the affairs of the Bank and keep up with the material changes in the Bank's business and regulatory environment as well as act in a timely manner to protect the long term interests of the Bank.
- (d) Approve and oversee the implementation of policies governing major areas of the Bank's operations

The Board shall regularly review these policies, as well as evaluate control functions with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues.

- 3) Appoint/select key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel.

- (a) Oversee the selection of the President and other key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise, and

experience in the Bank's business, either current or planned, shall be the key considerations in the selection process. Moreover, the senior management shall uphold the general operating philosophy, vision and core values of the Bank.

(b) Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy. The policy should be consistent with the long-term strategic objectives and financial soundness of the Bank and should promote good performance, convey acceptable risk-taking behavior, and reinforce the Bank's operating and risk culture.

(c) Oversee the performance of senior management and heads of control functions. The Board shall:

i. Regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards.

ii. Hold members of senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the Board's performance expectations. These expectations shall include adherence to the Bank's values, risk appetite and risk culture, under all circumstances.

iii. Regularly meet with senior management to engage in discussions, questions, and critically review the reports and information provided by the senior management.

iv. Non-executive directors shall meet regularly, other than in meetings of the audit, risk oversight, corporate governance, and related party transactions committees, in the absence of senior management, with the external auditor and heads of internal audit, compliance and risk management functions.

(d) Engage in the succession planning for the President and other critical positions, as appropriate.

The Board shall establish an effective succession planning program. The program should include a system for identifying and developing potential successors for the President and other critical positions.

(e) Ensure that personnel's expertise and knowledge remain relevant.

The Board shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of developments relevant to their areas of responsibility.

(f) Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Bank at all times, and that all transactions involving the pension fund are conducted at arm's length terms.

4) Approve and oversee implementation of the Bank's corporate governance framework.

- (a) Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed:
- i. The Board shall structure itself in a way, including in terms of size and frequency of meetings, so as to promote efficiency, critical discussion of issues, and thorough review of matters. The Board shall meet regularly to properly discharge its functions, and likewise have discussions on values, conduct, and behaviors
  - ii. The Board shall create committees to increase efficiency and allow deeper focus in specific areas. The number and nature of board-level committees would depend on the size of the Bank and the Board, complexity of operations, as well as the Board's long-term strategies and risk tolerance.
  - iii. The Board shall review the structure, size and composition of the Board and Board-level committees with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation of the structure, size and composition of the Board and Board-level Committees shall be adopted which shall include, but not limited to, benchmark and peer group analysis. The results of assessment shall form part of the ongoing improvement efforts of the Board.
  - iv. The Board shall adopt policies aimed at ensuring that the Board are able to commit to effectively discharge their responsibilities, which shall include policy on the number of directorship positions and/or other internal/external professional commitments that a director may have, commensurate with the responsibilities placed on the director, as well as the nature, scale and complexity of the Bank's operations.
  - v. The Board shall ensure that individual members of the Board and the shareholders are accurately and timely informed of a comprehensive and understandable assessment of the Bank's performance, financial condition, and risk exposures. All members of the Board shall have reasonable access to any information about the Bank at all times. The Board shall ensure that adequate and appropriate information flows internally and to the public.
  - vi. The Board shall assess at least annually its performance and effectiveness as a body, as well as its various committees, the President, the individual directors, and the Bank itself, which may be facilitated by the corporate governance committee or external facilitators. This exercise shall cover the assessment of the ongoing suitability of each board member taking into account his or her performance in the Board and Board-level Committees.
  - vii. The Board shall maintain appropriate records (e.g., meeting minutes or summaries of matters reviewed, recommendations made, decisions taken and dissenting opinions) of its deliberations and decisions. The Board shall also ensure that independent views in meetings of the Board shall be given full consideration and all such meetings shall be duly minuted.

- (b) Develop remuneration and other incentives policy for directors that shall be submitted for approval of the stockholders. The Board shall ensure that the policy is consistent with the long-term interest of the Bank, does not encourage excessive risk-taking, and is not in conflict with the director's fiduciary responsibilities.
- (c) Adopt a policy on retirement for directors and officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power.
- (d) Conduct and maintain the affairs of the Bank within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound practice.
- (e) Maintain and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities. The Board shall ensure that the Bank's organizational structure facilitates effective decision making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability.
- (f) Oversee the development, approve, and monitor implementation of corporate governance policies. The Board shall ensure that corporate governance policies are followed and periodically reviewed for ongoing improvement.
- (g) Approve an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged. The Board shall:
  - i. 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. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the Board. All final decisions of the Board on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justifications and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders meeting and duly reflected in the minutes of the Board and stockholder's meeting.
  - ii. Delegate to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the Board. However, DOSRI transactions are excluded. DOSRIs are required to be approved by the Board. All decisions under the delegated authority must be properly recorded in the minutes of the Committee meetings.

- iii. Establish an effective system to:
- Determine, identify and monitor related parties and RPTs;
  - Continuously review and evaluate existing relationships between and among businesses and counterparties; and
  - Identify, measure, monitor and control risks arising from RPTs. The system should be able to define related parties' extent of relationship with the Bank; assess situations in which a nonrelated party (with whom the Bank has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the type and amount of exposures to a particular related party. The said system will facilitate submission of accurate reports to the regulators/supervisors. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance functions and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the BSP and audit functions for review. Any changes in the policies and procedures shall be approved by the Board.
- iv. Maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/stress tests under the capital planning process shall also capture RPTs in order to determine whether the Bank is well-insulated from any going concern issue of related parties.
- v. Oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The Board shall ensure that senior management addresses legitimate issues on RPT that are raised. The Board should take responsibility for ensuring that staff who raise concerns are protected from detrimental treatment or reprisals.
- (h) Define an appropriate corporate governance framework for group structures, which shall facilitate effective oversight over entities in the group. The Board of Metrobank, the parent, shall ensure consistent adoption of corporate governance policies and systems across the Group. The Board shall:
- i. Define and approve appropriate governance policies, practices and structure that will enable effective oversight of the group, taking into account nature and complexity of operations, size and the types of risks to which the Bank and its subsidiaries are exposed.

The Board shall also establish means to ensure that such policies, practices and systems remain appropriate in light of the growth, increased complexity and geographical expansion of the Group. Further, it shall ensure that the policies include the commitment from the entities in the Group to meet all governance requirements.

- ii. Define the risk appetite for the Group, which shall be linked to the process of determining the adequacy of capital of the Group.

- iii. Ensure that adequate resources are available for all the entities in the Group to effectively implement and meet the governance policies, practices and systems.
- iv. Define and approve policies and clear strategies for the establishment of new structures.
- v. Understand the roles, the relationships or interactions of each entity in the Group with one another and with the parent company.

The Board shall understand the legal and operational implications of the group structure and how the various types of risk exposures affect the group's capital, risk profile and funding under normal and contingent circumstances.

Ensure that the Group's corporate governance framework includes appropriate processes and controls to identify and address potential intragroup conflicts of interest, such as those arising from intragroup transactions.

- vi. Develop sound and effective systems for generation and sharing of information within the Group, management of risks and effective supervision of the Group.
- vii. Require the risk management, compliance function and internal audit group to conduct a periodic formal review of the group structure, their controls and activities to assess consistency with the Board's approved policies, practices and strategies and to require said Groups.

5) Responsible for approving Bank's risk governance framework and overseeing management's implementation thereof. The Board shall:

- (a) Define the Bank's risk appetite. In setting the risk appetite, the Board shall take into account the business environment, regulatory landscape, and the Bank's long term interests and ability to manage risk.
- (b) Approve and oversee adherence to the risk appetite statement, risk policy, and risk limits.
- (c) Oversee the development of, approve, and oversee the implementation of policies and procedures relating to the management of risks throughout the Bank.
- (d) Define organizational responsibilities following the three lines of defense framework. The business line functions will represent the first line of defense, the risk management and compliance functions for the second line of defense, and the internal audit functions for the third line of defense:

- i. Ensure that the risk management, compliance and internal audit functions have proper stature in the organization, have adequate staff and resources, and carry out their responsibilities independently, objectively and effectively.
  - ii. Ensure that non-executive directors meet regularly, with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit and risk oversight committees, in the absence of senior management.
- 6) The Board shall ensure that a compliance program is defined for the Bank and that compliance issues are resolved expeditiously. For this purpose, the Corporate Governance and Compensation Committee shall oversee the compliance program.

The Board shall ensure that Bank personnel and affiliated parties adhere to the pre-defined compliance standards of the Bank rests collectively with senior management, of which the Chief Compliance Officer is the lead operating officer on compliance. Senior management, through the Chief Compliance Officer, should periodically report to the Board or its designated committee matters that affect the design and implementation of the compliance program. Any changes, updates and amendments to the Compliance program must be approved by the Board. However, any material breaches of the compliance program shall be reported to and promptly addressed by the Compliance Officer.<sup>9</sup>

### 3. Stockholders' Rights and Protection of Minority Stockholders' Interests

The Bank treats all its shareholders fairly and equitably, and also recognizes, protects and facilitates the exercise of their rights. The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

- 1) Right to vote on all matters that require their consent or approval;
- 2) Right to inspect books and records of the Bank;
- 3) Right to information;
- 4) Right to dividends; and
- 5) Appraisal right.

#### a. Stockholders' Participation

The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the Bank. The Bank shall encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information, as a rule, at least 28 days before the meeting<sup>10</sup>. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the exercise of the right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

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<sup>9</sup> BSP MORB Sec. 161

<sup>10</sup> SEC Memo Cir. No. 19, s2016

The Board shall also encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available 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 (5) business days from the end of the meeting.<sup>11</sup>

Special meeting of the stockholders of the Bank may be held at any time pursuant to a resolution of the Board of Directors, upon the call of the Chairman, or, in his absence, of the Vice Chairman, or upon the written request of stockholders registered as the owners of at least one-half of the subscribed capital stock of the Bank entitled to vote at such meeting.<sup>12</sup>

#### Voting Procedures<sup>13</sup>

Every stockholder entitled to vote on a particular question or matter involved shall be entitled to one (1) vote for each share of stock in his name.<sup>14</sup> Cumulative voting is allowed provided that the total votes cast by a stockholder shall not exceed the number of shares registered in his name as of the record date multiplied by the number of directors to be elected. Matters submitted to stockholders for the ratification shall be decided by the required vote of stockholders present in person or by proxy.

Majority vote is required for the following:

- 1) Approval of the minutes of the annual meeting of the stockholders
- 2) Ratification of corporate acts
- 3) Election of external auditors

On the election of directors, nominees receiving the highest number of votes shall be declared elected following the provision of the Corporation Code.

- b. The Board shall promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights. All shareholders shall have the opportunity to obtain effective redress for violation of their rights.
- c. The Board shall make available to the stockholders accurate and timely information to enable the latter to make a sound judgment on all matters brought to their attention for consideration or approval.
- d. Dissenter's Right of Appraisal<sup>15</sup>

In general, any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of

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<sup>11</sup> SEC Memo Cir. No. 19, s2016

<sup>12</sup> Art. III, Metrobank Amended By-Laws

<sup>13</sup> 2015 Metrobank SEC Form 20-IS

<sup>14</sup> Art. III, Metrobank Amended By-Laws

<sup>15</sup> 2015 Metrobank SEC Form 20-IS

outstanding shares of any class, or of extending or shortening the term of corporate existence. Appraisal right is also available in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the property and assets of the corporation; in case of merger or consolidation.

In the above instances, the appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action by making a written demand on the corporation for payment of the fair value of his shares within thirty (30) days after the date on which the vote was taken: Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

- e. For amicable settlement of disputes, controversies and/or legal issues between the Bank and its stockholders and/or the Bank and third parties, the Bank may resort to alternative modes of dispute resolution as may be agreed upon with the adverse party. (Annex 1)

#### 4. Conduct of Board Meetings and Quorum Requirements

A director's commitment to the company is evident in the amount of time he dedicates to performing his duties and responsibilities, which includes his presence in all meetings of the Board, Committees and shareholders. In this way, the director is able to effectively perform his duty to the Bank and its shareholders.

The directors shall act only as a Board, and the individual directors shall have no power as such. A majority of the Board shall constitute a quorum for the transaction of business and the vote of a majority of the quorum of the Board shall always be needed to decide any action.<sup>16</sup> It shall meet regularly to properly discharge its functions. It shall also ensure that independent views in Board meetings shall be given full consideration and all such meetings shall be duly minuted.<sup>17</sup>

The directors shall 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, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In board and committee meetings, the director should review meeting materials and, if called for, ask the necessary questions or seek clarifications and explanations.<sup>18</sup>

The meetings of the Board 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. Every member of the Board shall participate in at least fifty percent (50%) and shall physically attend at least twenty five percent (25%) of all Board meetings every year.

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<sup>16</sup> Art. IV, Metrobank Amended By-Laws

<sup>17</sup> BSP MORB Sec. 132

<sup>18</sup> SEC Memo Cir. No. 19, s2016

The absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency is a ground for disqualification in the succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events.<sup>19</sup>

The Board shall hold a meeting immediately after their election for organization and for the election of the officers of the Bank. Thereafter, unless otherwise determined by the Board, it shall hold regular meetings every second Wednesday of each month at 4:30 pm. Meetings of the Board may be held at any place within the Philippines.<sup>20</sup> Special meetings of the Board may be called at any time by the Chairman, or, in his absence, by the Vice Chairman, or pursuant to the written request of any four (4) directors.<sup>21</sup>

As far as practicable, materials for the Board meeting should be provided within five (5) banking days before the meeting<sup>22</sup>.

The non-executive directors shall have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the Bank.

The Board-level committees shall meet as prescribed in their respective charters, which participation 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 propriety of each director as members of board-level committees and the Board.<sup>23</sup>

## **B. DIRECTORS**

### **1. Qualifications of a Director<sup>24</sup>**

A director shall have the following minimum qualifications:

- a. He must be fit and proper for the position of a director of the Bank. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: 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.

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.

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<sup>19</sup> SEC Memo Cir. No. 19, s2016

<sup>20</sup> Art. IV, MBTC Amended By-Laws

<sup>21</sup> Amended By-Laws

<sup>22</sup> Annual Corporate Governance Report

<sup>23</sup> BSP MORB Sec. 132

<sup>24</sup> BSP MORB Sec. 132

An elected director has the burden to prove that he possesses all the foregoing minimum qualifications and none of the disqualifications. He shall submit to the BSP the required certifications and other documentary *proof* of his qualifications within twenty (20) banking days from the date of election. Non-submission of complete documentary requirements within the prescribed period shall be construed as his failure to establish his qualifications for the position and results in his removal from the Board.

The members of the Board shall possess the foregoing qualifications for directors in addition to those required or prescribed under R.A. No. 8791 and other existing applicable laws and regulations.

- b. Unless otherwise exempted by existing regulations, he must have attended a seminar on corporate governance for Board of Directors. A director shall submit to the BSP a certification of compliance with the BSP-prescribed syllabus on corporate governance for first time directors and documentary proof of such compliance.

## 2. Independent and Non-executive Directors<sup>25</sup>

In selecting independent and non-executive directors, the number and types of entities where the candidate is likewise elected as such, shall be considered to ensure that he will be able to devote sufficient time to effectively carry out his duties and responsibilities. The Board should also ensure that the independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

An independent director shall refer to a person who –

- a. is not or was not a director, officer or employee of the Bank, its subsidiaries, affiliates or related interests during the past three (3) years counted from the date of his election/appointment;
- b. is not or was not a director, officer, or employee of the Bank's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;
- c. is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the Bank's Board, or in any of its related companies or of its majority corporate shareholders;
- d. is not a close family member of any director, officer or stockholder holding shares of stock sufficient to elect one (1) seat in the Bank's Board or any of its related companies or of any of its substantial stockholders;
- e. is not acting as a nominee or representative of any director or substantial shareholder of the Bank, any of its related companies or any of its substantial shareholders;

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<sup>25</sup> SEC Memo Cir. No. 19, s2016; MORB Sec. 132

- f. is not or was not retained as professional adviser, consultant, agent or counsel of the Bank, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election;
- g. is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the Bank or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;
- h. was not appointed in the Bank, its subsidiaries, affiliates or related interests as Chairman "Emeritus", "Ex-Officio", directors/officers or members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities during the past three (3) years counted from the date of his appointment;
- i. is not affiliated with any non-profit organization that receives significant funding from the Bank or any of its related companies or substantial shareholders;
- j. is not employed as an executive officer of another company where any of the Bank's executives serve as directors; and
- k. Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer.

### 3. Lead Independent Director<sup>26</sup>

In exceptional cases where the position of Chairman of the Board and President is allowed to be held by one (1) person as approved by the Monetary Board, a lead independent director shall be appointed.

The Board shall ensure that the lead independent director functions in an environment that allows him to effectively challenge the President as circumstances may warrant. The lead independent director shall perform a more enhanced function over the other independent directors and shall:

- a. lead the independent directors at Board meetings in raising queries and pursuing matters; and
- b. lead meetings of independent directors, without the presence of executive directors.

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<sup>26</sup> BSP MORB Sec. 132

#### 4. Term Limits for Independent Directors<sup>27</sup>

As a rule, the Board's independent directors may serve for a maximum cumulative term of nine (9) years, making sure however that the shareholders' legal right to vote and be voted remains inviolable. After which, the independent director shall be perpetually barred from serving as such, but may continue to serve as regular director. The nine (9) year maximum cumulative term for independent directors shall be reckoned from 2012.

#### 5. Specific Duties and Responsibilities of a Director<sup>28</sup>

The position of a director is a position of trust. A 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, the regulators, deposit insurer 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. The members of the board should exercise their "duty of care" and "duty of loyalty" to the Bank.

##### a. Remain fit and proper for the position for the duration of his term

A director is expected to remain fit and proper for the position for the duration of his term. He should possess unquestionable credibility to make decisions objectively and resist undue influence. He shall treat Board directorship as a profession and shall have a clear understanding of his duties and responsibilities as well as his role in promoting good governance. Hence, he shall maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities that the Bank is engaged in or intends to pursue as well as the developments in the banking industry including regulatory changes through continuing education or training.

##### b. Conduct fair business transactions with the Bank and to ensure that personal interest does not bias Board decisions

Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the Bank cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the Bank than those offered to others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that would compromise his impartiality. Directors are required to abstain from participating in the Board discussion on a particular agenda when they are conflicted<sup>29</sup>.

##### c. Act honestly and in good faith, with loyalty and in the best interest of the Bank, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and the general public.

A director must always act in good faith, with the due diligence and care which an ordinarily prudent man would exercise under similar circumstances. While a director

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<sup>27</sup> BSP MORB Sec. 132

<sup>28</sup> BSP MORB Sec. 132

<sup>29</sup> ICD ASEAN Corporate Governance Scorecard

should always strive to promote the interest of all stockholders, he should also give due regard to the rights and interests of other stakeholders.

- d. Devote time and attention necessary to properly discharge their duties and responsibilities

Directors should devote sufficient time to familiarize themselves with the Bank's business. They must be constantly aware of the Bank's condition and be knowledgeable enough to contribute meaningfully to the Board's work. They must attend and actively participate in meetings of the Board, committees and shareholders in person or through tele/videoconferencing, request and review meeting materials, ask questions, and request explanations. If a person cannot give sufficient time and attention to the affairs of the Bank, he should neither accept his nomination nor run for election as member of the Board.

- e. Act judiciously

Before deciding on any matter brought before the Board, every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.

- f. Contribute significantly to the decision-making process of the Board

Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of the Board.

- g. Exercise independent judgment

A director should view each problem/situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollary, he should support plans and ideas that he thinks will be beneficial to the Bank.

- h. Have a working knowledge of the statutory and regulatory requirements affecting the Bank, including the content of its articles of incorporation and by-laws, the requirements of the BSP and where applicable, the requirements of other regulatory agencies

A director should also keep himself informed of the industry developments and business trends in order to safeguard the Bank's competitiveness.

- i. Observe confidentiality

Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the Board.

## 6. Election of Directors<sup>30</sup>

The directors shall be elected by the vote of the holders of common stock of the Bank in accordance with Section 24<sup>31</sup> of the Corporation Code or pertinent applicable law at the annual meeting of the stockholders. All directors shall be elected for a term of one year and until their successors shall have been elected and qualified.

### a. Nomination Procedure<sup>32</sup>

- 1) Any stockholder may submit nominations for directorial positions to the Nominations Committee.
- 2) The nominating stockholder shall submit his proposed nomination in writing to the Nominations Committee, together with the biodata, acceptance and conformity of the would-be nominee. In the case of a nominee for the position of an independent director, the would-be nominee is also required to submit a Certification that he has all the qualifications and none of the disqualifications to become an independent director.
- 3) The Nominations Committee screens the nominations of directors based on its screening policies and parameters, including among others, alignment with the strategic direction of the Bank, prior to the submission of the Definitive Information Statement and come up with a Final List of Candidates.

The Committee shall review and evaluate the qualifications of all persons nominated to the Board, including whether candidates: (1) possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the board and in light of the Bank's business and risk profile; (2) have a record of integrity and good repute; (3) have sufficient time to carry out their responsibilities; and (4) have the ability to promote a smooth interaction between board members.<sup>33</sup>

When identifying or screening potential candidates, the Committee may consult whatever resources it deems appropriate, including but not limited to, referrals from existing directors and officers, recommendations from a third-party search firm or

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<sup>30</sup> Metrobank Amended By-Laws, Art. III, Item 5

<sup>31</sup> Sec. 24 Election of directors or trustees – At all elections of directors or trustees, there must be present, either in person or by representative authorized to act by written proxy, the owners of a majority of the outstanding capital stock, or if there be no capital stock, a majority of the members entitled to vote. The election must be by ballot if requested by any voting stockholder or member. In stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons 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 multiplied by the number of his shares shall equal, 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 of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected: Provided, however, That no delinquent stock shall be voted. Unless otherwise provided in the articles of incorporation or in the by-laws, members of corporations which have no capital stock may cast as many votes as there are trustees to be elected but may not cast more than one vote for one candidate. Candidates receiving the highest number of votes shall be declared elected. Any meeting of the stockholders or members called for an election may adjourn from day to day or from time to time but not sine die or indefinitely if, for any reason, no election is held, or if there not present or represented by proxy, at the meeting, the owners of a majority of the outstanding capital stock, or if there be no capital stock, a majority of the member entitled to vote.

<sup>32</sup> 2016 Metrobank SEC Form 20-IS

<sup>33</sup> SEC Memo Cir. No. 19, s2016

suggestions from stockholders. They may also make use of external databases of the Institute of Corporate Directors or other professional search firms.

- 4) Only nominees whose names appear in the Final List of Candidates shall be eligible for election as director.

#### 7. Retirement Policy for Directors

As a general rule, a director may be re-elected until the calendar year in which that director turns 75 years of age. However, on the recommendation of the Nominations Committee, the Board may waive this requirement as to any Director if it deems a waiver to the best interest of the Bank.

#### 8. Succession for Directors & Vacancies in the Office of a Director

Directors are elected individually by the vote of the holders of common stock of the Bank in accordance with Section 24 of the Corporation Code and other pertinent applicable regulations<sup>34</sup>. Any stockholder may submit nominations for directorial positions to the Nominations Committee. The Committee screens the qualifications of the nominees and comes up with a Final List of Candidates. Only nominees whose names appear in the list are considered for election as director at the annual meeting of the stockholders. The members of the Board of Directors shall serve for a term of one year and until their successors shall have been elected and qualified.<sup>35</sup>

On at least an annual basis, the Corporate Governance and Compensation Committee shall review the status of the Board and consider if the criteria set forth (i.e. composition of the Board, qualifications of directors, limits, etc.) are being met. It shall determine if there is reason to believe that one or more director slots shall become vacant within the remaining term. The Committee will report its findings to the Board.

Any vacancies occurring in the Board may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, provided, that any vacancy occurring by reason of removal by stockholders, by expiration of term or increase in the number of directors shall be filled by the stockholders in a regular or special meeting called for the purpose.<sup>36</sup>

#### 9. Confirmation of Election/Appointment of Directors/Officers<sup>37</sup>

The election/appointment of directors/officers (i.e. Treasurer, Heads of internal audit, risk management and compliance functions and other officers with rank of Senior Vice President (SVP) and above,) of the Bank shall be subject to confirmation by the Monetary Board or the SES Committee of the BSP.

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<sup>34</sup> Art. III. Item 5, Metrobank Amended By-Laws

<sup>35</sup> Art. IV. Item 1, Metrobank Amended By-Laws

<sup>36</sup> Art. IV. Item 3, Metrobank Amended by-Laws

<sup>37</sup> BSP MORB Sec. 132

Confirmation shall not be required in the following cases:

- a. Re-election of a director (as a director) in the same bank or election of the same director in another bank, quasi-bank, trust entities other than stand-alone or trust corporation within the banking group;
- b. Re-election of an independent director (as an independent director or not) in the same bank or election of the same director (as an independent director or not) in another bank, QB, trust entities other than stand-alone or trust corporation within the banking group;
- c. Promotion of an officer, other than to that which requires (i) prior Monetary Board approval or (ii) a different set of minimum qualifications or (iii) a different level of confirming authority as provided, in the same bank or appointment/transfer to another bank, QB, trust entities other than stand-alone or trust corporation within the banking group;

*Provided, that the director/officer concerned has been previously confirmed by the Monetary Board, or if previously confirmed by the SES Committee, his re-election/promotion/transfer requires the same level of confirming authority as provided: provided, further, that said director/officer has had continuous service within the same bank or banking group.*

The election/appointment shall be deemed to have been confirmed by BSP, if after sixty (60) banking days from receipt of the required reports, no advice against said election/appointment has been received by the Bank.

#### 10. Disqualifications of Directors<sup>38</sup>

Without prejudice to specific provisions of law prescribing disqualifications for directors, the following are disqualified from becoming directors:

- a. Permanent Disqualification
  - 1) Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of Anti-Graft and Corrupt Practices Act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees);
  - 2) Persons who have been convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six (6) years;
  - 3) Persons who have been convicted by final judgment of the court for violation of banking laws, rules and regulations;

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<sup>38</sup> BSP MORB Sec. 138; SEC Memo Cir. No. 19, s2016

- 4) Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;
- 5) Directors, officers or employees of closed banks who were found to be culpable for such institution's closure as determined by the Monetary Board;
- 6) Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; or
- 7) Directors and officers of banks or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.

The following are additional disqualifications under Recommendation No. 2.6 of SEC Memo Circular No. 19, s2016:

- 1) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as affiliated person of any of them;
- 2) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC, BSP or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if (a) such person is the subject of an order of the SEC, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by SEC or BSP, or under any rule or regulation issued by the SEC or BSP; (b) such person has otherwise been restrained to engage in any activity involving securities and banking; or (c) such person is the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- 3) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement,

theft, estafa, counterfeiting, misappropriation, forger, bribery, false affirmation, perjury or other fraudulent acts;

- 4) Any person who has been adjudged by final judgment or order of the SEC, BSP, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law, rule or order administered by the SEC or BSP;
- 5) Any person judicially declared as insolvent;
- 6) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in enumerated previously;
- 7) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.
- 8) Other grounds as the SEC may provide.

b. Temporary Disqualification

- 1) Persons who refuse to fully disclose the extent of their business interest or any material information to BSP when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the BSP. This disqualification shall be in effect as long as the refusal persists;
- 2) Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special, of the Board during their incumbency, and directors who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all Board meetings in any year, except that when a notarized certification executed by the corporate secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual Board meeting, said directors shall be considered present in the Board meeting. This disqualification applies only for purposes of the immediately succeeding election;
- 3) Persons who are delinquent in the payment of their obligations as defined hereunder:
  - (a) Delinquency in the payment of obligations means that an obligation of a person with a Bank where he is a director or officer, or at least two (2) obligations with other banks/financial institutions (FIs), under different credit lines or loan contracts, are past due pursuant to MORB Sec. X306;
  - (b) Obligations shall include all borrowings from a bank obtained by:

- (1) A director or officer for his own account or as the representative or agent of others or where he acts as a guarantor, endorser or surety for loans from such FIs;
- (2) The spouse or child under the parental authority of the director or officer;
- (3) Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director or officer;
- (4) A partnership of which a director or officer, or his spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
- (5) A corporation, association or firm wholly-owned or majority of the capital of which is owned by any or a group of persons mentioned in the foregoing items (1), (2) and (4);

This disqualification shall be in effect as long as the delinquency persists.

- 4) Persons who have been convicted by a court for offenses involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of Anti-Graft and Corrupt Practices Act and prohibited acts and transactions under Section 7 of R.A. No. 6713, violation of banking laws, rules and regulations or those sentenced to serve a maximum term of imprisonment of more than six (6) years but whose conviction has not yet become final and executory;
- 5) Directors and officers of closed banks pending their clearance by the Monetary Board;
- 6) Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board;
- 7) Directors who failed to attend the required special seminar on corporate governance for board of directors conducted or accredited by BSP. This disqualification applies until the director concerned had attended such seminar;
- 8) Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity or upon clearance, on their request, from the Monetary Board after showing good and justifiable reasons, or after the lapse of five (5) years from the time they were officially advised by BSP of their disqualification;
- 9) Those under preventive suspension;
- 10) Persons with derogatory records as certified by, or on the official files of, the judiciary, NBI, Philippine National Police (PNP), quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any law, rules and

regulations that would adversely affect the integrity of the director/officer or the ability to effectively discharge his duties. This disqualification applies until they have cleared themselves of the alleged irregularities/violations or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated;

- 11) Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;
- 12) Directors and officers of banks or any person found by the Monetary Board to be unfit for the position of director or officer because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court; and
- 13) Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed, regardless whether the finding of the Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court. The disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid.

The following are additional temporary disqualifications provided under Recommendation No. 2.6 of SEC Memo Circular No. 19, s2016:

- 1) Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;
- 2) Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
- 3) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. This disqualification from being elected as an independent director is lifted if the limit is later complied with; and
- 4) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

## 11. Disqualification Procedures<sup>39</sup>

A director/officer elected/appointed who does not possess all the qualifications and/or has any of the disqualifications mentioned shall not be confirmed by MB/BSP and shall be removed from office even if he has assumed the position to which he was elected or appointed. A confirmed director/officer or officer not requiring confirmation found to possess any of the disqualifications shall be subject to the following disqualification procedures:

- a. The Board and Management shall be responsible for determining the existence of the ground for disqualification of a director/officer or employee and for reporting the same to BSP. While the Bank may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/officer/employee from being elected/appointed as director/officer. Grounds for disqualification made known to the Bank, shall be reported to BSP within seventy-two (72) hours from knowledge thereof.
- b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in BSP MORB Secs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his last known address by BSP of the existence of the ground for his disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he should not be disqualified and included in the watchlisted file, together with the evidence in support of his position. BSP may allow an extension on meritorious ground.
- c. Upon receipt of the reply explanation of the director/officer concerned, BSP shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.
- d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item "b" above, said failure to reply shall be deemed a waiver and BSP shall proceed to evaluate the case based on available records/evidence.
- e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.
- f. If the disqualification is based on dismissal from employment for cause, BSP shall, as much as practicable, endeavor to establish the specific acts or omissions constituting the offense or the ultimate facts which resulted in the dismissal to be able to determine if the disqualification of the director/officer concerned is warranted or not. The evaluation of the case shall be made for the purpose of determining if disqualification would be appropriate and not for the purpose of passing judgment on the findings and decision of the entity concerned. BSP may decide to recommend to the Monetary Board a penalty

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<sup>39</sup> BSP MORB Sec.138

lower than disqualification (e.g., reprimand, suspension, etc.) if, in its judgment the act committed or omitted by the director/officer concerned does not warrant disqualification.

- g. All other cases of disqualification, whether permanent or temporary shall be elevated to the Monetary Board for approval and shall be subject to the procedures provided in Items “a”, “b”, “c” and “d” above.
- h. Upon approval by the Monetary Board, the concerned director/officer shall be informed by BSP in writing either by personal service or through registered mail with registry return receipt card, at his last known address of his disqualification from being elected/appointed as director/officer in any financial institution under the supervision of BSP and/or of his inclusion in the masterlist of watchlisted persons so disqualified.
- i. The Board shall be immediately informed of cases of disqualification approved by the Monetary Board and shall be directed to act thereon not later than the following Board meeting. Within seventy two (72) hours thereafter, the corporate secretary shall report to the BSP Governor the action taken by the Board on the director/officer involved.
- j. Persons who are elected or appointed as director or officer in any of the BSP-supervised institutions for the first time but are subject to any of the grounds for disqualification provided for under BSP MORB Secs. X143.1 and X143.2, shall be afforded the procedural due process prescribed above.
- k. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of BSP to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his delisting from the masterlist of watchlisted persons.

## 12. Removal Procedures<sup>40</sup>

- a. A director may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock.
- b. The removal shall take place either at the regular stockholder’s meeting or at a special meeting called for the purpose, and in either case, after previous notice to stockholders of the intention to propose such removal at the meeting.
- c. The Corporate Secretary shall call a special meeting, on order of the President or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock for the purpose of removal of a director.

Should the Corporate Secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting shall be addressed directly to the stockholders by any stockholder signing the

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<sup>40</sup> Sec. 28 of the Revised Corporation Code of the Philippines

demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in the Corporation Code of the Philippines. Removal may be with or without cause: provided that removal without cause may not be used to deprive minority stockholders the right of representation to which they may be entitled under Section 23 of the Corporation Code of the Philippines.

### 13. Orientation and Continuing Education

#### a. Orientation for First-Time Director

It is critical that new directors receive the training they need in order to be an effective member of the Board and help lead the organization in the right direction. As required by regulations, all directors must have attended a special seminar on corporate governance for board of directors.

Orientation for first-time directors shall be for at least eight (8) hours.<sup>41</sup> Each first-time director shall be furnished with a copy of the Bank's Articles of Incorporation, By-Laws, the Code of Conduct and Ethics for Directors, and latest Annual Report/Financial Statements. He shall also be given a copy of this Manual. The Bank shall also furnish all the first-time directors with a copy of the general responsibility and specific duties and responsibilities of the board of directors and as an individual director. The first-time directors shall submit a certification under oath that they have received copies of such general responsibility and specific duties and responsibilities and that they fully understand and accept the same. The Bank shall submit the certification to the appropriate department of the BSP-Supervision and Examination Sector.

#### b. Continuing Education Program<sup>42</sup>

The Board as a group and as individual directors should have sufficient knowledge relevant to the Bank's activities to provide effective governance and oversight. They should be continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Bank. The program shall include courses on corporate governance matters relevant to the Bank, including audit, internal controls, risk management, sustainability and strategy.

The Corporate Governance and Compensation Committee is mandated, among others, to make recommendations to the Board regarding the continuing education of directors. In compliance with this mandate and to encourage and support the continuing education of the Bank's directors, the Corporate Governance Officer (CGO) shall liaise with external training providers for training and seminars of directors. He shall also liaise with the concerned units of the Metrobank Group which may provide internal training for the directors.

Unless otherwise exempted by existing regulations, all directors and key officers are required to attend a minimum of four (4) hours of training every year, a program on corporate governance conducted by training providers duly accredited by SEC or through

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<sup>41</sup> BSP MORB Sec. 133

<sup>42</sup> Policy on Continuing Education for Directors (Annex 2)

an SEC-approved in-house corporate governance training, covering all the mandated topics including financial reporting and auditing. Key officers for purposes of this requirement refer to all officers provided in the Bank's By-Laws, all members of the Audit Committee, Internal Auditor and Compliance Officer.

In addition, the Corporate Secretary should annually attend training on corporate governance.<sup>43</sup>

#### 14. Multiple Board Seats<sup>44</sup>

Taking into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities, the nature and kind of corporations he may be director of and the limitations on concurrent directorship between banks or between a bank and a quasi-bank under existing regulations, non-executive directors of the Board could, as a rule, concurrently serve as directors only to a maximum of five (5) publicly listed companies, making sure however that the shareholders' legal right to vote and be voted directors remains inviolable. In applying this provision to concurrent directorship in entities within a conglomerate, each entity where the non-executive director is concurrently serving as director shall be considered separately in assessing compliance with this requirement

A director should notify the Board before accepting a directorship in another company.

#### 15. Reportorial Requirements

##### a. Certifications Required<sup>45</sup>

The Bank must submit to BSP required certifications and other documentary proof of qualifications using the Appendix 98 of the MORB as guide. Non-submission of complete documentary requirements or their equivalent within the prescribed period shall be construed as his failure to establish his qualifications for the position and results in his removal from the Board.

The Bank must submit to BSP a certification under oath of the director/officer with rank of senior vice president and above, and officers whose appointment requires prior Monetary Board/BSP SES Committee approval, that he has all the prescribed qualifications and none of the disqualifications and other required documentations within twenty (20) banking days from the date of election/re-election of the directors/meeting of the Board in which the officers are appointed/promoted.

In addition, for first-time directors, a certification under oath of compliance with the BSP –prescribed syllabus on on-boarding/orientation program and a certification that they have received copies of the general responsibility and specific duties and responsibilities of the Board and of a director and that they fully understand and accept the same, shall also be submitted to the BSP within the same period of time on an individual basis.

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<sup>43</sup> SEC Memo Cir. No. 19, s2016

<sup>44</sup> BSP MORB Sec. 1322

<sup>45</sup> BSP MORB Appendix 101

b. BSP Bio-Data<sup>46</sup>

The Bank shall submit to BSP a bio-data with ID picture of the (1) directors and officers who are subject to confirmation and (2) officers below the rank of SVP requiring a different set of minimum qualifications, upon every election/re-election/appointment/promotion in a prescribed form within twenty (20) banking days from the date of election/re-election of the directors/meeting of the board of directors in which the officers are appointed/promoted.

The bio-data shall be updated and submitted in cases of change of name due to change in civil status and change of residential address, within twenty (20) banking days from the date the change occurred, and in cases of requests for prior Monetary Board approval of interlocks.

The Bank shall keep a complete record of the bio-data of all its directors and officers and shall maintain a system of updating said records which shall be made available during on-site examination or when required by the BSP for submission for off-site verification.

c. List of incumbent Directors/Officers<sup>47</sup>

A duly notarized list of the incumbent members of the Board and officers shall be submitted to BSP within twenty (20) banking day from the annual election of the Board.

d. Notarized Authorization Form to Query in BSP Watchlist File<sup>48</sup>

For first time directors/officers within a particular bank/banking group whose election/appointment requires Monetary Board/SES Committee confirmation,, a duly notarized "Authorization Form For Querying The Bangko Sentral Watchlist Files For Screening Applicants And Confirming Appointments Of Directors And Officials" shall be submitted within twenty (20) banking days from date of election/re-election of the directors/meeting of the Board in which the officers are appointed/promoted.

e. Certification by an Independent Director<sup>49</sup>

In the case of Independent Directors, the bio-data shall be accompanied by a certification under oath from the director that he is an independent director as defined under the regulations and that all the information supplied are true and correct.

f. Certificate of Attendance<sup>50</sup>

1) The Bank shall submit to the SEC the Certificate of Attendance of key officers and members of the Board in a program on corporate governance conducted by training providers duly accredited by SEC within ten (10) days from the completion of the program.

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<sup>46</sup> BSP MORB Sec. 137

<sup>47</sup> BSP MORB Sec. 137

<sup>48</sup> BSP MORB Sec. 138

<sup>49</sup> BSP MORB Sec. 137

<sup>50</sup> SEC Memo Cir. No. 2, S2015

- 2) For re-elected directors, a Secretary's Certificate on the attendance by the directors concerned to the Board meetings held for the last twelve (12) months covering the term of service, indicating percentage of attendance to Board meetings shall be submitted within twenty (20) banking days from date of re-election of the directors.

### **C. THE CHAIRMAN OF THE BOARD AND THE PRESIDENT**

The roles of the Chairman and the President shall, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. Each should have clearly defined responsibilities, such separation of roles will facilitate effective decision-making and good governance.

To promote checks and balances, the Chairman of the Board shall be a non-executive director or an independent director, and must not have served as CEO/President of the Bank within the past three (3) years.<sup>51</sup>

1. The Chairman shall provide leadership in the Board of Directors. He shall ensure effective functioning of the Board of Directors, including maintaining a relationship of trust with members of the board of directors. He shall: (1) ensure that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns; (2) ensure a sound decision-making process; (3) encourage and promote critical discussion; (4) ensure that dissenting views can be expressed and discussed within the decision-making process; (5) ensure that members of the Board receive accurate, timely, and relevant information; (6) ensure the conduct of proper orientation for first-time directors and provide training opportunities for all directors; and (7) ensure conduct of performance evaluation of the Board of Directors at least once a year.

Specifically, the respective powers and duties of the Chairman and the President are delineated in the Bank's By-Laws.

Based on the By-Laws<sup>52</sup>, the Chairman shall have the following powers and duties:

- a. To preside at all meetings of the stockholders and of the Board, and to ensure that the meeting of the Board are held in accordance with the By-Laws or as the Chairman may deem necessary;
- b. To supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the President, management and the directors;
- c. To maintain qualitative and timely lines of communication and information between the Board and management;
- d. To submit an annual report of the operations of the Bank to the stockholders at the annual meeting;

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<sup>51</sup> BSP MORB Sec.132

<sup>52</sup> Art. V Amended Metrobank By-Laws

- e. Exercises such general supervision as may be necessary to determine whether the resolutions and orders of the Board and of any authorized committee have been carried out by the management; and
- f. To exercise such other powers and perform such other duties as the Board may from time to time fix or delegate.

In addition to the foregoing, the Chairperson shall also have, among others, the following duties and responsibilities:<sup>53</sup>

- a. 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;
  - b. Guarantees that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions;
  - c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
  - d. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
  - e. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
  - f. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.
2. The President shall be the overall-in-charge for the management of the business and affairs of the Bank governed by the strategic direction and risk appetite approved by the Board. He shall be primarily accountable to the Board in championing the desired conduct and behavior, implementing strategies, and in promoting the long-term interest of the Bank.<sup>54</sup>

Based on the By-Laws<sup>55</sup>, the President shall have the following powers and duties:

- a. To exercise direct and active management of the business and operations of the Bank, conducting the same according to the orders, resolutions and instructions of the Board and of any authorized committee, and according to his own discretion wherever the same is not expressly limited by such orders, resolutions and instructions;
- b. To exercise general superintendence and direction over the other officers and the employees of the Bank and to see to it that their respective duties are properly performed;

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<sup>53</sup> SEC Memo. Cir. 19, s2016

<sup>54</sup> BSP MORB Sec. 134

<sup>55</sup> Art. V Amended Metrobank By-Laws

- c. To recommend to the Board, the appointment or removal of any of the management officers, employees and agents of the Bank, the fixing of their salaries and wages, to prescribe their duties, and to require guarantees or bonds to secure the faithful discharge of certain officers, employees or agents of their official duties;
- d. To suspend, at his discretion, any management officer or employees of the Bank;
- e. To sign and execute on behalf of the Bank, when so authorized by the Board, either singly or jointly with any other officer or officers designated by the Board, all contracts and agreements which it may enter into;
- f. To represent the Bank in all judicial and administrative proceedings affecting its business;
- g. To sign with the Secretary all the certificates of stock of the Bank;
- h. To carry out all the resolutions and orders of the Board and of any authorized committee;
- i. To submit to the Board such statements, reports, memoranda and accounts, as the latter may require; and prepare such statements and reports as may be required from time to time by law or government regulations with respect to domestic corporations in general and banks in particular; and
- j. To perform such other duties as may be prescribed by the Board or which may properly pertain to his office and which in his judgment will serve the best interest of the Bank in conformity with the provisions of statutory law and the Bank's By-Laws.

In addition to the foregoing, the President shall also have, among others, the following duties and responsibilities:<sup>56</sup>

- a. Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;
- b. Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- c. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
- d. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
- e. Directs, evaluates and guides the work of the key officers of the corporation;
- f. Manages the corporation's resources prudently and ensures a proper balance of the same;
- g. Provides the Board with timely information and interfaces between the Board and the employees;

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<sup>56</sup> SEC Memo. Cir. 19, s2016

- h. Builds the corporate culture and motivates the employees of the corporation; and
- i. Serves as the link between internal operations and external stakeholders.

#### **D. BOARD COMMITTEES<sup>57</sup>**

The Board may delegate some of its functions, but not its responsibilities, to Board-level committees. In this regard, the Board shall:

1. Approve, review, and update, at least annually or whenever there are significant changes therein, the respective charters of each committee or other documents that set out its mandate, scope and working procedures. Said documents shall articulate how the committee will report to the full board of directors, what is expected of the committee members, and tenure limits for serving in the committee. The Board may also consider occasional rotation of committee members and chairs to avoid undue concentration of power and promote fresh perspective.
2. Appoint members of the committees taking into account the optimal mix of skills and experience to allow the Board, through the committees, to fully understand and objectively evaluate the relevant issues. In order to promote objectivity, the Board shall appoint independent directors and non-executive members of the Board to the greatest extent possible. Towards this end, an independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Oversight and Corporate Governance, Related Party Transactions committees, without prior approval of the Monetary Board.
3. Ensure that each committee shall maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.

To aid the Board in the optimal performance of its roles and responsibilities, the following committees, among others, have been created, with their own respective charters:

- Anti-Money Laundering Committee
- Audit Committee
- Corporate Governance and Compensation Committee
- Domestic Equity Investments Committee
- Executive Committee
- Information Technology Steering Committee
- Nominations Committee
- Overseas Banking Committee
- Related Party Transactions Committee
- Risk Oversight Committee
- Trust Committee

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<sup>57</sup> BSP MORB Sec. 133

1. Anti-Money Laundering Committee

A Board level Committee tasked to assist the Board in fulfilling its oversight responsibility over the Bank's AML Compliance Management to make sure that the Bank complies with the provisions of the AMLA, as amended, its Revised Implementing Rules and Regulations (RIRR), and BSP regulations.

Refer to Annex 3 for the Committee Charter.

2. Audit Committee

As an extension of the Board, the Audit Committee shall assist the Board in fulfilling its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholders' interest through effective oversight of internal and external audit functions, transparency and proper reporting, compliance with laws, rules and regulations and code of conduct, and adequate and effective internal controls.

Refer to Annex 4 for the Committee Charter.

3. Corporate Governance and Compensation Committee

The CGCCOM shall assist the Board of Directors in fulfilling its corporate governance responsibilities and in providing oversight on the implementation of the Bank's Compliance System. The committee is tasked with establishing a formal and transparent procedure in determining the remuneration of directors and officers that is consistent with the Bank's culture, strategy, business environment and industry practice.

Refer to Annex 5 for the Committee Charter.

4. Domestic Equity Investments Committee

The Domestic Equity Investments Committee has been established to assist the Board in overseeing the development and maintenance of the Bank's domestic equity investments policy and in monitoring its implementation by Management.

Refer to Annex 6 for the Committee Charter.

5. Executive Committee

The EXCOM shall primarily review and approve credit proposals and credit policies within its authority and limits as well as provide recommendations or conditions to lending. The EXCOM may also act on other matters as delegated by the stockholders, and the Board of Directors within its competence and in accordance with the By-Laws of the Bank.

Refer to Annex 7 for the Committee Charter.

6. Information Technology Steering Committee

The ITSC provides governance and oversight in the management of the Bank's IT resources. Its principal function is to ensure that IT strategies are consistent with the overall business objectives. As an extension of the BOD, it shall supervise the IT Risk Management Program of the Bank and the development of policies, controls and specific accountabilities consistent with the Bank's IT Risk Management Framework. It should regularly provide adequate information to the BOD regarding overall IT performance, status of major projects and other significant issues related to IT risks.

Refer to Annex 8 for the Committee Charter.

7. Nominations Committee

The Committee 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.

Refer to Annex 9 for the Committee Charter.

8. Overseas Banking Committee

The Overseas Banking Committee shall assist the Board in its oversight functions over the operations and financial performance of the overseas branches and subsidiaries, their compliance with the rules and regulations of their respective host countries and their adherence to the parent Bank's business and corporate governance policies as prescribed by the BSP and SEC.

Refer to Annex 10 for the Committee Charter.

9. Related Party Transactions Committee

A Board level Committee tasked to ensure that Bank's transactions with related parties are reviewed to assess risks and subjected to appropriate restrictions to ensure that such are conducted at arm's length terms and that corporate and business resource of the Bank are not misappropriated or misapplied.

Refer to Annex 11 for the Committee Charter.

10. Risk Oversight Committee

The Risk Oversight Committee, as the extension of the Board, shall be responsible for the development and oversight of the risk management program for the Bank and its Trust Banking Group.

Refer to Annex 12 for the Committee Charter.

11. Trust Committee

The Trust Committee shall act within the sphere of its authority, including but not limited to, the confirmation of acceptance and closing of trust and fiduciary accounts, the review of

assets placed under the Bank's custody, the investment, and reinvestment and disposition of trust funds and the review and approval of transactions between trust and/or fiduciary accounts.

Refer to Annex 13 for the Committee Charter.

## **E. OFFICERS**

The By-Laws enumerated the various officers of the Bank and defined their respective duties and responsibilities. Other officers may be appointed and their duties defined by the Board as the exigencies of the service may require.

Each officer shall contribute his share in the pursuit of good corporate governance. His service shall be characterized by honesty and integrity/probity, diligence and dedication, efficiency and effectiveness, loyalty and fidelity, adherence to sound banking practices and the rule of law, as well as fairness and equity to all depositors and clients constituting the banking public; his peers and colleagues in the Bank and the banking community, the Board and senior officers, and the public in general.

### **1. Qualifications of an Officer<sup>58</sup>**

An officer must be fit and proper for the position he is being appointed to. In determining whether a person is fit and proper for a particular position, his integrity/probity, education/training, and possession of competencies relevant to the function such as knowledge and experience, skills and diligence must be considered.

In assessing an officer's integrity/probity, consideration shall be given to the officer'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.

An appointed officer has the burden to prove that he possesses all the foregoing minimum qualifications and none of the cases mentioned under "Disqualifications of Officers". An officer shall submit to the BSP the required certifications and other documentary proof of such qualifications within twenty (20) banking days from the date of meeting of the Board in which the officer is appointed/promoted. Nonsubmission of complete documentary requirements within the prescribed period shall be construed as his/her failure to establish his/her qualifications for the position and results to his/her removal therefrom.

### **2. Duties and Responsibilities of Officers<sup>59</sup>**

Duties and responsibilities of officers shall include among others the following:

- a. To set the tone of good governance from the top

Bank officers shall promote the good governance practices within the Bank by ensuring that policies on governance as approved by the Board are consistently adopted across the Bank.

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<sup>58</sup> BSP MORB Sec. 134

<sup>59</sup> BSP MORB Sec. 134

- b. To oversee the day-to-day management of the Bank

Bank officers shall ensure that Bank's activities and operations are consistent with the Bank's strategic objectives, risk strategy, corporate values and policies as approved by the Board. They shall establish a bankwide management system characterized by strategically aligned and mutually reinforcing performance standards across the organization.

- c. To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency

Bank officers shall establish measurable standards, initiatives and specific responsibilities and accountabilities for each Bank personnel. Bank officers shall oversee the performance of these delegated duties and responsibilities and shall ultimately be responsible to the Board for the performance of the Bank.

- d. To promote and strengthen checks and balances systems in the Bank

Bank officers shall promote sound internal controls and avoid activities that shall compromise the effective dispense of their functions. Further, they shall ensure that they give due recognition to the importance of the internal audit, risk management, compliance and external audit functions.

### 3. Disqualifications of Officers<sup>60</sup>

- a. The disqualifications for directors mentioned in the "Disqualification of Directors" shall likewise apply to officers, except those stated in items "b.2)" and "b.7)".
- b. The spouses or relatives within the second degree of consanguinity or affinity are prohibited from holding officership positions across the following functional categories within the Bank:
  - 1) Decision making and Senior Management function, e.g., chairman, president, chief executive officer, chief operating officer, general manager, and chief financial officer other than the treasurer or controller;
  - 2) Treasury function, e.g., Treasurer and Vice President – Treasury;
  - 3) Recordkeeping and financial reporting functions, e.g., controller and chief accountant;
  - 4) Safekeeping of assets, e.g., chief cashier;
  - 5) Risk management function, e.g., chief risk officer;
  - 6) Compliance function, e.g., compliance officer; and
  - 7) Internal audit function, e.g., internal auditor.

The spouse or a relative within the second degree of consanguinity or affinity of any person holding the position of manager, cashier, or accountant of a branch or extension

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<sup>60</sup> BSP MORB Sec. 138

office of the Bank or their respective equivalent positions is disqualified from holding or being appointed to any of said positions in the same branch or extension office.

- c. Any appointive or elective official, whether full time or part time, except in cases where such service is incident to financial assistance provided by the government or government owned or -controlled corporations (GOCCs) or in cases allowed under existing law.
- d. Except as may otherwise be allowed under Commonwealth Act No. 108, otherwise known as "The Anti-Dummy Law", as amended, foreigners cannot be officers or employees of the Bank.

## 2. Corporate Secretary<sup>61</sup>

The Board should ensure that it is assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer. The Corporate Secretary should not be a member of the Board and should annually attend training on Corporate Governance. The Corporate Secretary is primarily responsible to the Bank and its shareholders, and not to the Chairman or President.

Based on the By-Laws<sup>62</sup>, the Corporate Secretary shall have the following duties:

- a. To attend and keep full minutes of all meetings of the Board and of the Stockholders;
- b. To keep the stock certificate book, the stock and transfer books and the corporate seal, which he shall stamp on all documents requiring such seal;
- c. To file and countersign all the certificates of stock issued, making corresponding annotations on the margins or stubs of such certificates upon issuance and sign such other instruments as may be require his signature;
- d. To give or cause to be given, all notices required by law or by these by-laws as well as notices of special meetings of the Board and of regular and special meetings of the stockholders; and
- e. To render such reports and perform such other duties as are incidental to his office or are properly required of him by the President or the Board, and as may be required by law.

In addition to the foregoing, the Corporate Secretary shall also have, among others, the following duties and responsibilities:<sup>63</sup>

- a. Assists the Board and 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 chairman of the Board and its committees to set agendas for those meetings;

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<sup>61</sup> SEC Memo Cir. No. 19, s2016

<sup>62</sup> Art. V Amended Metrobank By-Laws

<sup>63</sup> SEC Memo. Cir. No. 19, s2016

- b. Safekeeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;
- c. 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;
- d. Works fairly and objectively 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 including shareholders;
- e. Advises on the establishment of board committees and their terms of reference;
- f. 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;
- g. Attends all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- h. Performs required administrative functions;
- i. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- j. Performs such other duties and responsibilities as may be provided by the SEC.

## **F. INTERLOCKING DIRECTORSHIPS/OFFICERSHIPS & SECONDMENTS<sup>64</sup>**

### **1. Interlocking Directorships**

There shall be no concurrent directorships between banks or between a bank and quasi-banks (QB) or non-bank financial institutions (NBFI), except as may be authorized by the Monetary Board.

Without the need for prior approval of the Monetary Board, concurrent directorships between entities not involving an investment house shall be allowed in the following cases:

- a. Banks not belonging to the same category: *Provided*, That not more than one (1) bank shall have quasi-banking functions;
- b. A bank and an NBFI;
- c. A bank without quasi-banking functions and a QB; and
- d. A bank and one (1) or more of its subsidiary bank/s, QB/s and NBFI/s.

For purposes of the foregoing, a husband and his wife shall be considered as one (1) person.

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<sup>64</sup> BSP MORB Sec. 137

## 2. Interlocking Directorships and Officerships

Except as may be authorized by the Monetary Board or as otherwise provided hereunder, there shall be no concurrent directorship and officership between banks or between a bank and a QB or an NBFi.

Without the need for prior approval of the Monetary Board, concurrent directorship and officership between a bank and one (1) or more of its subsidiary bank/s, QB/s and NBFi/s, other than investment house/s, shall be allowed.

## 3. Interlocking Officerships

A concurrent officership in different financial institutions may present more serious problems of self-dealing and conflict of interest. Multiple positions may result in poor governance or unfair competitive advantage. Considering the full-time nature of officer positions, the difficulties of serving two (2) offices at the same time, and the need for effective and efficient management, the following rules shall be observed:

As a general rule, there shall be no concurrent officerships, between banks or, between a bank and a QB or an NBFi.

However, subject to prior approval of the Monetary Board, concurrent officerships may be allowed in the following cases:

- a. Between a bank and not more than two (2) of its subsidiary bank/s, QB/s, and NBFi/s, other than investment house/s; or
- b. Between a bank and not more than two (2) of its subsidiary QB/s and NBFi/s; or
- c. Between two (2) banks, or between a bank and a QB or an NBFi, other than an investment house: *Provided*, That at least twenty percent (20%) of the equity of each of the banks, QBs or NBFis is owned by a holding company or a bank/QB and the interlocking arrangement is necessary for the holding company or the bank/QB to provide technical expertise or managerial assistance to its subsidiaries/affiliates.

Aforementioned concurrent officerships may be allowed, subject to the following conditions:

- 1) that the positions do not involve any functional conflict of interests;
- 2) that any officer holding the positions of president, chief executive officer, chief operating officer or chief financial officer or their equivalent may not be concurrently appointed to any of said positions or their equivalent;
- 3) that the officer involved, or his spouse or any of his relatives within the first degree of consanguinity or affinity or by legal adoption, or a corporation, association or firm wholly- or majority-owned or controlled by such officer or his relatives enumerated above, does not own in his/its own capacity more than twenty percent (20%) of the subscribed capital stock of the entities in which the Bank has equity investments; and

- 4) that where any of the positions involved is held on full-time basis, adequate justification shall be submitted to the Monetary Board; or
- d. Concurrent officership positions in the same capacity which do not involve management functions, i.e., internal auditor, corporate secretary, assistant corporate secretary and security officer, between a bank and one or more of its subsidiary QB/s and NBFIs, or between bank/s, QB/s and NBFIs, other than investment house/s: *Provided*, That at least twenty percent (20%) of the equity of each of the banks, QBs and NBFIs is owned by a holding company or by any of the banks/QBs within the group.
- e. Concurrent officership positions as corporate secretary or assistant corporate secretary between bank/s, QB/s and NBFIs, other than investment house/s, outside of those covered under item “d” above, provided, that proof of disclosure to and consent from all of the involved financial institutions, on the concurrent officership positions, shall be submitted to BSP.

#### 4. Secondment

The Bank may second or transfer its employee to another entity for temporary assignment in accordance with the Board-approved policy on secondment. The secondee or the transferred employee shall relinquish all his duties, responsibilities, and authorities in the Bank, and shall receive remuneration and other incentives from the host entity. The Bank shall submit a notice within ten (10) banking days from the approval of secondments of employees to the appropriate supervising department of the BSP.

### **G. COMPLIANCE RISK MANAGEMENT SYSTEM<sup>65</sup>**

The Bank shall establish a dynamic and responsive compliance risk management system. The compliance risk management system shall be designed to specifically identify and mitigate risks that may erode the franchise value of the Bank such as risks of legal or regulatory sanctions, material financial loss, or loss to reputation, the Bank may suffer as a result of its failure to comply with laws, rules, related self-regulatory organization standards, and codes of conduct applicable to its activities. Said risk may also arise from failure to manage conflict of interest, treat customers fairly, or effectively manage risks arising from money laundering and terrorist financing activities. Compliance risk management should be an integral part of the culture and risk governance framework of the Bank. In this respect, it shall be the responsibility and shared accountability of all personnel, officers, and the Board.

#### 1. Compliance Function

The compliance function shall facilitate effective management of compliance risk. It shall have a formal status within the Bank. It shall be established by a charter or other formal document approved by the Board that defines the compliance function’s standing, authority and independence. It shall have the right to obtain access to information necessary to carry out its responsibilities, conduct investigations of possible breaches of the compliance policy,

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<sup>65</sup> BSP MORB Sec. 161

and shall directly report to and have direct access to the board of directors or appropriate board-level committee.

2. Compliance Policy Manual

The Compliance Policy Manual shall set out the planned activities of the compliance function, such as the review and implementation of specific policies and procedures; compliance risk assessment; compliance testing; educating staff on compliance matters; monitoring compliance risk exposures; and reporting to the board of directors or board-level committee. It shall be updated on a regular basis or at least annually.

3. Compliance Officer (CO)

The Bank shall appoint a CO who shall serve on a full-time basis and shall functionally report to the board of directors or board-level committee. The CO should have the necessary qualifications, experience, and professional background and should have a sound understanding of relevant laws and regulations and their potential impact on the Bank's operations. The CO should be up-to-date with the developments in laws, rules and standards maintained through continuous training.

The CO shall oversee the identification and management of the Bank's compliance risk and shall supervise the compliance function staff. He is expected to liaise with the BSP on compliance related issues and shall also be responsible for ensuring the integrity and accuracy of all documentary submissions to the BSP. He shall functionally meet/report to the Board through the Corporate Governance and Compensation Committee. In this regard, the Committee shall review and approve the performance and compensation of the CO, as well as the budget of the compliance function.

In relation to corporate governance, the Compliance Officer shall have, among others, the following duties and responsibilities<sup>66</sup>:

- a. Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
- b. Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- c. Reports to the President and the Board through Corporate Governance and Compensation Committee, if violations are found and recommends the imposition of appropriate disciplinary action; significant compliance issues, the general status of Bank's level of compliance and also the relevant regulations, updates & other compliance matters;
- d. Ensures the integrity and accuracy of all documentary submissions to regulators;
- e. Appears before the SEC when summoned in relation to compliance with this Code;

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<sup>66</sup> SEC Memo Cir. 19, S2016

- f. Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- g. Identifies possible areas of compliance issues and works towards the resolution of the same;
- h. Ensures the attendance of board members and key officers to relevant trainings; and
- i. Performs such other duties and responsibilities as may be provided by the SEC.

The Compliance Officer also exercises other specific statutory responsibilities.

## **H. RISK GOVERNANCE FRAMEWORK <sup>67</sup>**

The risk governance framework shall include policies, supported by appropriate processes and control procedures, designed to ensure that the risk identification, aggregation, mitigation and monitoring capabilities are commensurate with the Bank's size, complexity, risk profile, and systemic importance. The risk governance framework shall consider the entities in the conglomerate and shall be applied on a group-wide scale.

### **1. Risk Management Function**

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. It shall ensure that the risk governance framework remain appropriate relative to the complexity of risk taking activities of the Bank. 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. It shall directly report to the Risk Oversight Committee (ROC). Personnel in the risk management function should collectively have knowledge and technical skills commensurate with business activities and risk exposures of the Bank.

### **2. Chief Risk Officer (CRO).**

The Bank shall appoint a CRO to head the risk management function. The CRO shall have sufficient stature, authority, and seniority within the Bank. He shall be independent from executive functions and business line responsibilities, operations and revenue-generating functions, and shall have access to such information as he deems necessary to form his judgment. The CRO shall have direct access to the Board and the Risk Oversight Committee without any impediment. He shall serve on a full-time basis and shall functionally meet/report to the Risk Oversight Committee. In this regard, the Risk Oversight Committee shall review and approve the performance and compensation of the CRO, and budget of the risk management function.

The appointment, dismissal and other changes to the CRO or its equivalent position shall have prior approval of the Board. In cases, when the CRO will be replaced, the Bank shall

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<sup>67</sup> BSP MORB Sec. 142

report the same to the BSP within five (5) days from the time it has been approved by the Board.

a. Qualifications of the CRO

The CRO should have the knowledge and skills necessary to oversee the Bank's risk management activities. This will be assessed based on the ability of the CRO to influence decisions that affect the Bank's exposure to risk. The CRO should have the ability to interpret and articulate risk in a clear and understandable manner and, without compromising his independence, can engage in a constructive dialogue with the Board, the President, and other senior management on key risk issues.

b. Duties and responsibilities of the CRO

The CRO shall be responsible for overseeing the risk management function and shall support the Board 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.

## I. CODE OF CONDUCT AND ETHICS

1. Code of Conduct and Ethics for Directors (Annex 13)

The members of the Board have adopted the Code of Conduct and Ethics for Directors. It describes the behavioral standards expected from a director so that he can better understand and meet the expectations and requirements of the organization and regulators.

Included in the Code are the standards of conduct for ensuring the proper discharge of the duties and responsibilities, basic principles that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests, avoiding situations that would compromise his impartiality; maintaining professional integrity; enhancement of skills, knowledge and understanding of bank activities, etc.

2. Code of Conduct for Employees (Annex 14)

Indispensable to the Bank's attainment of its objectives is the quality of the employees who carry out its day-to-day operations. Corporate discipline requires employee appreciation of the work and moral standards and behavior set by the Bank, commitment to the Bank's thrusts and undertakings, and compliance with applicable laws and regulations.

Metrobankers shall fulfill their promise to customers to always keep them in good hands, guided by their core values. They shall champion the fair treatment and protection of the Bank's stakeholders, particularly its customers, resource providers, creditors and the community in which it operates. Fair, professional and objective dealings as well as clear, timely and regular communication with the various stakeholders promote stable, long term relationship.

These Codes of Conduct aim to instill a commitment and dedication to the virtues of honesty and integrity, together with a high sense of prudence, responsibility and efficiency in the conduct of duties. It is imperative that directors, officers and employees live by the values that the Bank stands for and reflect these values in their behaviors.

To enforce bank-wide compliance, the Bank's Codes of Conduct for directors and employees shall be posted in the Bank's intranet and the Human Resources Management Group public folder for easy access of all directors, officers and employees of the bank.

The Codes are implemented by the Corporate Governance and Compensation Committee and the Human Resources Group. Breaches are subject to disciplinary actions which may range from reprimand, suspension, termination set forth under the Corporate Governance Manual and the Bank's Manuals of Policies and Procedures in accordance with the principle of due process.

## **J. DISCLOSURE AND TRANSPARENCY**

The essence of corporate governance is transparency. It is therefore essential that the Bank shall make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board of the offeree company should, as a general rule, appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets<sup>68</sup>.

The Bank shall commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the SEC for the interest of its stockholders and other stakeholders.

The Controllership Group (COG) shall be responsible for providing the required internal and external information necessary to protect the interest of the Bank's clients and stockholders. The Group shall ensure that the Bank's resources and interests are adequately protected, and that its objectives are met. Its Institutional Accounting Division (IAD) shall be responsible for the preparation and submission of the Bank's Financial Statements (including the completion of the parent, foreign currency denominated unit and the consolidated audited financial statements) and regulatory reports.

Likewise, the minimum information required to be posted on the company's website, arranged under SEC-recommended topic headings, shall be retained for a period of five (5) years. Any items in the required website template prescribed by the SEC could be added or removed any time as the need arises.<sup>69</sup>

### **DIVIDEND POLICY**

The Bank's dividend policy is an integral component of its capital management policy rather than a stand-alone process. Its fundamental and overriding policy is sustainability.

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<sup>68</sup> SEC Memo Cir. No. 19, s2016

<sup>69</sup> SEC Memo Cir. No. 11, s2014

Dividends are declared and paid out of unrestricted retained earnings of the Bank at such intervals as the Board of Directors may determine and in accordance with the provisions of law and the regulations of the BSP and the SEC. Historically, the Bank has declared annual cash dividends equal to P1.00 per common share, equivalent to 5% of par value.

Cash dividends are subject to approval by at least a majority of the Board of Directors, with the record date not being earlier than 10 trading days from declaration, and the payment date not later than 18 trading days from the record date. On the other hand, stock dividends require prior clearance from the BSP, the SEC and the Philippine Stock Exchange.

The payment of dividends in the future will depend on the Bank's earnings, cash flow, financial condition, regulatory requirements for capital and other factors. Circumstances which could restrict the payment of cash dividends include, but are not limited to, when the Bank undertakes major projects and developments requiring substantial cash expenditures. The Board of Directors may, at any time, modify the Bank's dividend payout ratio depending on the results of operations and future projects and plans of the Bank.

### **GROUP STRUCTURES**<sup>70</sup>

1. The report disclosing all entities in the conglomerate structure where the Bank belongs either as a parent company bank or subsidiary/affiliate shall be submitted to the BSP within 30 calendar days after the end of every calendar year.
2. The report on material exposures to related parties which shall include material RPTs of subsidiaries and affiliates, based on the Bank's internal definition, shall be submitted to the BSP within 20 calendar days after the end of the reference quarter.

### **COMPENSATION POLICY**<sup>71</sup>

The Bank adopts a compensation policy that is aligned with the Bank's operating and risk culture, long-term strategic and financial interest and labor laws and regulations, promotes good performance and competitive with industry standards, with a goal to attract, motivate and retain the best people.

#### Directors' Compensation Package

The members of the Board of Directors receive a fixed remuneration package based on experience, professional background, level of responsibilities and attendance in Board and committee meetings.

#### Executive and Employee Compensation

The Bank pays salaries commensurate to the individual's qualifications and experience, nature of the job, position and level of responsibility with reference to an approved salary scale.

The Bank's compensation package is reviewed regularly and benchmarked against competition through participation in annual compensation and benefit surveys to ensure its competitiveness vis-à-vis industry and other market considerations.

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<sup>70</sup> BSP MORB Sec. 136

### Pay for Performance

The Bank aims to achieve a performance-driven work culture by providing meaningful rewards for performance. Annual performance scorecards are structured to support business strategies and provide competitive rewards. Thus, the Bank grants annual merit increase and performance bonus (non-guaranteed) based on the Bank's overall performance, Group and individual performance, and market conditions.

### Fair Compensation

The Bank ensures that its compensation package for non-officers or rank and file employees is in accordance with the labor law requirements. They receive salaries linked to both performance and the Bank's contractual obligation under a collective bargaining agreement which include loyalty bonuses for long-term employees.

## **WHISTLE-BLOWING POLICY**

Metrobank is committed to maintaining the highest possible standards of ethics, honesty, accountability and adhering to the principles of good governance. All employees are encouraged to play their part in improving the overall effectiveness and success of the Bank and in strengthening the Bank's system of integrity by creating an atmosphere of openness and trust and by providing an avenue for employees to raise concerns and receive feedback on any action taken.

The Bank has a Whistle-blowing Policy (Annex 15) which aims to guide officers and staff as well as other stakeholders on reporting complaints related to fraud, malpractice, conflict of interest or violation of internal/regulatory policies, procedures and controls. The policy also provides for the protection of the reporting employee. Under the policy, the Bank shall maintain the identity of the reporting employee as confidential and retaliation against any reporting employee shall not be allowed. Complaints/concerns may be filed through the Bank's website or send via email at [whistleblowing@metrobank.com.ph](mailto:whistleblowing@metrobank.com.ph) or text hotline +639427471359.

## **RELATED PARTY TRANSACTIONS**

The Bank has adopted a policy (Annex 16) on related party transactions where transactions with related parties are reviewed by either the Related Party Transactions Management Committee, a management-level committee composed of senior officers, or the Related Party Transactions Committee, a Board-level committee composed of independent directors, depending on the materiality threshold set by the Bank. A director/officer with a material interest in any transaction affecting the Bank should abstain from taking part in the deliberations for the same.

## **POLICY ON INSIDER TRADING**

Metrobank as a publicly traded company is governed by securities laws and regulations. The Bank strictly enforces and monitors compliance with its Insider Trading Policy to uphold applicable laws and ensure shareholders protection and that individuals do not benefit from knowledge which is not generally available to the market.

The policy prohibits trading during black-out periods by covered persons i.e. all directors and employees within the Metrobank Group including their immediate family members residing with them in the same household and corporations, other entities and funds subject to their influence or control. It requires the reporting insiders to confirm their respective beneficial ownership of listed shares of stock in their respective companies, if any, and report any changes thereto on the next trading day from the date of the change pursuant to the requirements of the SEC and the PSE.

The policy (Annex 17) requires that the disclosure of Material Nonpublic Information about any of the companies within the Metrobank Group or any Partner shall be made on a reasonable need-to-know basis and in furtherance of a legitimate business purpose. It further requires the reporting insiders to confirm their respective beneficial ownership of listed shares of stock in their respective companies, if any, and report any changes thereto on the next trading day from the date of the change pursuant to the requirements of the SEC and the Philippine Stock Exchange.

### **POLICY ON ENGAGEMENT OF ADVISERS**

Advisers are individuals who possess specialized knowledge, skills, work experience and expertise and are engaged by the Bank to provide expert and professional advice and make non-binding recommendations to the Bank's Board of Directors, the President and Management with respect to matters within the areas of their experience and expertise.

An appointed adviser must be fit and proper for the position. In selecting, the following must be considered among others, by the Board: 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; sufficiency of time to fully carry out responsibilities; and recognized stature, influence and reputation in the banking community and/or other relevant field of expertise.

The role of an adviser shall be purely advisory. They are expected to enrich discussions by serving as trusted advisors and industry experts. Appointed advisers shall have no influence on the Board and the Bank and shall have no voting rights.

Advisers are appointed on an annual basis for a maximum of one year from the date of the appointment or longer as necessary. The Board shall have the authority, in its sole and absolute discretion, to remove any adviser in any time for any reason with or without cause.

The number of advisers to be appointed/re-appointed shall be at the discretion of the Board.

## **K. CORPORATE GOVERNANCE FRAMEWORK FOR THE GROUP**

The corporate governance framework for the Group is hereby defined to enable effective oversight over entities of the entire group. It contains sound and effective systems for generation and sharing of information within the Group. For this purpose, the scope of supervision will include subsidiaries of Metrobank Group here and abroad that are BSP supervised financial institutions and its foreign branches as it relates to their function. The Heads of the supervised areas in the covered entities shall be responsible for providing necessary support, information, reports, etc. to enable the Group Supervisors to dispense with the responsibilities given herein.

Recognizing the fiduciary duty of the board of directors of the subsidiaries that require them to act in the best interest of the respective company and the legitimacy for directions by the Parent Bank over its subsidiaries, the Board in its meeting on 23 May 2012, and acting as the Parent entity of the Group, approved among others, the creation of the following “Group Supervisor Roles” in each of the following areas to help the Board ensure an effective oversight over entities in Metrobank Group. The Group Supervisors are responsible, among others, to recommend policies, practices, standards, controls and structures as it relates to their area of supervision, to define and oversee implementation plans, to monitor compliance, to conduct a periodic formal review and report the results of their assessments.

### **1. Group Supervision on Internal Audit (Annex 19)**

To promote consistency of audit activities across the Metrobank Group, the Group Supervision on Internal Audit is prescribed. IAG either provides centralized internal audit functions or supervises the internal audit units of selected Bank’s subsidiaries and affiliates.

### **2. Group Supervision on Accounting and Financial Reporting (Annex 20)**

The guidelines facilitate communication across the Metrobank Group particularly on accounting and financial reporting to ensure compliance to group reportorial requirements for investee companies.

### **3. Group Supervision on Risk Management**

The guidelines shall enhance synergy in the risk management policies of the Metrobank Group to ensure its effectiveness in meeting management and regulatory requirements. This serves as guide for the Risk Management Group in overseeing the systematic management of risks with goal of achieving sustained benefits within each activity and across the group of activities for the Metrobank Group.

### **4. Group Supervision on Governance, Compliance and Anti-Money Laundering (Annex 21)**

This shall ensure synergy of the compliance and corporate governance policies of the Metrobank Group. This serves as a guide to Compliance Division and Anti-Money Laundering Division in ensuring compliance of the Bank’s foreign branches and subsidiaries (both domestic and foreign) to Anti-Money Laundering (AML), Implementing

Rules and Regulation (IRR) and other laws, rules and regulations of Philippine regulatory bodies.

The risk appetite of the Group linked to the process of determining the adequacy of capital of the Group and how the types of risk exposures affect the risk profile and funding requirements are sufficiently covered in the Bank's Internal Capital Adequacy Assessment Process. Appropriate processes and controls to identify and address potential intragroup conflicts of interest, such as those arising from intragroup transactions are included in the Related Party Transactions Policy (see Annex 16). For the establishment of new structures (e.g., subsidiaries/affiliates) of the Parent Bank, policies and procedures are covered by the Policy on Equity Investments by the Bank (See Annex 22).

#### **L. ANNUAL SELF-ASSESSMENT**

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, the President and individual members and committees.

The Board has created an internal self-rating system and procedures to determine and measure compliance with this Manual on Corporate Governance vis-à-vis good corporate governance principles and practices: (i) each Director self-rates and collectively rates the Board, the President and the Chairman (ii) Corporate Governance, Audit, Risk Oversight and other Board committees respectively rate themselves. Every three (3) years, as much as practicable, the assessment should be supported by an external facilitator.

1. The evaluation shall cover the period April of the previous year to March of the following year (whole term).
2. In order to properly assess the Board, its individual Directors, the President, the Board Committees, etc., self-assessment forms shall be used. The Secretary of the Corporate Governance and Compensation Committee shall initiate the performance evaluation every March of each year.
3. Self-assessment forms must be accomplished as objectively as possible. The rating to be assigned shall reflect the personal view of the evaluator to the various corporate governance mechanisms.
4. The baseline on the assessment of the effectiveness of the performance of the Board, individual Directors and various Board Committees are the duties and responsibilities as mentioned in the Manual, the Bank's By-laws, various rules and regulations and in the respective committee charters.
5. After the assessment forms have been duly accomplished, the Secretary of the Corporate Governance and Compensation Committee shall collate the forms and prepare a summary. For the various Board Committees, the secretary shall coordinate with the respective secretaries of the committees for the results of the assessment of each Committee. The Audit Committee shall perform its self-assessment in accordance with SEC Memorandum Circular No. 4, S.2012.
6. The Committee Secretary shall review the results and report the results to the Board through the Corporate Governance and Compensation Committee. To allow for a feedback

mechanism, the criteria, process and collective results of the assessments should, as a rule, be disclosed to ensure transparency and allows shareholders and other stakeholders to determine if the directors are performing their responsibilities.<sup>71</sup>

#### **M. CORPORATE GOVERNANCE SCORECARD**

To facilitate the Bank's disclosures on its compliance/non-compliance with the recommendations provided under the Code of Corporate Governance for Publicly Listed Companies and to harmonize the corporate governance requirements of SEC and PSE, the Bank shall submit an Integrated Annual Corporate Governance Report (I-ACGR) on 30 May 2018 and for every year that the Bank remains listed in the PSE.

The IACGR with accessible links shall be posted on the Bank's website within five (5) business days from submission to the SEC. The submission of updates/consolidated changes in the report shall be no longer required.

The Bank shall participate in corporate governance surveys through scorecards for banks should BSP, PSE and other institutions such as the Institute of Corporate Directors additionally require such.

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<sup>71</sup> SEC Memo Cir. No. 19, s2016<sup>72</sup> *Related interest* shall refer to any of the following:

### **PART III – MONITORING AND COMPLIANCE**

The Compliance Officer shall monitor compliance by the Bank with the SEC Corporate Governance Code, and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation.

This Manual shall be subject to the rules and regulations, now or hereinafter enacted, by the SEC, BSP, PSE and other regulatory bodies.

**Policy on Alternative Dispute Resolution (ADR)**

For amicable settlement of disputes, controversies and/or legal issues between the Bank and its stockholders and/or the Bank and third parties, the Bank may resort to alternative modes of dispute resolution as may be agreed upon with the adverse party, such as but not limited to the following:

- a. Arbitration - process in which one or more arbitrators, appointed in accordance with the agreement of the parties, resolve a dispute by rendering an award.
- b. Mediation - process in which a mediator, selected by the disputing parties, facilitates communication and negotiation, and assists the parties in reaching a voluntary agreement regarding a dispute.
- c. Conciliation - process in which a neutral third party (conciliator) conveys information between parties and attempts to improve direct communication between them.
- d. Early Neutral Evaluation - process wherein parties and their lawyers are brought together early in a pre-trial phase to present summaries of their cases and receive a nonbinding assessment by an experienced, neutral person, with expertise in the subject in the substance of the dispute.
- e. Mini-trial - method in which the merits of a case are argued before a panel comprising senior decision makers with or without the presence of a neutral third person after which the parties seek a negotiated settlement.

Any dispute, controversy and/or issues with stockholders or other third parties may be resolved using such alternative mode of dispute resolution, other than the foregoing, as may be allowed by law, upon agreement of the parties in writing and/or through a written contract binding between the parties.

**Policy on Continuing Development for Directors****PURPOSE**

The purpose of this policy is to make known the policies and procedures for the continuing education of Metrobank Directors.

**POLICY****A. Rationale and Mission**

1. Metrobank recognizes the value of continuing education for its Directors. It acknowledges that the training and development of our directors is important to ensure the excellent conduct of the business of the Board.
2. The Office of the Assistant Corporate Secretary and the Metrobank Academy are tasked to provide assistance on and coordination of training events for Directors.

**B. General Guidelines**

1. A first-time director shall be required to submit proof of attendance to a seminar on corporate governance of at least eight hours conducted no later than 12 months from date of election. The following are exempted from complying with this requirement: a) Filipinos with recognized stature, influence and reputation in the banking community and whose business practices stand as testimonies to good corporate governance; b) Distinguished Filipino and foreign nationals who served as senior officials in central banks and/or financial regulatory agencies, including former Monetary Board members; or c) Former chief justices and associate justices of the Supreme Court of the Philippines. This exemption shall not apply to the annual training requirements for the members of the board of directors.
2. Aside from the special seminar on corporate governance (at least four hours) for Board of Directors and the AML training both of which are required to be conducted annually, the Bank shall provide continuing education and training on trends and updates necessary to conduct the business of the Board of Directors.
3. These training events must directly benefit the Bank and must be readily applicable in the discharge of the Director's standard duties as member of the Board.
4. To ensure optimization and proper cascade of newly-acquired knowledge and skills, Directors who participate in training events are requested to conduct an echo session for fellow Directors and selected key officers of the Bank.
5. All requests for training participation of Directors shall be coursed through the Office of the Assistant Corporate Secretary and approved by the Chairman.
6. An annual budget shall be allotted for the training of directors. The budget shall be allocated as follows:

- a. Regulatory and mandatory budget shall be lodged under the Annual Learning and Development budget.
- b. A budget of One Million Pesos (PHP 1M) shall be allocated for the continuing education of non-executive directors. Of the budget allocated:
  - i. A portion shall be earmarked for Bank-designated programs, seminars and classes to be attended by all directors.
  - ii. The remaining portion shall be divided into the number of non-executive directors. Each non-executive director's share may be invested on a program of his/her choosing provided it meets the criteria on relevance and applicability. The non-executive director's share shall be the cap of training expenses, including training fees, travel and per diem. Training expenses in excess of the cap shall be shouldered by the director.

Example below for illustrative purposes only (percentage allocation may change):

Of the One Million Pesos allocated budget:	
i. 25% for a program for the Board as a whole class	250,000
ii. 75% to be divided among non-executive directors (Note: 10 non-executive directors in this example)	750,000 (Divided by 10) 75,000 per director

- c. All training programs to be attended by the Board, either as a whole class or as individuals shall be subject to the approval of the Chairman.

**C. Training Process**

1. Internal Training

- a. The Academy, in coordination with Bank's Compliance Division, organizes the internal training event.
- b. The Academy sends the training invitation to the Directors' offices at least one (1) month ahead of schedule.
- c. The Director participates in the training event.

2. External Training

- a. The external training proposal is coursed through the Office of the Assistant Corporate Secretary and is forwarded to the Academy for processing.

- b. The Academy receives the training proposal from the Office of the Assistant Corporate Secretary and fills up an External Training Request Form (ETRF) and submits the same to the Chairman for approval.
- c. Once approved, the Academy enrolls the Director to the program and informs the Director of the training event and its details.
- d. The Bank shall subsidize the cost of attending training events conducted outside Metro Manila.
- e. The Director participates in the program as scheduled.

**D. Training Program Evaluation**

- 1. At the end of each training event, Directors are requested to accomplish a Training Evaluation Form to determine the usefulness and proper delivery of the program.
- 2. Directors may also be requested to share his newly-acquired knowledge through a brief echo session for selected fellow directors and key officers of the Bank. The echo session may be organized in coordination with the Academy.

## ANNEX 3

**Committee Name**            **Anti-Money Laundering Committee**

**Short Name**            AMLACOM

**Nature**                Board Level Committee

**Duties and Responsibilities**

Statement of Policy

A Board level Committee tasked to assist the Board of Directors in fulfilling its oversight responsibility over the Bank's AML Compliance Management to make sure that the Bank complies with the provisions of the AMLA, as amended, its Revised Implementing Rules and Regulations (RIRR), and BSP regulations.

Composition

The members of the AMLACOM shall be appointed annually by the Board of Directors. It shall be composed of three (3) Board members.

Authority

The AMLACOM shall have explicit authority to cause the investigation of any matter within its terms of reference, full access to and cooperation by Senior Management and full discretion to invite any Director or Officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.

Duties and Responsibilities

1. Provide effective oversight of the Bank's AML Framework.
  - a. Policies and procedures established by Senior Management are adequate to ensure compliance with all applicable laws and regulations, and AML risks are managed.
  - b. Policies and procedures are kept updated and remain relevant to best react on changing AML regulatory scenarios and conditions.
2. Endorse to the Board for approval the Bank's Money Laundering and Terrorist Financing Prevention Program (MLPP) documenting the policies and procedures of the Bank's compliance with the core components of AMLA, as amended.
3. Receive regular reports from the Anti-Money Laundering Compliance Committee (AMLCC) on the effectiveness of the implementation of the Bank's MLPP and whether Senior Management is taking appropriate actions on identified weaknesses in its (MLPP) implementation.

4. Perform annual self-assessment.
5. Review annually the AMLACOM Charter to reassess its adequacy, incorporate best practices and propose necessary changes thereto.

**Interaction with other Committees** As needed

**Support Requirement** AMLACOM Secretary:  

1. Send agenda at least three (3) banking days before the meeting.
2. Send Minutes of the Meeting not later than ten (10) banking days from said meeting.
3. Maintain records of the AMLACOM deliberations and decisions.

**Meeting Schedule** The AMLACOM shall meet at least every other month and as necessary.

**Reporting to the Board** The AMLACOM shall report to the Board significant developments in the Bank's AML compliance as necessary.

**Committee Name**     **Audit Committee**

**Short Name**         **AUDITCOM**

**Nature**                Board Level Committee

**Responsibility Statement**     As an extension of the Board of Directors, the Audit Committee (AUDITCOM) shall assist the Board of Directors in fulfilling its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholders' interest through (a) effective oversight of internal and external audit functions, (b) transparency and proper reporting, (c) compliance with laws, rules and regulations; and code of conduct, and (d) adequate and effective internal controls.

The AUDITCOM shall be responsible for overseeing Senior Management in establishing and maintaining an adequate, effective and efficient internal control framework. It shall ensure that systems and processes are designed to provide assurance in areas including financial reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of physical and information assets.

**Duties and Responsibilities**

Authority

The AUDITCOM shall have explicit authority to investigate any matter within its terms of reference, full access to 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.

Primary Responsibilities

1. Provide effective oversight of external and internal audit functions, including internal audit activities provided to subsidiaries/associates and outsourced internal audit activities.
2. Ensure transparency and proper reporting with emphasis on the reports' integrity, timeliness and compliance with standards;
3. Ensure compliance with Bank policies, and applicable laws, rules and regulations and code of conduct; and
4. Ensure adequate and effective internal controls.

Duties and Responsibilities

1. Effective Oversight of External and Internal Audit Functions, including internal audit activities provided to subsidiaries/associates and outsourced internal audit activities, and ensure that the internal and external auditors

act independently from each other.

- a. Be responsible for recommending the appointment, re-appointment and termination of the Internal Audit Group Head and key internal auditors, as well as the independent external auditor and external service providers based on fair and transparent criteria.
  - i. In the case of the external auditor the recommendation should be approved by the Board and ratified by the shareholders; and that the appointed external auditor should be included in the List of Selected External Auditors for BSFIs as provided by the regulators;
  - ii. In the case of the internal auditor, the Senior Management may appoint the internal auditor subject to the concurrence of the AUDITCOM;
  - iii. The AUDITCOM shall approve the terms and conditions for outsourcing IA services
  - iv. If the internal/external auditor resigns or communicates an intention to resign, the Audit Committee should follow up the reasons/explanations giving rise to such resignation, and should consider whether it needs to take any action in response to those reasons. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the company website and required disclosures;
  - v. The external auditor, including the engagement and quality control partners, shall be periodically rotated in accordance with the relevant provisions of the Code of Ethics for Professional Accountant;
- b. Review and approve the internal audit risk assessment and overall annual plan (including scope, audit frequency and resources) of the internal auditors, including the internal audit activities to be provided to subsidiaries/associates and to be outsourced, to ensure conformity with the objectives of the Bank; Ensure that the audit plan of the internal/external service provider is aligned with the overall strategy and budget of the Bank and is based on robust risk assessment; and that the internal audit service provider is independent and has adequate human resources with sufficient qualifications and skills necessary to accomplish the internal audit activities;
- c. Review and approve the Internal Audit Group Charter, and oversee the implementation of the Charter. Identify and establish the reporting line of the Head of internal audit so that the reporting levels allow the internal audit activity to fulfill its responsibilities. The head of internal audit shall functionally report directly to the AUDITCOM;
- d. Discuss and agree to the terms of the engagement letter issued by the external auditor prior to the approval of the engagement, obtain an understanding of the nature, audit approach, and scope of work covering areas specifically prescribed by the BSP and other regulators and those relevant to the Bank's operations and risk exposures. These

shall include the following, among others:

- i. Review of the adoption of applicable reporting framework as well as the assessment of the accuracy, adequacy, and reliability of accounting records and financial reports;
  - ii. Assessment of the propriety and adequacy of disclosures in the financial statements;
  - iii. Assessment of the adequacy and effectiveness of internal controls and risk management systems;
  - iv. Assessment of the quality of capital in relation to risk exposures; and
  - v. Evaluation of the quality of corporate governance;
- e. Set compensation of the external auditor in relation to the scope of its duties upon recommendation of Controller, and ensure coordination where more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts
- f. Ensure that the internal/external auditors shall have free and full access to all the Bank's records, properties and personnel relevant to the audit activity, and that audit be given latitude in determining the scope of auditing examinations, performing work, and communicating results and shall be free from interference by outside parties in the performance of work;
- g. Take necessary measures to provide the appropriate resources and staffing that would enable internal audit to achieve its objectives and assess the extent of cooperation provided by the management during the conduct of the internal/external audit;
- h. Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the total annual income of the external auditor and in relation to the Bank's total expenditure on consultancy and disallow any non-audit work that will conflict with or pose a threat to the independence of the external auditor. The non-audit work, if allowed, should be disclosed in the Annual Report and Annual Corporate Governance Report;
- i. Review management representation letters before these are transmitted to the external auditor to ensure that items in the letter are complete and appropriate;
- j. Review the disposition of the recommendations in the external auditor's management letter;
- k. Review quarterly result of oversight activities on internal audit functions of the Bank's subsidiaries and associates, including reporting of significant audit observations;

- i. Receive and review reports of internal auditors, to monitor and evaluate the adequacy and effectiveness of the Bank's and covered subsidiaries' internal control system, including financial reporting, operational and compliance controls, risk management and security of physical and information assets on a going-concern basis and communicate the same through-out the Bank to ensure that Management is taking appropriate corrective actions, in a timely manner in addressing control weaknesses and non-compliance with policies, laws and regulations and other issues identified by auditors. Furthermore, significant matters in the said reports should be reported to the Board of Directors;
- m. Require Internal Audit Group to conduct a periodic formal review of the group structure, its controls and activities to assess consistency with the board approved policies, practices and strategies across the Metrobank Group and report the results of assessment/review directly to the AUDITCOM;
- n. Review and monitor the overall suitability and effectiveness and conduct a regular performance appraisal of internal and external auditors and insourced/outsourced arrangement.

  - i. Review the annual performance appraisal of the Audit Group Head and report the same to the Board of Directors. Furthermore, the AUDITCOM shall recommend for approval of the Board of Directors the annual remuneration of the Internal Audit Group Head and key internal auditors;
  - ii. The AUDITCOM shall report to the Board of Directors on the status of accomplishments of the outsourced internal audit activities, including significant findings noted during the conduct of the internal audit;
  - iii. Assess and monitor the integrity, independence and objectivity of external auditor, and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. Also, AUDITCOM shall review and monitor the external auditor's suitability and effectiveness on an annual basis;
- o. Supervise and direct any special projects or investigations considered necessary; and
- p. Recommend enhancements in the audit processes, ensure that the internal audit function follows sound internal auditing standards such as the International Standards for the Professional Practice of Internal Auditing (ISPPIA) and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics, and continually engage the external auditor on matters concerning audit quality.

## 2. Oversee the Financial Reporting

The AUDITCOM shall oversee the financial reporting process, practices, and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.

Before submission to the Board, review and discuss in full and on a timely manner the Bank's quarterly, semi-annual and annual financial statements with external auditor and management to decide the appropriate action to be taken, including reporting to the Board, focusing particularly on:

- a. Any change/s in accounting policies and procedures;
- b. Major estimates, assumptions and judgmental areas;
- c. Unusual or complex transactions;
- d. Significant adjustments, material errors and fraud;
- e. Going concern assumption;
- f. Compliance with accounting standards; and
- g. Compliance with tax, legal and regulatory requirements.
- h. Ensuring employee pension funds are fully funded or the corresponding liability is appropriately recognized in the books

Understand and duly assess the external auditor's opinion regarding the capability of the management and the adequacy of accounting/information systems to comply with financial and prudential reporting responsibilities.

## 3. Compliance with Bank Policies, and applicable Laws, Rules and Regulations, and Code of Business Conduct

- a. Monitor compliance by the Bank with laws, regulations and promulgated policies of the BSP and other regulatory government agencies, including but not limited to Anti-Money Laundering and Countering Financing of Terrorists (CFT).
- b. Monitor compliance with Bank regulations and policies as contained in the various manuals of operating policies and procedures of the Bank, as well as the Bank's code of Business Conduct and other codes of conduct as may be imposed by the Bank.
- c. Establish and maintain mechanisms by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other

issues to persons or entities that have the power to take corrective action. AUDITCOM shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints , and that reporting employee or stakeholder who raise the concerns are protected from detrimental treatment or reprisals.

#### 4. Adequate and Effective Internal Controls

- a. Evaluate the adequacy and effectiveness of the Bank's accounting policies and procedures and financial and accounting management through observations and discussions with the external auditors, internal auditors and appropriate bank officers;
- b. Evaluate internal accounting controls through a review of the reports of the external auditors and internal auditors that describe internal accounting, organizational or operating control weaknesses and determine that appropriate corrective action is being taken by Management;
- c. Identify high-risk areas or areas of emphasis that will require more consideration by the AUDITCOM and internal audit; and
- d. Recommend improvement in policies, processes and procedures.

#### Limitation of Role

The AUDITCOM's role is one of oversight. Management is responsible for the preparation and fair presentation of the Bank's financial statements and adequacy of disclosures in accordance with Philippine Financial Reporting Standards (PFRS). The external/independent auditors' responsibility is to provide its opinion, based on their audits, that the financial statements fairly present in all material respects, the financial position, results of operations and cash flows of the Bank in accordance with PFRS. While the AUDITCOM has the responsibilities and powers set forth in this Charter, it is not the duty of the AUDITCOM to plan or conduct audits or to determine that the Bank's financial statements and disclosures are complete and accurate and in accordance with PFRS and applicable rules and regulations.

#### **Composition**

The members of the AUDITCOM are appointed annually by the Board of Directors. It shall be composed of at least three (3) qualified non-executive directors, and majority of whom shall be independent directors, including the Chairperson. All of the members of the AUDITCOM must have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance commensurate with the size, complexity of operations and risk profile of the bank. It shall have access to independent experts to assist them in carrying out its responsibilities. The Chairman of the AUDITCOM should not be the chairman of the board or of any other board-level committees.

Each member shall serve for a maximum tenure of nine years. If a member does

not serve the position of director within the term, his/her AUDITCOM membership is automatically removed; the vacancy should then be filled up by the remaining Board of Directors, if still constituting a quorum. Once an independent director loses his/her independent director's position within the term, he/she will automatically lose qualification of AUDITCOM chairperson. A new chairperson shall be appointed subject to the approval of the Board of Directors. The AUDITCOM chairperson or member so appointed to fill a vacancy shall be appointed only for the unexpired term of his predecessor in office.

The committee members, including the Chairperson, may also be occasionally rotated.

**Quorum/  
Majority Votes**

A majority of the AUDITCOM members shall be necessary to constitute a quorum at any meeting. When a quorum is present at any such meeting, a majority vote shall decide any matter brought before such meeting.

**Meeting Schedule**

The Committee shall meet as follows:

Monthly	Review of Internal Audit Reports
Semestral (or as the need arises)	Meeting with External Auditor
	Meeting with Management
Special Meetings	With BSP and others as necessary

**Performance  
Assessment**

The AUDITCOM shall perform a self-assessment to evaluate its performance at least annually to determine whether it is functioning effectively based on its responsibilities under the code:

- Setting of Committee Structure and Operation;
- Oversight on Financial Reporting and Disclosure;
- Oversight on Risk Management and Internal Controls;
- Oversight on Management and Internal Audit; and,
- Oversight on External Audit.

The self-assessment shall be performed on the basis that each AUDITCOM member shall complete it independently. The AUDITCOM chairman shall lead discussion on the results of the questionnaire, focusing on those areas which clearly need improvement or where there is great variation in answers. Alternatively, the self-assessment shall be undertaken as a facilitated group activity led by the AUDITCOM chairman or an external party.

The results of the self-assessment and any action plans arising therefrom shall be validated by the Corporate Governance Committee and reported to the Board of Directors

**Charter Review**

The AUDITCOM shall review and reassess the Charter at least annually or when there are significant changes to the committee's mandate, scope and working procedures. Any changes thereto shall be endorsed to Compliance Division for review and approved by the Board of Directors.

<b>Reporting to the Board</b>	Every other month or at least six times in a year	<p>Review of Terms of Reference (Charter) to assess its adequacy, implement best practices and propose necessary changes thereto.</p> <p>Audit Plan</p> <p>Audit Results</p> <p>Appointment of External Auditors</p> <p>Approval of Financial Statements</p> <p>Self-Assessments</p>
	Quarterly	<p>Meeting with the Board without the presence of the Chief Executive Officer, Executive Directors or other management team</p>
<b>Support Requirement</b>	AUDITCOM Secretary	<p>Send agenda at least 3 banking days before the meeting</p> <p>Send minutes of meeting not later than 10 banking days from said meeting</p> <p>Maintain appropriate records (e.g., minutes of meeting or summary of matters reviewed and decisions taken) of AUDITCOM deliberations and decisions</p>
<b>Interaction with other Committees</b>	As needed	

<b>Committee Name</b>	<b>CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE</b>
<b>Short Name</b>	<b>CGCCOM</b>
<b>Nature</b>	Board Level Committee
<b>Responsibility Statement</b>	The CGCCOM shall assist the Board of Directors in fulfilling its corporate governance responsibilities and in providing oversight in the implementation of the Bank's Compliance System. The committee is tasked with establishing a formal and transparent procedure in determining the remuneration of directors and officers that is consistent with the Bank's culture, strategy, business environment and industry practice.
<b>Duties and Responsibilities</b>	<ol style="list-style-type: none"> <li>1. Oversee the implementation of the corporate governance framework and periodically reviews the same framework to ensure that it remains appropriate in light of material changes to the group's size, complexity and business strategy, as well as its business and regulatory environments.</li> <li>2. Adopt corporate governance and compliance policies, practices and structures that will enable effective oversight over entities in the group and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance across the group.</li> <li>3. Make recommendations to the Board on matters pertaining to the assignment to Board committees, as well as succession plan for the members of the Board and senior management.</li> <li>4. Oversee the continuing education/training programs for the Board. <ol style="list-style-type: none"> <li>a. Proposes and plans relevant trainings for the members of the Board</li> <li>b. Ensure allocation of sufficient time, budget and other resources for the continuing education of directors and draw on external expertise as needed.</li> <li>c. Establish and ensure effective implementation of policy for on-boarding/orientation program for first time directors and annual continuing education for all directors.</li> </ol> </li> <li>5. Oversee the performance evaluation process <ol style="list-style-type: none"> <li>a. Oversee the periodic evaluation of contribution and performance (e.g., competence, candor, attendance, preparedness and participation) evaluation of the Board and its committees, executive and senior management</li> <li>b. Ensure that the results of the Board evaluation are shared, discussed and that concrete action plans are developed and implemented to address the identified areas for improvement.</li> <li>c. Perform annual self-assessment using the self-assessment form.</li> <li>d. Determine whether or not a director or officer who has multiple positions</li> </ol> </li> </ol>

is able to and has been adequately carrying out his/her duties and, if necessary, recommend changes to the Board based upon said performance/review.

- e. Review the annual performance appraisal of the Chief Compliance Officer and report the same to the Board of Directors
6. Oversee the design and operation of the remuneration and other incentives policy
  - a. 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 the Bank, promotes good performance and conveys acceptable risk-taking behavior, and complies with legal and regulatory requirements
  - b. Work closely with the Risk Oversight Committee in evaluating the incentives created by the remuneration system
7. Provide oversight in the implementation of the Bank's compliance system.
  - a. Ensure that oversight on the Bank's compliance management is adequate.
  - b. Ensure that a Compliance Program is defined for the Bank and that compliance issues are resolved expeditiously:
  - c. Review, at least annually, the Bank's Compliance Program in accordance with existing regulatory requirements, in support of the Bank's goals and strategies and recommends approval thereof by the Board.
  - d. Monitor the implementation of the Bank's Compliance Program and ensure that compliance issues are resolved expeditiously.
  - e. Monitor the Bank's compliance with the applicable laws, regulations and rules of regulatory agencies and recommend to the Board appropriate actions.
  - f. Review the regular reports submitted by Compliance Division as well as reports on significant compliance issues, general status of Bank's level of compliance, relevant regulations, updates and other compliance matters.
8. To contribute to the Board's effective oversight functions over entities in the group, CGCCOM shall require Compliance Division to, among others:
  - a. Provide compliance oversight function over the Bank's BSP-supervised Financial Subsidiaries and Affiliates (FSAs).
  - b. Conduct a formal review of the structure, their controls and activities to assess consistency with the Board approved policies, practices and strategies and report the results of the assessment to the CGCCOM.
  - c. Ensure open communication with BSP-supervised financial subsidiaries and affiliates thru generation and sharing of information of relevant and recent regulatory issuances and sharing and benchmarking of appropriate compliance and corporate governance best practices and policies. This is to ensure synergy of compliance policies including corporate governance between and among the group.
9. Oversee the preparation of Annual Report and ensure that the Bank fully discloses the minimum disclosure requirements per regulation.

<b>Composition</b>	The members of the CGCCOM shall be composed of at least three (3) members of the Board of Directors who shall all be non-executive directors, majority of whom shall be independent directors, including the chairperson.
	As a rule, a member may only serve for a maximum cumulative term of nine (9) years. However, on the recommendation of the Chairman of the Board, thru the Nominations Committee, the Board may waive this requirement.
	The Committee members, including the Chairman, may be occasionally rotated.
<b>Quorum/Majority Votes</b>	All decisions or resolutions of the Committee shall have the affirmative vote of the majority of the members of the Committee.
<b>Meeting Schedule</b>	The Committee shall meet at least once every quarter. A special meeting may be called as necessary.
	The Committee Secretary shall develop the agenda for each meeting and send out notices at least five (5) banking days before the meeting date. He/She shall likewise prepare/distribute the minutes and make memo to the Board and other reports, as needed.
<b>Performance Assessment</b>	The Committee shall perform an annual self-assessment using the attached self-assessment form (see Annex A).
<b>Charter Review</b>	The Committee Charter shall be reviewed annually or as necessary, should there be changes in the regulations affecting the Committee.
<b>Reporting to the Board</b>	The Committee shall report to the Board at least once every quarter or as necessary.
<b>Interaction with other Committees</b>	As necessary, the Committee shall interact with other committees on issues on corporate governance.

<b>Committee Name</b>	<b>Executive Committee</b>
<b>Short Name</b>	<b>EXCOM</b>
<b>Nature</b>	Board Level Committee
<b>Responsibility Statement</b>	The EXCOM shall act by majority vote of all its voting members as defined below. The EXCOM shall primarily review and approve credit proposals and credit policies within its authority and limits as well as provide recommendations or conditions to lending. The EXCOM may also act on other matters as delegated by the stockholders, and the Board of Directors within its competence and in accordance with the By-Laws of the Bank.
<b>Duties and Responsibilities</b>	<ul style="list-style-type: none"> <li>• Execute the resolutions adopted during the stockholders’ meetings and board of directors’ meetings, except resolutions, the implementation of which have been directed to the President or other board committees.</li> <li>• Evaluate and approve loan and investment proposals in excess of the authority delegated to the Senior Credit Committee, and approve risk exposures for the following types of entities: <ul style="list-style-type: none"> <li>a. Commercial Exposures to Sovereigns, Corporations, and Individual Businesses</li> <li>b. Consumer / Retail Exposures</li> <li>c. Bank and Non-Bank Financial Institutions</li> <li>d. Country Risk Limits</li> </ul> </li> <li>• Approve credit policies.</li> <li>• Act on other matters as delegated by the Board.</li> </ul> <p>Once approval has been obtained, proposals may already be implemented prior to Board confirmation except for those classified as Related Party Transaction (RPT) or Directors, Officers, Stockholders and Related Interest (DOSRI) which require further approval from the Board prior to implementation.</p>
<b>Composition</b>	Five voting members composed of: (1) the Chairman of the Board of the Metrobank, (2) a non-Independent Director who shall alternate with another non-Independent Director, (3) the President of Metrobank; (4) the Chief Credit Officer or the Group Head of Credit; and (5) the Head of the Institutional Banking Sector.

The Deputy Group Head of Credit shall serve as alternate voting member (i.e., He shall only vote in the absence of the Credit Group Head).

The Board of Directors may also appoint other persons as EXCOM advisers.

**Definition of Majority**

Consensus vote by at least three (3) voting members, but should include either the Chairman or the Vice Chairman of the EXCOM or the President of Metrobank.

**Meetings**

The EXCOM shall meet once a week, preferably every Tuesday afternoon. The EXCOM shall have at least fifty-two (52) meetings in one year.

**Facilitator and Secretariat**

The Deputy Group Head for Credit shall act as the Secretariat and will be in charge of:

- Sending out notices to the committee members
- Preparing the Agenda of the meeting
- Sending out the presentation materials to the committee members at least two (2) banking days prior to the scheduled meeting
- Facilitating the meeting
- Preparing the minutes
- Disseminating the approvals and maintaining a database of these approvals as reference materials

**Performance Review**

The EXCOM shall assess its performance at least annually and the results shall be submitted to the Corporate Governance and Compensation Committee.

**Charter Review**

The EXCOM charter shall be reviewed at least regularly by the EXCOM Secretariat to ensure the charter's continuing effectiveness. The proposed changes, if any, shall be subject to review of the EXCOM and finally, the Board of Directors for approval.

## ANNEX 7

<b>Committee Name</b>	<b>IT Steering Committee</b>
<b>Short Name</b>	<b>ITSC</b>
<b>Nature</b>	Board Level Committee
<b>Responsibility Statement</b>	<p>On behalf of the BOD, the ITSC provides governance and oversight in the management of the Bank's IT resources. Its principal function is to ensure that IT strategies are consistent with the overall business objectives. It shall have oversight of the IT Risk Management Program of the Bank and the development of policies, controls and specific accountabilities consistent with the Bank's IT Risk Management Framework.</p> <p>As delegated by the BOD, it shall also approve IT-related requests and other IT-related services/arrangements, including outsourcing/insourcing activities. It should regularly render periodic report to the BOD regarding overall IT performance, status of major projects and other significant issues related to IT risks.</p>
<b>Duties and Responsibilities</b>	<p>ITSC shall have the following duties and responsibilities:</p> <ol style="list-style-type: none"><li>1. Approve IT Strategy and Tactical Plan and any proposed changes ensuring consistency with the overall business objectives and strategy of the bank.</li><li>2. Approve IT Risk Management framework.</li><li>3. Note IT and Information Security (IS) policy changes and receive periodic report on the effectiveness of these policies.</li><li>4. Review and approve roles and responsibilities of individual IT functions.</li><li>5. Review overall IT performance.</li><li>6. Review, provide final approval, and monitor IT projects that may have significant impact on operations, earnings or capital.</li><li>7. Approve and monitor effectiveness of IT Security Program.</li><li>8. Note implementation and effectiveness of IT security program and ensure that identified issues are addressed.</li><li>9. Note changes to outsourcing arrangements.</li><li>10. Note changes on e-products offerings and services to ensure alignment with corporate strategic goals.</li><li>11. Report to the Board of Directors significant items as it deem necessary.</li></ol>

**Composition**

The members of the ITSC are appointed annually by the BOD. It shall be composed of at least two (2) members of the BOD, the president of the Bank and the head of the IT Group. The heads of the Financial and Control Sector, Internal Audit and Risk Management Groups shall attend the ITSC meeting as resource persons.

Each member shall serve for a maximum tenure of nine (9) years. Any extension beyond the nine (9) years shall be approved by the Committee and the justifications as provided by policy shall be articulated in the minutes of the meeting.

The committee shall be free to invite any officer if there are urgent or important matters to present and discuss before the Committee. The ITSC shall have access to external expert advice, as appropriate.

**Quorum/Majority Votes**

A majority of all members of the ITSC shall constitute a quorum and a vote of majority of the members present at a meeting shall be required to pass a decision.

**Meeting Schedule**

ITSC shall meet as needed, but should meet at least (4) four times annually.

**Performance Assessment**

ITSC shall conduct an annual self-assessment of the performance of its functions. The standard in evaluating the performance of the Committee shall be based on the defined duties and responsibilities. The collective results of the assessment shall be reported to the IT Steering Committee as part of the Committee's scorecard on an annual basis.

**Charter Review**

ITSC Charter shall be reviewed at least annually by the ITSC Secretariat or when there are significant changes to the committee's mandate, scope and working procedures.

The proposed changes, if any, shall be subject to review of the ITSC and finally the Board of Directors approval.

**Reporting to the Board**

Minutes of the meetings and other reports shall be submitted to the Board of Directors for notation.

**Interaction with other Board/Management Level Committee**

IT sourcing/insourcing approaches/solutions/activities and its final budget shall be subject for review and endorsements shall be reviewed and endorsed by RPTMC/RPTC, prior to approval of the ITSC/Board-level Committees.

<b>Committee Name</b>	<b>Nominations Committee</b>
<b>Short Name</b>	<b>NOMCOM</b>
<b>Nature</b>	Board Level Committee
<b>Responsibility Statement</b>	The Committee 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.
<b>Duties and Responsibilities</b>	<ul style="list-style-type: none"> <li>• It shall promulgate the guidelines or criteria to govern the conduct of nominations.</li> </ul> <p>Nomination of independent directors shall be conducted by the Nominations Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by would-be nominees.</p> <ul style="list-style-type: none"> <li>• The Nominations Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors.</li> <li>• After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required by existing and applicable rules, which list, shall be made available to the Commission.</li> </ul> <p>The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report, including any relationship with the nominee.</p> <p>Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Directors. No other nominations shall be entertained or allowed on the floor during the actual annual stockholder's meeting.</p> <ul style="list-style-type: none"> <li>• Nominations Committee shall perform an annual self-assessment of the performance of its functions using the attached self-assessment form.</li> </ul>
<b>Meeting Schedule</b>	The committee shall meet as required.

<b>Committee Name</b>	<b>Overseas Banking Committee</b>
<b>Short Name</b>	<b>OBCOM</b>
<b>Nature</b>	Board Level Committee
<b>Responsibility Statement</b>	The Overseas Banking Committee shall assist the Board of Directors in its oversight functions over the operations and financial performance of the overseas branches and subsidiaries, their compliance with the rules and regulations of their respective host countries and their adherence to the parent bank's business and corporate governance policies as prescribed by the Bangko Sentral ng Pilipinas and the Philippine Securities and Exchange Commission.
<b>Duties and Responsibilities</b>	<p>The Committee shall:</p> <ul style="list-style-type: none"> <li>• Exercise oversight over the business activities and financial performance of the overseas branches and subsidiaries as compared to their respective budgets and expressed business strategies.</li> <li>• Exercise oversight over the compliance of the overseas branches and subsidiaries to the laws and regulations of the respective host countries as well as to the applicable rules of the Bangko Sentral ng Pilipinas.</li> <li>• Review, evaluate and recommend approval to the BOD the Group's business plans towards expanding the reach, strengthening support and providing quality service of its international banking and money transfer businesses. In this regard, OBCOM shall: <ul style="list-style-type: none"> <li>➤ Review and endorse for approval of the Board recommendations of the International Offices and Subsidiaries Group (IOSG) for the opening or establishment of or closure of overseas branches and subsidiaries.</li> <li>➤ Note appointments for the positions of Regional Heads and Heads of overseas branches and subsidiaries with the rank of Assistant Vice President or its equivalent and above.</li> <li>➤ Review and endorse the annual business plans and budgets of overseas branches and subsidiaries and other business activities of the IOSG.</li> <li>➤ Review the financial performance of the overseas branches and subsidiaries regularly.</li> </ul> </li> <li>• Monitor the examination results of host country regulators and internal audit</li> </ul>

reports of the overseas branches and subsidiaries and the implementation of corrective actions that need to be taken from the examination and audit results.

- Report to the BOD the activities of the OBCOM on a regular basis.
- Coordination with the Audit, AMLA, Corporate Governance Committees and other related committees on audit and compliance issues of the overseas branches and subsidiaries.

**Composition**

The members of the committee are appointed annually by the Board of Directors (BOD). It shall be composed of at least two (2) members of the BOD including at least one (1) non-executive director and the president of the Bank. The heads of the Financial and Control Sector/Controller, Internal Audit Group and International Offices and Subsidiaries Group shall attend the committee meeting as resource persons.

All members of the committee must have relevant background knowledge, skills and/or experience in the area of financial industry e.g. banking and/or remittance business or its equivalent.

The tenure of each of the committee member including the chairperson shall be nine (9) years from the appointment date.

The schedule of occasional rotation of committee members and chairperson shall be decided upon by the board of directors.

**Quorum/Majority Votes**

A majority of all members of the committee shall constitute a quorum and a vote of majority of the members present at a meeting shall be required to pass a decision.

**Meeting Schedule**

The Committee shall meet bi-monthly.

IOSG shall serve as the Secretariat of the OBCOM. The IOSG Head or its designated Division Head shall report on all audit and compliance issues affecting the overseas branches and subsidiaries and IOSG to the Committee.

**Performance Assessment**

The committee members shall conduct an annual self-assessment of the performance of its functions using the OBCOM Self-Assessment Form attached as Annex A.

**Charter Review**

The committee charter shall be reviewed annually or whenever there are significant changes to the committee's mandate, scope and working procedures..

**Reporting to the Board**

The committee shall report the highlights of its regular meeting and submit the minutes of meetings/other reports to the Board of Directors for notation.

<b>Committee Name</b>	<b>RELATED PARTY TRANSACTION COMMITTEE</b>
<b>Short Name</b>	<b>RPTC</b>
<b>Nature</b>	Board Level Committee
<b>Responsibility Statement</b>	A Board level Committee tasked to ensure that Bank's transactions with related parties are reviewed to assess risks and are subject to appropriate restrictions to ensure that such are conducted at arm's-length terms and that corporate and business resource of the Bank are not misappropriated or misapplied.
<b>Duties and Responsibilities</b>	<ol style="list-style-type: none"> <li>1. Evaluate on an on-going basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured.</li> <li>2. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, capital requirement) to such related parties than similar transactions with nonrelated parties under similar circumstances and that no resources of the Bank are misappropriated or misapplied. <p>The Committee should take into account the following:</p> <ol style="list-style-type: none"> <li>a. The related party's relationship to the Bank and interest in the transaction;</li> <li>b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;</li> <li>c. The benefits of the Bank of the proposed RPT;</li> <li>d. The availability of other sources of comparable products or services; and</li> <li>e. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances.</li> </ol> </li> <li>3. Ensure 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.</li> </ol>

4. Report to the Board 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
5. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
6. Oversee the implementation of the system identifying, monitoring, measuring, controlling and reporting RPTs; perform annual review of the RPTC policies to make sure that these are updated and remain relevant vis-à-vis current regulatory environment.

**Composition**

The members of the RPTC shall be composed of at least three (3) members of the Board of Directors, two (2) of whom shall be independent directors, including the chairman. The Committee shall at all times be entirely composed of independent director and non-executive directors, with independent directors comprising majority members.

As a rule, a member may only serve for a maximum cumulative term of nine (9) years. However, on the recommendation of the Chairman of the Board, thru the Nominations Committee, the Board may waive this requirement.

The Committee members, including the Chairman, may be occasionally rotated.

**Quorum/Majority Votes**

All decisions or resolutions of the Committee shall have the affirmative vote of the majority of the members of the Committee.

In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction.

**Meeting Schedule**

The Committee shall meet at least monthly and as necessary.

The Committee Secretary shall develop the agenda for each meeting and send out notices at least five (5) banking days before the meeting date. He/She shall likewise prepare/distribute the minutes and make memo to the Board and other reports, as needed.

**Performance Assessment**

The Committee shall perform an annual self-assessment using the attached self-assessment form (see Annex A).

**Charter Review**

The Committee Charter shall be reviewed annually or as necessary, should there be changes in the regulations affecting the Committee.

**Reporting to the Board**

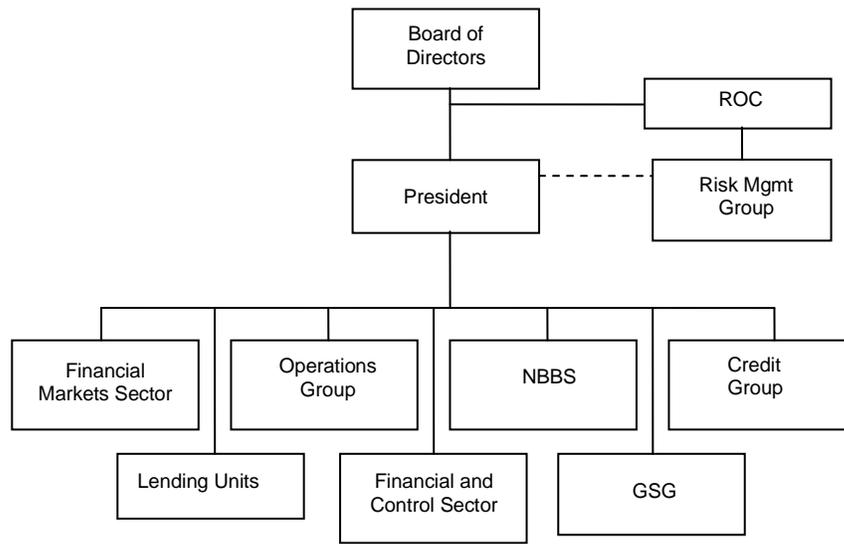
The Committee shall report to the Board at least once every 2 months or as necessary.

**Interaction with other  
Committees**

As necessary, the Committee shall interact with other committees on the review and evaluation of the related party accounts.

<b>Committee Name</b>	<b>Risk Oversight Committee</b>
<b>Short Name</b>	<b>ROC</b>
<b>Nature</b>	Board Level Committee
<b>Responsibility Statement</b>	The Risk Oversight Committee (ROC), as the extension of the Board of Directors (BOD), shall provide oversight on the credit, market, liquidity, operations, legal and other risks taken throughout the Bank, initially and Group-wide, subsequently.
<b>Membership</b>	<p>The Committee shall be composed of at least three (3) members of the Board of Directors including at least one (1) independent director, and a Chairperson who is a non-executive member.</p> <p>Members of the ROC shall possess a range of expertise as well as adequate knowledge of the Bank's risk exposures, in order to enable the Committee to develop and/or evaluate strategies that will help prevent losses and minimise their impact should they occur.</p> <p>An officer of the Risk Management Group will be the Committee's secretary.</p> <p>Heads of risk-taking units and information providers shall participate in the ROC meetings as resource persons. They include:</p> <ul style="list-style-type: none"> <li>• Head, Financial Markets Sector</li> <li>• Head, Credit Group</li> <li>• Head, International Offices and Subsidiaries Group</li> <li>• Head, Branch Banking - Countryside</li> <li>• Head, Commercial Banking Group</li> <li>• Head, Internal Audit Group</li> <li>• Head, Operations Group</li> </ul> <p>The Committee shall be free to invite any officer if there are any urgent or important matters to present to and discuss before the Committee. The Chief Risk Officer and the Risk Management Group shall also formally and informally communicate to the ROC any material information relevant to the functions of the Committee. Moreover, the ROC shall, where appropriate, have access to external expert advice, particularly on proposed strategic transactions like mergers and acquisitions.</p>
<b>The Metrobank Risk Management Structure</b>	The BOD has the ultimate overall authority and responsibility for corporate risk management. By virtue of its approval of the Bank's strategic plans, the BOD effectively approves the ways and means by which the plans are carried out, including the risk stance to be adopted.

The Metrobank risk organization is as follows:



**Duties and Responsibilities**

1. Identify and evaluate risk exposures. ROC shall assess the chances of each risk becoming real and assess the potential effect and cost. Priority shall be given to those risks that are deemed most likely to occur and are costly should they happen.
2. Develop risk management strategies. The Committee shall develop a written plan defining strategies for managing and controlling the major risks. It shall identify practical strategies to reduce the chance of harm or failure, and minimise losses if the risk is realised.
3. Oversee the implementation of the risk management plan. ROC shall conduct regular discussions on the Bank’s risk exposures based on regular management reports, and evaluate how the concerned units monitored and reduced these risks.
4. Review and revise the risk management plan as needed. The Committee shall evaluate the plan to ensure its continued relevance, comprehensiveness, and effectiveness. It shall revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood of harm or loss. ROC shall report regularly to the BOD the Bank’s overall risk exposure, actions taken to reduce the risks, and recommend further actions and/or plans if deemed necessary.
5. Ensure that business objectives, risk appetite, the operational risk management framework, and the respective roles and responsibilities of personnel and officers at all levels in terms of implementing the operational risk management framework, are properly disseminated, clearly communicated/discussed, and understood by personnel concerned.
6. The Committee shall perform an annual self-assessment of the performance of its functions using the prepared self-assessment form.

**Meeting  
Schedule**

The Committee shall meet as needed, but should meet at least once a month. The Committee shall also meet with Management to discuss issues and concerns when needed. It shall also meet with the BSP and other regulatory bodies as necessary.

Minutes of meetings shall be reported to the Board of Directors for notation.

<b>Committee Name</b>	<b>Trust Committee</b>
<b>Short Name</b>	<b>TRUSTCOM</b>
<b>Nature</b>	Board Level Committee
<b>Responsibility Statement</b>	The Trust Committee is a special committee which reports directly to Board of Directors and is primarily responsible for overseeing the fiduciary activities of the bank.
<b>Duties and Responsibilities</b>	<p>In discharging its function, it shall have the following duties and responsibilities:</p> <ol style="list-style-type: none"> <li>1. Report regularly to the Board on matters arising from fiduciary activities.</li> <li>2. Ensures that fiduciary activities are conducted in accordance with applicable laws, rules and regulations, and prudent practices.</li> <li>3. Ensure that policies and procedures that translate the Board's objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive and effective.</li> <li>4. Approve creation of new products and revisions of DOTs of existing UITF products.</li> <li>5. Approve the accreditation of issuers, the initial and any increase on the investment to be made, and subsequent reinvestment and disposition of funds or property should there be changes on the terms and conditions, risk exposure or rating on the part of the issuer.</li> <li>6. Approve directional investments that are outside the TBG Investment Universe.</li> <li>7. Approve Investments in Related Party Transactions</li> <li>8. Approve Traders/Exposure limits/VaR Limits</li> <li>9. Confirm the review of assets placed under the trustee's or fiduciary's custody as conducted by Investment Committee (INCOM)</li> <li>10. Confirm the acceptance, termination or closure of all trust and other fiduciary as approved by the Portfolio Accounts Review Committee (PARC)</li> </ol>

11. Note the review of trust and other fiduciary accounts by a duly delegated management committee;
12. Confirm transactions between trust and/or fiduciary accounts as approved by the PARC
13. Adopt an appropriate staffing pattern and operating budgets that shall enable the Trust Banking Group (TBG) to effectively carry out its functions.
14. Oversee and evaluate performance of the TBG Head/Trust officer.
15. Oversee the implementation of the Risk Management framework and ensure that internal controls are in place relative to the fiduciary activities.
16. Take appropriate action on the examination reports of supervisory agencies, internal and/or external auditors on the bank's trust and other fiduciary business.
17. Perform other functions deemed necessary or proper in the exercise of its oversight functions over all fiduciary activities as may be required by law, rule or regulations.

**Composition**

The Trust Committee shall be composed of at least (5) members, including the president or any senior officer of the Bank and the trust officer. The remaining committee members, including the chairperson, may be any of the following:

1. Non-executive directors or independent directors who are both not part of the Audit Committee.
2. Those considered as qualified "independent professionals".

In the case of more than five (5) Trust committee memberships, majority shall be composed of qualified non-executive members, and non-members of the Bank's Audit Committee. The appointment therein of an operating officer may be allowed only if the required balance in the membership of at least three (3) members of the board for every operating officer shall be maintained.

**Quorum/Majority Votes**

A majority of all members of the TRUSTCOM shall constitute a quorum and a vote of majority of the members present at a meeting (whether physically in person or, to the extent permitted by law, through electronic medium or telecommunications, such as video or teleconferencing, where the Members who are not physically present are located at different local or international places) shall be required to pass a decision.

**Meeting Schedule**

The TRUSTCOM shall hold at least ten (10) meetings in a year to be attended by the Members either in person or through teleconference or

videoconference, on such date and venue as may be called by the Chairman or upon the request of a Majority of the Members.

Special meetings may be conducted when the exigency of business requires and upon the call of the Chairman or in his absence the Vice-Chairman.

**Facilitator and Secretariat**

The Secretariat will be in charge of:

1. Sending out notices to the committee member
2. Preparing the Agenda of the meeting
3. Sending out the presentation materials to the committee members at least two (2) banking days prior to the scheduled meeting
4. Facilitating the minutes
5. Disseminating the approvals and maintaining a database of these approvals as reference materials.

**Performance Review**

The TRUSTCOM shall assess its performance at least annually and the results shall be submitted to Corporate Governance and Compensation Committee.

**Charter Review**

The TRUSTCOM Charter shall be reviewed at least annually by the TRUSTCOM Secretariat to ensure the charter's continuing effectiveness and relevance. The proposed changes, if any, shall be subject to review of the TRUSTCOM and finally, the Board of Directors approval.

**METROPOLITAN BANK & TRUST COMPANY**  
**CODE OF CONDUCT AND ETHICS**  
**FOR BANK DIRECTORS**

**I. POLICY STATEMENT**

The members of the Board of Directors of Metropolitan Bank & Trust Company, acknowledging that the position of a bank director is one of utmost trust and confidence, believing that fairness, accountability and transparency are the guiding principles of good corporate governance, adopt this Code of Conduct and Ethics for Directors. \*

**II. STANDARDS OF CONDUCT**

1. Every director must treat board directorship as a profession, have a clear understanding of his duties and responsibilities as well as his role in promoting good governance, maintain professional integrity and continuously seek to enhance his skill, knowledge and understanding of bank activities.
2. Every director must have a working knowledge of statutory and regulatory requirements affecting the Bank, observe and comply with the same.
3. Every director must have copies of the Bank's Articles of Incorporation, By-laws and other related documents, observe, comply and act only within the mandate and limits stipulated therein.
4. Every director must remain fit and proper for the position for the duration of his term. He should possess unquestionable integrity to make decisions objectively and resist undue influence.
5. Every director must devote time and attention to properly discharge his duties, familiarize himself with the Bank's business, constantly aware of the Bank's condition and knowledgeable enough to contribute meaningfully to the board's work. He must attend and actively participate in board and committee meetings. If a person can not give sufficient time and attention to the affairs of the Bank, he should neither accept his nomination nor run for election as a member of the board.
6. Every director must act judiciously. Before deciding on any matter brought before the board, every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.

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\*Adapted from the BSP Manual of Regulations for Banks (MORB)

7. Every director should contribute significantly to the decision-making process of the board, actively participate and exercise independent judgment on corporate affairs requiring the decision or approval of the board.
8. Every director should view each problem/situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollarily, he should support plans and ideas that he thinks will be beneficial to the bank.
9. Every director must conduct fair business transactions with the Bank and ensure that personal interest does not bias board decisions. A director should, whenever possible, avoid situations that would give rise to a conflict of interest. If a transaction with the Bank can not be avoided, it should be done in the regular course of business and upon terms not less favorable to the Bank than those offered to others.

The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that would compromise his impartiality.

10. Every director must act honestly and in good faith, with loyalty and in the best interest of the bank, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as depositors, investors, borrowers, other clients and the general public. A director must always act in good faith, with the care which an ordinary prudent man would exercise under similar circumstances. While a director should always strive to promote the interest of all stockholders, he should also give due regard to the rights and interests of other stakeholders.
11. Every director must observe confidentiality of non-public information acquired by reason of his position as a director. He may not disclose said information without the authority of the board.

## CODE OF CONDUCT FOR EMPLOYEES

# Our Code of Conduct

## CODE OF ETHICS

### *You're In Good Hands*

We, Metrobankers, fulfill our promise to our customers to always keep them in good hands, guided by our core values.

- ✓ We are honest in everything we do. We attach a special importance on honesty and integrity and we believe that this distinguishing personal quality is the cornerstone of the fiduciary nature of our work. This fiduciary relationship is of primary importance and should not be compromised under any circumstance.
- ✓ We perform our work with the due diligence of a good father of a family. We exercise good governance and we comply with all laws, rules and regulations, circulars, and issuances of the Philippine government and its regulatory agencies and instrumentalities.
- ✓ We value loyalty and fidelity as essential to the best interests of the Bank and the depositing public. Loyalty and fidelity is the foundation upon which trust is built within our institution and with all our stakeholders.
- ✓ We promote a culture of professionalism, one that holds the highest standard of work ethic. We conduct ourselves ethically and perform our job with skill, due care, and diligence. We constantly cultivate a collaborative working environment.

We take great pride in being able to serve our customers, wherever they are and whatever their needs may be. Our customers entrust their hard-earned money to us. It is our duty to not only ensure their money and assets are safe and secure with us, but also to provide them with products and services that will help them grow and achieve their personal and business plans.

Our mission is to ensure that their expectations are fulfilled.

## OUR CORE VALUES

Our core values light our path and guides our business decisions and conduct as well as execution of our work. Such is the bedrock upon which the Bank is built.

**Passion for Results**, having the drive and dedication to exceed goals and expectations.

- We initiate and deliver work of outstanding quality.
- We do it right the first time.
- We continuously look for ways to improve ourselves and our work.

**Integrity**, adhering to strong moral principles in all circumstances.

- We are honest, fair and ethical in everything we do.
- We do not tolerate acts of deceit or dishonesty.
- We act professionally and in the interest of the Bank.

**Teamwork**, working together effectively, combining our individual strengths, toward common goals.

- We collaborate with our team and other teams to achieve company goals.
- We build on others' strengths and help them succeed.
- We treat everyone with professionalism and respect.

**Commitment to Customer Service**, placing customer service at the heart of our business and strategies.

- We go the extra mile to give the best customer experience without compromising the Bank's goals.
- We make all necessary efforts to know our customer's needs and respond to them immediately.
- We deliver results that benefit customers to strengthen our brand promise.

**Heart for Community**, caring for our stakeholders' social, economic and environmental development.

- We are aware of the needs of the community we belong to.
- We give back to the community.
- We participate in nation building.

## OUR STANDARDS OF CONDUCT

Our Standards of Conduct aim to instill among us a commitment and dedication to the virtues of honesty and integrity, together with a high sense of prudence, responsibility and efficiency in the conduct of our duties. Here in Metrobank, we are a family. Each of us belongs to this family where the action of one affects the others. It is imperative that our behaviors reflect the values that the Bank stands for.

We champion the fair treatment and protection of the Bank's stakeholders, particularly its customers, resource providers, creditors and the community in which it operates. We believe that fair, professional and objective dealings as well as clear, timely and regular communication with the various stakeholders promote stable, long term relationship.

### HONESTY AND INTEGRITY

The principle of good banking conduct is rooted in public trust and confidence. We uphold the highest degree of honesty and integrity. Any dishonest act as we perform our duty is considered a breach of trust. The Bank's interest is our top priority. Our behavior and activities, inside or outside the Bank, reflect only trustworthiness and reliability.

We put great value in all that the Bank's stakeholders put in our hands, from the customer's accounts and goodwill to our co-employee's handiwork. We ensure integrity in our transactions and the dependability of our work.

### AVOIDANCE OF CONFLICT OF INTEREST

We promote and aid in the advancement of the Bank's interests. Our personal and professional endeavors seek business potential for the Bank. While we are challenged by the competition, we dedicate our time and talent in faithfully carrying out the tasks laid before us by the Bank.

We reflect Metrobank's objective and fair business decisions which are anchored on integrity and good governance. Our stakeholders are partners for the organization's over-all development. Our interactions and service nurture their goodwill. We effectively manage our personal affairs and avoid any situation or business endeavors arising from associations, interests or relationships that may lead to conflict or potential conflict between our personal interests and that of the Bank's.

We adopt an anti-corruption way of life. Bribery, fraud, extortion, collusion, conflict of interest, and money laundering, and other corrupt practices have no role in the way we conduct our affairs.

## CUSTOMER CARE

Our customers are partners who must receive from us the unique banking experience that leaves good memories. We value relationships over transactions.

We conduct ourselves with the objective of providing the highest level of customer satisfaction. We anticipate customers' needs and deliver prompt service. We address clients' concerns, patiently listening to their needs and to their suggestions on how we can improve our services. We commit to the principles of financial consumer protection. We resolve clients' problems in a timely manner, putting their welfare above all else. We respond to any customer mistreatment with serious consideration immediate action.

## PROFESSIONAL DECORUM

In everything that we do, we act professionally in the best interest of Metrobank.

We commit to be model citizens during and after office hours. We abide by the good customs of our society and obey all laws, rules, and regulations promulgated by the national government, its agencies and instrumentalities, and the Bank.

We are prudent in our finances and manage our obligations. Our lives show how we involve ourselves in worthy endeavors, developing our personal and professional relationships, as well as enabling and enhancing the public's positive perception of the Bank and its interests.

## QUALITY SERVICE AND OPERATIONAL EFFICIENCY

We perform our work with the due diligence of a good father of the family. We are advocates of quality service and operational efficiency, both vital and essential factors to business success. We believe that success can be realized through one's positive work attitude comprised of commitment, dedication and conviction towards productivity and quality work output. We see policies as tenets towards doing well in the performance of our duties and in handling all bank transactions. We comply with all policies with an open mind and full understanding that it is for our protection and that of the Bank and its stakeholders.

We motivate each other and cultivate continuous human resource development and performance management. Our culture is that of meritocracy and performance. We reward significant achievements and work productivity.

We adhere to the principles and practices of calculated risk in banking and perform duties with a high degree of diligence and prudence.

## TEAMWORK

Metrobankers collaborate. With my team, peers and colleagues, we strive to achieve our goals. We build on each others' strengths and help the other to succeed. We respect each team member.

We realize that a great team is made up of the skills of each individual, best harnessed and utilized efficiently. We constantly cultivate a synergistic working environment to achieve common goals and fulfill our shared vision.

To these ends, we value carrying out guidance and instructions of our superiors, be it about rendering overtime work or executing assigned tasks. We shun abuse of authority and encourage every Metrobanker's positive behavior.

PRESERVATION OF  
CONFIDENTIAL INFORMATION

We put high value on the protection of confidential information to maintain public trust and nurture business dealings. We keep information, regardless of the nature and kind, pertaining to a potential customer's accounts, or concerning an employee, business partner, competitor, supplier or vendor, or any stakeholder with the highest degree of confidentiality and protection.

We protect the privacy of data and information that are entrusted to the Bank. We implement reasonable and appropriate measures to protect such information against natural dangers such as accidental loss or destruction, and human dangers such as unlawful access, fraudulent misuse, unlawful destruction, alteration and contamination. Only through expressed written consent of senior authority or the affected stakeholder, or as required by law or regulation, do we process, provide, or disclose confidential information.

MAINTENANCE AND  
PROTECTION OF BANK  
PROPERTY

We believe that proper use and handling of bank properties, including operating systems and facilities, contribute to overall success of the Bank. We are responsible for the appropriate use of corporate resources and systems programs and applications as well as the upkeep of the Bank's property.

As technology forms part of our work-life, we use only authorized and licensed computer programs and applications. Similarly, we avoid vandalism and use of office machines and supplies for personal matters.

SAFETY AND SECURITY

We serve our customers in a clean, comfortable, orderly and, safe and secure environment. We believe that providing our employees and customers with a secure and safe work environment greatly enhances business and work productivity. Our workplace is drug-free and alcohol-free at all times.

## ATTENDANCE AND PUNCTUALITY

We put a premium on effective time-management as an integral part of our culture. As a community, we are conscious and commit to the effective use of time as a valuable resource of productivity. We avoid occasions of loitering, unauthorized absences, frequent tardiness and the like.

## Implementing Guidelines

The business of banking operates under an environment of strict regulatory oversight. The Bank has the responsibility to always be aware of and comply with all laws and regulatory requirements. Corporate discipline requires employee appreciation of the work and moral standards and behavior set by the Bank, commitment to the Bank's thrusts and undertakings, and compliance with applicable laws and regulations.

The Implementing Guidelines of this Code ensure clarity and consistency in the implementation of the Bank's corporate discipline program. The guidelines define acceptable behaviors during official Bank functions or activities inside or outside Bank premises, or within or outside regular working hours, in the performance of one's duties and responsibilities. The guidelines likewise define the consequences for non-compliance.

## SPIRIT OF IMPLEMENTATION

It is Metrobank's policy to maintain order and harmony through the adoption of reasonable rules and regulations and implementation of appropriate disciplinary action for employee violation of these rules. The following principles on employee discipline shall be observed:

1. Disciplinary action is regarded as a reiteration of Metrobank's requirement that all its employees should conduct themselves in accordance with the generally acceptable behavioral and professional work standards.
2. Disciplinary action for erring employees shall be imposed both as a preventive and remedial measure.
3. Disciplinary action is to be enforced only after observance of due process and upon just cause.

Formulation, revision or modification of any existing disciplinary action as contained in this Code shall always be coordinated with HRMG prior to finalization to ensure uniformity and consistency in the stages of implementation.

## OFFENSES AND SANCTIONS

### OFFENSES

Offenses are acts committed by employees in violation of established Bank policies and operating procedures or generally acceptable work behavior and ethical standards detrimental to the interests of Metrobank.

The offenses identified herein do not constitute an exclusive enumeration of acts or omissions that are considered violative of the Code of Conduct or its Internal Implementing Guidelines. Analogous acts or omissions that are not included in the enumeration below may still be considered a violation of the Code of Conduct if they are prohibited by the Labor Code of the Philippines and other relevant laws, rules and regulations, circulars, issuances of government and regulatory agencies and instrumentalities, jurisprudence, or internal Bank policies.

### CLASSIFICATION OF OFFENSES

#### CLASS A

These are offenses involving violations of bank policies and operating procedures or generally acceptable work behavior and ethical standards due to simple oversight, omission or negligence.

#### CLASS B

These are offenses involving violations of established Bank policies and operating procedures or generally acceptable work behavior and ethical standards due to a serious form of oversight, omission or negligence.

#### CLASS C

These are offenses involving violations of Bank policies and operating procedures or generally acceptable work behavior and ethical standards due to a more serious form of oversight, omission or negligence.

## CLASS D

These are offenses involving major violations of established Bank policies and operating procedures or generally acceptable work behavior and moral standards characterized by gross and/or habitual negligence, dishonest and fraudulent acts or willful or malicious intent.

## SANCTIONS

Sanctions are penalties imposed on erring employees found guilty or liable for violation of bank policies and operating procedures or generally acceptable work behavior and moral standards for the purpose of implementing/maintaining order and discipline in the Bank.

## KINDS OF SANCTIONS

### WRITTEN WARNING

A written warning is an admonition for a light offense or violation committed by an employee requiring him or her to exercise extra care and diligence in observing Bank policies and operating procedures or generally acceptable work behavior and moral standards so as to prevent repetition of the same violation or a commission of a more serious violation. This written warning shall be included in the erring employee's 201 file but shall not be considered a derogatory record for purposes of promotion or monetary reward or other developmental and recognition opportunity.

### WRITTEN REPRIMAND

A written reprimand is a strong admonition for a less serious offense requiring and forewarning an employee to be more cautious in adhering to bank policies and operating procedures or generally acceptable work behavior and moral standards with a warning that a repetition of the same or similar offense shall warrant a more stringent disciplinary action. This written reprimand shall form part of the employee's 201 file. It shall be considered a derogatory record which shall have an effect on the employee's performance evaluation, promotion processing, merit increase, entitlement to the Bank's benefits or recognition programs, or participation in learning and development programs, whenever applicable.

### SUSPENSION

Suspension is a stricter sanction for a more serious violation requiring absence without pay for a violation of Bank policies and operating procedures or generally acceptable work behavior and moral standards. This sanction shall serve as a penultimate warning to the

employee that any further repetition of the same or future commission of similarly serious offense shall warrant termination of employment for cause. The period and conditions of the suspension will depend on the degree or severity of the offense committed. Suspension shall form part of the employee's 201 file. It shall be considered a derogatory record which shall have an effect on the on the employee's performance evaluation, promotion processing, merit increase, entitlement to the Bank's benefits or recognition programs, or participation in learning and development programs, whenever applicable.

#### DISMISSAL/TERMINATION

Dismissal/Termination is the maximum penalty involving the severance of employment for commission of gross, willful or repetitive violation of Bank policies and operating procedures or generally acceptable work behavior and moral standards, as well as commission of fraud, irregularities or dishonest acts by an employee. Dismissal of an employee for cause shall result in a forfeiture of all his benefits.

#### GRADATION OF SANCTIONS PER OFFENSE CLASSIFICATION

The gradation of sanctions is a reference for the Bank in the imposition of disciplinary actions on administrative cases. Management reserves the right to reduce or increase the sanctions based on mitigating or aggravating circumstances.

Repeat violations of Class A to C offenses will entail imposition of the next higher penalty during the effectivity period of the administrative sanction.

#### CLASS A OFFENSES –

Class A offenses start with a Written Warning.

#### CLASS B OFFENSES –

Class B offenses start with a Written Reprimand.

#### CLASS C OFFENSES –

Class C offenses start with a Suspension.

#### CLASS D OFFENSES

Class D offenses are punishable by termination/dismissal from employment.

## PRESCRIPTIVE PERIODS

### EFFECTIVITY OF PENALTIES

Disciplinary action/penalty for offenses committed by Metrobank employees shall be kept in the employee's record. Derogatory records shall have an effect on the employee's performance evaluation, promotion processing, merit increase, entitlement to the Bank's benefits or recognition programs, or participation in learning and development programs, whenever applicable.

The following indicates the effectivity periods corresponding to a specific sanction:

- a) Written Warning - Six (6) months from date of the Decision.

While a Written Warning has no effect on an employee's status and privileges as stated above, it shall be effective for six (6) months from date of employee's notice, for the purpose of establishing the gradation of sanctions.

- b) Written Reprimand - Six (6) months from date of the Decision.
- c) Suspension – Depending on the number of suspension days, viz.:
  - i. One (1) day but less than two (2) weeks – One (1) year from date of the Decision.
  - ii. Two (2) weeks but less than one (1) month – One and one-half (1 1/2) years from date of the Decision.
  - iii. One (1) month or more – Two (2) years from date of the Decision.

### CUMULATIVE EFFECT OF PENALTIES

- a) Commission of various offenses or varying violations of the standards of the Code of Conduct shall be subject to corresponding disciplinary measures. If the same offense is repeated anytime before the previous sanction has been expunged, the sanction for the latter offense shall be the next higher penalty.
- b) Regardless of the Standard of Conduct violated:
  - i. An employee who will be issued a third written reprimand shall instead be suspended.

- ii. An employee who will be suspended for the third time shall be dismissed from the Bank.
- c) When a single act constitutes two or more infractions, or when an offense is a necessary means for committing the other, the penalty for the most serious offense shall be imposed.

#### RECIDIVISM

- a) For the purpose of this Code, a recidivist is defined as an employee who, after being previously sanctioned for committing an offense in violation of any bank policy, operating procedure or provision of this Code, is again being penalized for committing similar or other offense as contained herein.
- b) Management reserves the right to cite the previous offense/sanction, whether expunged or active, as an aggravating circumstance, in the determination of disciplinary action in the most recent administrative case.

## List of Offenses

Violations of the bank's established policies and operating procedures shall include but not limited to the following:

#### HONESTY AND INTEGRITY

##### **Class C**

1. Frequenting houses of ill-repute (e.g., fun houses, massage parlors, casinos).
2. Participation in any form of gambling including betting or any game of chance involving money either within or outside Bank premises.
3. Silence or non-disclosure of information on any employee's violation of any policy to the appropriate officer.
4. Non-reporting of a crime or any act of dishonesty committed by a co-employee.
5. Endorsement or facilitation of the opening of an account even without face-to-face contact with the customer/signatory and/or presentation of original identification documents for authentication/ verification.
6. Other offenses/violations similar or analogous to the above.

#### **Class D**

1. Stealing or attempting to steal from the Bank, its employees and customers or the Bank's business partners.
2. Cheating, forgery, fraud, tampering and/or falsification of Bank records or documents.
3. Lying, misrepresentation or giving false or misleading information detrimental to the Bank.
4. Misappropriation of Bank funds and property.
5. Padding of any monetary claim or request for reimbursement.
6. Manipulation of accounts, lapping, kiting activities.
7. Tampering and falsification of Daily Time Record.
8. Forging the signature of an employee, customer, or any stakeholder on official Bank document to expedite a transaction.
9. Concealment of security breaches involving information pertinent to customers, employees, business partners, competitors, suppliers or vendors, or all stakeholders of the Bank.
10. Final conviction in a criminal case.
11. Any act of dishonesty.
12. Other offenses/violations similar or analogous to the above.

#### **AVOIDANCE OF CONFLICT OF INTEREST**

#### **Class C**

1. Engaging in non-work-related activities during office hours (e.g., buying/selling of miscellaneous items) that are disruptive the employee's work or the work of others.
2. Refusal to testify without justifiable reason when required by the Bank during an official investigation.
3. Borrowing and/or lending of money between or among employees, customers and Metrobank's business partners;
4. Engaging or participation in formal or informal credit union activities such as "Paluwagan".
5. Engaging in another employment or performing activities for additional income during Bank-paid time without prior management approval.
6. Engaging in another employment outside of company time that directly or indirectly competes or may potentially compete with the Bank's business, or promotes, aids or furthers the business of a direct or indirect competitor of the Bank.
7. Unauthorized use of the Bank's name or logo.
8. Other offenses/violations similar or analogous to the above.

#### **Class D**

1. Participation in any corrupt practices such as, but not limited to bribery, extortion, collusion, or money laundering.

2. Acceptance or solicitation of favors, bribes or gifts from customers, vendors, or business partners.
3. Soliciting personal business or business other than the Bank's business for personal gain from customers or the Bank's business partners.
4. Engaging in lending, trading or other business activity, whether directly or indirectly, that competes with the business of the Bank.
5. Acting on behalf of other parties to the detriment of the Bank, even without self-gain.
6. Failure to report to one's supervising officer the offering or receiving of any favor, gift, accommodation, assistance or entertainment and the like within 3 days from the time the offer is made or receipt of the same.
7. Other offenses/violations similar or analogous to the above.

## CUSTOMER CARE

### **Class B**

1. Failure or refusal to attend to customer inquiries or requests.
2. Failure or refusal to disseminate proper/relevant information to customer(s) or the Bank's business partners.
3. Other offenses/violations similar or analogous to the above.

### **Class C**

1. Rude behavior or misconduct.
2. Rumor-mongering, bad-mouthing, gossiping or spreading negative comments about the Bank's customers or business partners.
3. Failure to resolve customer's complaints in a timely manner.
4. Any act of mistreatment towards a customer.
5. Other offenses/violations similar or analogous to the above.

## PROFESSIONAL DECORUM

### **Class A**

1. Failure to wear the Bank's prescribed office uniform/attire for more than three (3) times in a month.
2. Other offenses/violations similar or analogous to the above.

### **Class C**

1. Use of profane or indecent or any unprofessional language, decorum or behavior on employees, customers or third parties.
2. Bad-mouthing or criticizing the Bank or its employees.

3. Mishandling of own finances.
4. Other offenses/violations similar or analogous to the above.

#### **Class D**

1. Participation and involvement in scandalous behavior of whatever nature.
2. Involvement in situations that violate acceptable moral standards or compromise the institutional image of the bank.
3. Giving unauthorized statements to the public that compromise the institutional image of the Bank.
4. Delinquency in the payment of obligations by an officer of the Bank, as defined by the existing rules and regulations of the Bangko Sentral ng Pilipinas (BSP).
5. Other offenses/violations similar or analogous to the above.

#### QUALITY SERVICE AND OPERATIONAL EFFICIENCY

#### **Class B**

1. Non-compliance with prescribed policies and procedures in handling bank transactions.
2. Failure to act with dispatch on assigned duties/tasks.
3. Use of mobile or smart phones or any other device or gadget in a way that interferes with one's duties and responsibilities or that of others.
4. Malingering or sleeping during office hours.
5. Other offenses/violations similar or analogous to the above.

#### **Class C**

1. Entertaining personal visitors during office hours
2. Failure to exercise appropriate diligence to the detriment of the Bank.
3. Breach of any anti-money laundering (AML) procedure, including but not limited to customer identification, record keeping and retention, reporting of covered and suspicious transactions, and continuing training program and control measures.
4. Other offenses/violations similar or analogous to the above.

#### **Class D**

1. Habitual lapses in the performance of duties and responsibilities.
2. Gross negligence or serious lapses in the performance of duties and responsibilities.
3. Gross and habitual negligence in the performance of duties and responsibilities.
4. Other offenses/violations similar or analogous to the above.

#### TEAMWORK

**Class B**

1. Refusal to render work or overtime work.
2. Failure to comply with directives on job rotation and cross-training, etc.
3. Other offenses/violations similar or analogous to the above.

**Class C**

1. Provoking or causing another employee to commit an offense.
2. Display of unbecoming or unprofessional behavior that affects harmonious work relationship or causes conflict between and among individuals.
3. Display of unwanted, unprofessional or malicious acts toward another person.
4. Rumor-mongering, gossiping or character assassination of co-employees.
5. Perpetration of practical jokes/pranks that cause undue panic among employees and customers.
6. Uttering slanderous remarks, undue criticism, and open display of disrespectful or derogatory acts against the religious, cultural and political beliefs of others.
7. Insubordination, open defiance or disobedience to carry out lawful orders and/or valid instructions of superiors.
8. Adhering to or following violative instruction of colleagues or supervising officers.
9. Making threatening statements, and intimidating or coercing Bank employees, customers and other parties doing business with the Bank.
10. Display of disrespect toward the Bank or any person in authority.
11. Proselytizing or unduly inducing someone to convert to one's faith.
12. Other offenses/violations similar or analogous to the above.

**Class D**

1. Abusive acts of authority that compromise the interest of the Bank.
2. Acts of sexual harassment toward a peer, subordinate or trainee.
3. Performing acts without authority.
4. Participation in brawls and fights inside Bank premises other than in self-defense or defense of others.
5. Display or infliction of any form of physical violence or harm toward a co-employee or another person.
6. Other offenses/violations similar or analogous to the above.

## PRESERVATION OF CONFIDENTIAL INFORMATION

### **Class D**

1. Disclosure of any information concerning a customer or potential customer's accounts, or concerning an employee, business partner, competitor, supplier or vendor, or any stakeholder's transactions, and/or dealings with the Bank.
2. Unauthorized access to any information concerning customers, employees, business partners, competitors, suppliers or vendors, or all stakeholders of the Bank.
3. Stealing customer information for whatever reason.
4. Giving out confidential or strategic Bank information to anyone.
5. Fraudulent misuse, alteration, or contamination of Bank information.
6. Other offenses/violations similar or analogous to the above.

## MAINTENANCE AND PROTECTION OF BANK PROPERTY

### **Class A**

1. Non-observance of established guidelines on the proper use and maintenance of office equipment and other facilities.
2. Other offenses/violations similar or analogous to the above.

### **Class B**

1. Unofficial or personal use of office supplies, machines, equipment or any type of motor vehicles such as printing of personal documents, invitations and resumes; transmitting/receiving personal messages; reproducing personal documents, videos and audios, and playing computer games.
2. Unauthorized use of Bank properties, facilities, services, or accommodations.
3. Excessive or prolonged use of the telephone for personal calls
4. Other offenses/violations similar or analogous to the above.

### **Class C**

1. Vandalism of Bank property and facilities.
2. Systems security violations.
3. Disclosure of security codes and passwords to other employees.
4. Use of unauthorized/unlicensed programs and/or system applications.
5. Other offenses/violations similar or analogous to the above.

### **Class D**

1. Stealing or theft of Bank properties and facilities.
2. Disclosure of security codes and passwords to outside parties.

3. Utilization of any bank resource or facility in furtherance or perpetration of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.
4. Deletion of Bank files/information.
5. Destruction of Bank property and facilities.
6. Destruction of official Bank documents.
7. Improper disposal of any information concerning customers, employees, business partners, competitors, suppliers or vendors, or all stakeholders of the Bank.
8. Introduction of malicious softwares (malware) or other similar devices on the Bank's computer systems.
9. Other offenses/violations similar or analogous to the above.

#### SAFETY AND SECURITY

##### **Class A**

1. Failure to wear ID upon entering and within Bank premises for more than three (3) times in a month.
2. Staying beyond office hours or during periods when one is not expected to be in the Bank without the necessary approval.
3. Other offenses/violations similar or analogous to the above.

##### **Class B**

1. Refusal to submit one's self to standard security inspection.
2. Smoking inside enclosed Bank premises.
3. Other offenses/violations similar or analogous to the above.

##### **Class C**

1. Use of virus-infected software.
2. Bringing unauthorized visitors inside company premises or any extension thereof.
3. Reporting for work under the influence of alcohol/prohibited drugs.
4. Other offenses/violations similar or analogous to the above.

##### **Class D**

1. Bringing of firearms, deadly weapons, explosives, pyrotechnics and harmful chemicals/substances in the Bank.
2. Drinking alcoholic drinks.

3. Unauthorized use or possession of prohibited drugs or consuming prohibited substances inside Bank premises.
4. Sale or participation in drug trafficking or inducing any employee or other persons to take prohibited drugs within or outside Bank premises.
5. Unauthorized disabling of the Bank's safety and security facilities.
6. Other offenses/violations similar or analogous to the above.

#### ATTENDANCE AND PUNCTUALITY

##### **Class A**

1. Unauthorized extension of break periods for more than three (3) times in a month.
2. Late or non-filing of any attendance record for more than three (3) times in a month.
3. Other offenses/violations similar or analogous to the above.

##### **Class B**

1. Tardiness (more than six times or aggregate man-hour loss of more than two hours, regardless of frequency, in a month).
2. Unauthorized absences or absence from work without official leave (AWOL) for at least one (1) day.
3. Loitering or loafing during office hours.
4. Unauthorized trips outside the office.
5. Unauthorized undertime availment.
6. Other offenses/violations similar or analogous to the above.

##### **Class C**

1. Unauthorized absences or absence from work without official leave (AWOL) for more than one (1) day up to three (3) days.
2. Other offenses/violations similar or analogous to the above.

##### **Class D**

1. Unauthorized absences or absence from work without official leave (AWOL) for more than three (3) days.
2. Abandonment of work or willful disobedience to report for work.
3. Other offenses/violations similar or analogous to the above.

## Whistle Blowing Policy

### Purpose

To guide officers/staff on reporting complaints related to fraud, malpractice, conflict of interest or violation of internal/regulatory policies, procedures and controls.

### Scope

This policy applies to all Head Office units and branches.

### Definition

**Whistle blowing** refers to the disclosure or filing of a complaint by an employee or group of employees who in good faith, believes that the Bank or any of his/their colleagues is engaging/has engaged in acts of fraud, malpractice, conflict of interest or violation of internal/regulatory policies, procedures and controls.

**Reporting Employee** refers to an employee or group of employees who discloses in good faith and without any thought of personal gain, any information that he/she reasonably believes evidences acts of fraud, malpractice, conflict of interest or violation of internal/regulatory policies, procedures and controls.

**Witness** refers to an employee of the Bank or Metrobank Group or a third party other than the Reporting Employee, who participates or cooperates in the investigations or proceedings pertaining to a complaint.

**Retaliation** refers to an act of reprisal, discrimination, harassment, intimidation or adverse personnel action by the Bank's directors, officers, executives, supervisors or employees whether directly or indirectly, against a Reporting Employee or a witness.

### Policy Statements

1. All employees are encouraged to play their part in improving the overall effectiveness and success of the Bank and in strengthening the Bank's system of integrity by reporting acts of fraud, malpractice, conflict of interest or violation of internal/regulatory policies, procedures and control.

This policy shall apply in instances when an employee deems it more prudent to report violations or offenses to another authorized unit/person within the Bank for proper handling, investigation and resolution. This policy may also apply when the matter which is brought to the attention of the immediate superior is not acted upon in accordance with the standard reporting procedures, or is concealed, or the immediate superior is himself involved in the infraction, or the reporting employee fears reprisal; thus preventing him from availing of the standard reporting procedures.

By creating an atmosphere of openness and trust and by providing an avenue for employees to raise concerns and receive feedback on any action taken, Metrobank is committed to maintaining the highest possible standards of ethics, honesty, accountability and adhering to the principles of good governance.

## 2. Responsible Units

- 2.1. The Head of the Internal Audit Group (IAG) is the designated recipient of complaints from Reporting Employees and is authorized to implement this policy.
- 2.2. The IAG and Human Resource Management Group (HRMG) shall be responsible for the following:
  - 2.2.1. undertaking investigations under this policy
  - 2.2.2. regular dissemination and communication of the whistle blowing policy to all employees and determining the activities that will be used as avenues for the dissemination (such as but not limited to New Employee Orientation (NEO), Officer Development Program (ODP), IAG Roadshow and Pre-audit Engagement/Audit Entrance Meeting with Auditees)

## 3. Protection of Reporting Employee

- 3.1. The Bank shall maintain the identity of the Reporting Employee as confidential unless:
  - 3.1.1. Such person agrees to be identified;
  - 3.1.2. Identification is necessary to allow the Bank to investigate or respond effectively to the disclosure;
  - 3.1.3. Identification is required by law;

In such eventuality, the IAG Head shall be responsible for securing the consent of the Reporting Employee prior to revealing his/her identity.

In case of unauthorized disclosure of identity, the erring employee shall be subject to existing policies on *Omissions/Errors/Offenses (MOPP Vol. 5, 2300)* and relevant provisions of the *Bank's Code of Conduct*.

- 3.2. Retaliation (as described under Definitions) shall not be allowed against any Reporting Employee. Retaliatory actions shall be considered as misconduct and erring officers/staff involved shall be dealt with following existing policies on *Omissions/Errors/Offenses (MOPP Vol. 5, 2300)*.

## 4. Complaints/concerns shall be in writing using a Complaint/Disclosure Form (*Exhibit A*) and shall be addressed to the IAG Head.

The identity and contact information of the Reporting Employee/complainant should be disclosed to ensure that feedback on actions taken may be provided.

Details on the complaint/concern such as but not limited to the following should also be disclosed:

- 4.1. Full name and position of the respondent (i.e., person subject of the complaint)
- 4.2. Brief statement on relevant and material facts such as description of the violation/incident, approximate date/s, time and place of commission of the act, persons involved
- 4.3. Any evidence including affidavits of witnesses and/or third parties

5. If an employee under investigation resigns pending completion of the investigation or final resolution of the case, his resignation shall be without prejudice to the outcome of the investigation or final resolution of the case.
6. Decisions/resolutions on Whistle blowing cases shall be considered final once approved by Management or the appropriate Bank committee.
7. The case file of each complaint shall be considered as confidential and shall be retained for a period of ten years from date of resolution or closing.
8. If a Reporting Employee or Witness believes he has been retaliated upon for filing a complaint or for participating or cooperating in an investigation, a written complaint using the Retaliation Complaint Form (*Exhibit B*)<sup>1</sup> may be filed with the IAG Head within one month from the occurrence of the alleged act or retaliation incident.

Details on the complaint/concern such as but not limited to the following should be disclosed:

- 8.1. Name, designation, work address and telephone number of complainant
  - 8.2. Name and position of the director, officer, employee alleged to have retaliated or to be involved in the retaliation
  - 8.3. Brief description and date of the complaint to which the alleged retaliation relates
  - 8.4. Brief description and details of the alleged retaliation
  - 8.5. Relevant evidence
9. For complaints against the IAG Head, director or advisor of the Board of Directors
    - 9.1. If the IAG Head/Director/Board Advisor is the subject or one of the subjects of the complaint or complaint against retaliation, complaints in writing may be filed directly with the Chairman of the Board.
    - 9.2. The Chairman of the Board may deputize IAG-SpAD/HRMG to assist in the investigation, subject to the Board's control and supervision.

## **Benefit**

The guidelines shall ensure standard handling of complaints and minimize the Bank's exposure to damage that can occur when employees circumvent internal control mechanisms. The process also ensures that concerns of reporting employees are addressed and they are protected against retaliation.

## Related Party Transactions

### WHAT Related Party Transactions

Metrobank, through its Board of Directors (BOD), shall ensure that transactions with related parties are reviewed to assess risks, are subject to appropriate restrictions to ensure that such are conducted at arm's-length terms, and that corporate or business resources of the Bank are not misappropriated or misapplied.

1. 'Related Party' shall refer to any of the following:

- a. Bank's Directors, Officers, Stockholders (DOS) & their related interests<sup>72</sup> (RI) under DOSRI rules;
- b. Bank's subsidiaries<sup>73</sup> as well as affiliates<sup>74</sup>;
- c. Any party, including their subsidiaries, affiliates and special purpose entities, that the Bank exerts direct/indirect control<sup>75</sup> over or that exerts direct/indirect control over the Bank

<sup>72</sup> **Related interest** shall refer to any of the following:

- (1) Spouse or relative within the first degree of consanguinity or affinity (i.e. parents, parents-in-law, children, son-in-law, daughter-in-law), or relative by legal adoption, of a director, officer or stockholder of the bank;
- (2) Partnership of which a director, officer, or stockholder of a bank or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, is a general partner;
- (3) Co-owner with the director, officer, stockholder or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of the property or interest or right mortgaged, pledged or assigned to secure the loans or other credit accommodations, except when the mortgage, pledge or assignment covers only said co-owner's undivided interest;
- (4) Corporation, association or firm of which any or a group of directors, officers, stockholders of the lending bank and/or their spouses or relatives within the first degree of consanguinity or affinity, or relative by legal adoption, hold or own at least twenty percent (20%) of the subscribed capital of such corporation, or of the equity of such association or firm;
- (5) Corporation, association or firm wholly or majority-owned or controlled by any related entity or a group of related entities mentioned in Items "(2)" and "(4)" of this Section;
- (6) Corporation, association or firm which owns or controls directly or indirectly whether singly or as part of a group of related interest at least twenty percent (20%) of the subscribed capital of a substantial stockholder of the lending bank or which controls majority interest of the bank pursuant to Subsec. X303.1;
- (7) Corporation, association or firm which has an existing management contract or any similar arrangement with the parent of the lending bank; and
- (8) Non-governmental organizations (NGOs)/foundations that are engaged in retail microfinance operations which are incorporated by any of the stockholders and/or directors and/or officers of related banks.

<sup>73</sup> **Subsidiaries** refer to a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by its parent corporation.

<sup>74</sup> **Affiliates** refer to an entity linked directly or indirectly to a bank by means of:

- a. Ownership, control or power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa;
- b. Interlocking directorship or officership (with rank of SVP and above), where the concerned director or officer owns, controls, or has the power to vote at least twenty percent (20%) of the outstanding voting stock of the entity;
- c. Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the bank and at least twenty percent (20%) of the outstanding voting stock of the borrowing entity;
- d. Management contract or any arrangement granting power to the bank to direct or cause the direction of management and policies of the entity; and
- e. Permanent proxy or voting trusts in favor of the bank constituting at least twenty percent (20%) or more of the outstanding voting stock of the entity, or vice-versa.

In cases where the borrowing entity is linked to the bank both as a DOSRI and as subsidiary or affiliate, DOSRI rules shall apply.

- d. Close family members of the directors, officers with rank of SVP & above and individual substantial stockholder<sup>76</sup> (i.e. by consanguinity or affinity, legitimate or common-law – parent-in-law, spouse, child, son-in-law, daughter-in-law, brother, sister, brother-in-law, sister-in-law, grandparents, grandparents-in-law, grandchildren and grandchildren-in-law);
- e. Corresponding persons in affiliated companies. This refers to the DOS of the affiliated companies and their close family members as shown below:

AFFILIATED COMPANIES	RELATED PARTIES			
	DIRECTORS	PRINCIPAL OFFICERS (SVP and up)	SUBSTANTIAL INDIVIDUAL STOCKHOLDERS	CLOSE FAMILY MEMBERS
1. Subsidiaries	✓	✓	✓	✓
2. Affiliates				
a. Ownership, control or power to vote, of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa;	✓	✓	✓	✓
b. Management contract or any arrangement granting power to the bank to direct or cause the direction of management and policies of the entity;	✓	✓	✓	✓
c. Permanent proxy or voting trusts in favor of the bank constituting at least twenty percent (20%) or more of the outstanding voting stock of the entity, or vice-versa.	✓	✓	✓	n/a
d. Interlocking directorship or officership, where the concerned director or officer owns, controls or has the power to vote, of at least twenty percent (20%) of the outstanding voting stock of the borrowing entity;	✓	✓	✓	n/a
e. Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the bank and at least twenty percent (20%) of the outstanding voting stock of the borrowing entity;	✓	✓	✓	n/a
3. Any party, including their subsidiaries, affiliates and special purpose entities, that the Bank exerts direct/indirect control over	✓	✓	✓	✓
4. Any party, including their subsidiaries, affiliates and special purpose entities, that exerts direct/indirect control	✓	✓	✓	n/a

<sup>75</sup> **Control** of an enterprise exists when there is:

- Power over more than one-half of the voting rights by virtue of an agreement with other stockholders; or
- Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
- Power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
- Power to cast the majority votes at meetings of the board of directors or equivalent governing body; or
- Any other arrangement similar to any of the above.

Control is presumed to exist if there is ownership or holding, whether direct or indirect, of 20 percent or more of a class of voting shares of a company.

<sup>76</sup> **Substantial stockholder** –owning such number of shares that will allow such person or group to elect at least one (1) member of the board of directors of a bank or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security. (MORB Sec. x326.1)

over the Bank				
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- f. With direct or indirect linkages to the Bank:
- 1) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice-versa;
  - 2) Interlocking directorship or officership (with rank of SVP and above), except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;
  - 3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Bank and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or
  - 4) Permanent proxy or voting trusts in favor of the Bank constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity or vice-versa.
- g. Entities that belong to the directors, officers with rank of SVP & above and individual substantial stockholder and/or any of their close family members with at least fifteen percent (15%) direct ownership of the outstanding voting stock of such entities.

**2. Related Party Transactions (RPTs)** are transactions or dealings with related parties of the Bank, including the Trust Banking Group, whether a price is charged or not. These shall include transactions such as but not limited to the following:

Type of Related Party Transactions	Proponent Unit	Transaction Approving Authority
On- and off-balance sheet credit exposures and claims	Lending Units	Executive Committee
Trading and derivative transactions;	Treasury Group	
Borrowings, commitments, fund transfers and guarantees;		
Waiver of charges and fees;	Lending Units	
Write-offs of loans, other credit accommodations, advances and other assets;	Lending Units/Special Accounts Management Group	Non-Performing Assets Committee/Executive Committee
Investments and/or subscriptions by the Bank for debt/equity issuances of related parties;	DSD	President/Domestic Equity Investments Committee/Overseas Banking Committee
Consulting, professional, agency and other service arrangements/contracts;	Head Office (HO) Units	Financial and Control Sector (FCS) Head/President/ PADCOM/ Information Technology Governance Committee (ITGC)/Controller/ Group Head
Establishment, renewal and/or extension of Trust Investment Line; Trust Placement in related parties;	Trust Banking Group	Trust Committee/Trust Investment Committee/ Portfolio and Assets Review Committee
Purchases and sales of assets, including transfer of technology and intangible items (e.g., research and development, trademarks and license agreements)	General Services Group	Property Acquisition and Disposition Committee (PADCOM)
Sale, purchase or supply of any goods or materials;		
Construction arrangements/ contracts;		
Lease arrangements/contracts;		
Establishment of joint venture entities;		
Donations/Gifts/Charitable Contributions	Unit/CorpCom	President

### 3. Maintenance of Masterlist of Related Parties

- a. Compliance Division shall maintain a database of related parties, i.e., Masterlist of Related Parties, and update this based on reports from concerned HO units or as sourced from public documents (e.g., General Information Sheet (GIS) from the Securities and Exchange Commission (SEC)).

Compliance Division shall consolidate the Bank’s Masterlist of Related Parties and the list of related parties from the reports of the Bank’s financial subsidiaries and affiliates and other sources. The consolidated Masterlist of Related Parties shall be submitted to Credit Investigation Department – Credit Investigation and Appraisal Division for uploading/encoding in the Internal Data Bank System (IDBS).

The Masterlist of Related Parties shall be made available in Insight Online.

- b. The Masterlist of Related Parties shall be shared with the Bank’s financial subsidiaries and affiliates.

On a quarterly basis, Compliance shall send a password-protected copy of the Bank’s Masterlist of Related Parties to all financial subsidiaries and affiliates via email through their respective Compliance Officers.

The Bank’s financial subsidiaries and affiliates shall also submit a password-protected copy of their list of related parties on a quarterly basis to Compliance Division via email through their respective Compliance Officers.

### 4. Identification, Review, Approval and Reporting of Related Party Transactions

- a. In addition to the regular KYC procedures performed on clients prior to processing a transaction, the proponent unit shall verify if the client is a related party using the submitted identification documents and the Masterlist of Related Parties.

Proposed transactions of identified related parties shall be endorsed by proponent units to the appropriate transaction approving authority (**see Item No. 2**).

- b. The Proponent Unit shall regularly evaluate existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified and subsequent changes in relationships with counterparties (e.g., from non-related party to related party or vice versa) are updated.

Any transaction entered into with a non-related party which has been reclassified as a related party shall subject the RPT to the requirements of this policy.

- c. After the approval of the transaction by the appropriate approving authority, proponent units shall report the transaction to the following committees (based on amount of transaction), through Compliance Division, for review and confirmation **prior** to the execution of the transaction.

Type of Related Party Transactions	Related Party Transactions Management Committee (RPTMC)	Related Party Transactions Committee (RPTC)
On- and off-balance sheet credit exposures and claims	P100M and below	Above P100M

Trading and derivative transactions (based on the amount of settlement risk/pre-settlement risk)	P10M and below	Above P10M
Borrowings, commitments, fund transfers and guarantees;		
Waiver of charges and fees;		
Write-offs of loans, other credit accommodations, advances and other assets; <sup>77</sup>		
Investments and/or subscriptions by the Bank for debt/equity issuances of related parties;		
Consulting, professional, agency and other service arrangements/contracts (based on the amount of fee/income per year, as applicable)		
Establishment, renewal and/or extension of Trust Investment Line; Trust Placement in related parties;		
Purchases and sales of assets, including transfer of technology and intangible items (e.g., research and development, trademarks and license agreements)		
Sale, purchase or supply of any goods or materials;		
Construction arrangements/ contracts;		
Lease arrangements/contracts (based on annualized amount);		
Establishment of joint venture entities;		
Donations/Gifts/Charitable Contributions		

The amount of transaction (materiality threshold) shall be reviewed at least once a year or as necessary by the RPTC.

- d. Compliance Division shall verify if the proposed transaction falls under the definition of 'Related Party Transaction' and whether the same are compliant with applicable regulations and internal policies.

If the transaction is a 'Related Party Transaction', Compliance Division shall endorse the same to the RPTC/RPTMC, as the case may be.

- e. The RPTC and RPTMC shall review the proposed related party transaction by taking into consideration the following:
- 1) Identity and relationship of the parties involved in the transaction;
  - 2) Terms of the transaction and whether these are no less favorable than terms generally available to an unrelated third party under the same circumstances;
  - 3) Business purpose, timing, rationale and benefits of the transaction;
  - 4) Approximate monetary value of the transaction and the approximate monetary value of the Related Party's interest in the transaction;
  - 5) Valuation methodology used and alternative approaches to valuation of the transaction;
  - 6) Information concerning potential counterparties in the transaction;
  - 7) Description of provisions or limitations imposed as a result of entering into the transaction;
  - 8) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction;
  - 9) Impact to a Director's independence; and,
  - 10) Extent that such transaction or relationship would present an improper conflict of interest
  - 11) The availability of other sources of comparable products or services;

Compliance Division shall require relevant documents and information (e.g., GIS, financial statement, canvass reports, contracts/agreements, etc.)

<sup>77</sup> BSP MORB Sec. X178.19 – "Problem credits to DOSRI shall be written-off only upon prior approval of the Monetary Board."

supporting the submitted RPTs from the proponent units as basis for the review.

The RPTMC/RPTC may also consult third-party experts, if it deems necessary, for guidance for an effective price discovery mechanism to ensure that transactions are engaged into at terms that promote the best interest of the FI and its stakeholders. The price discovery mechanism may include acquiring the services of an external expert, opening the transaction to a bidding process, publication of available property for sale, etc.

- f. The following RPTs **need not** be coursed through the RPTMC and RPTC:
- 1) Over-the-counter transactions, or where the related party transacts as a customer, transfer agent, trustee or other similar services (e.g. deposit, withdrawal, trust placements, cash management, foreign exchange transactions, among others), being processed in the normal course of business, and deviations from policies, if any, will require override and proper approvals;
  - 2) Transactions where the terms such as the rates are determined by competitive bids in the market or fixed by law or regulated by the government or its instrumentalities (e.g. trade transactions involving purchases and sales of debt and equity securities traded in an active market, among others – see **Annex A** for List of Sample of Treasury Transactions that need not be coursed through the RPTMC and RPTC);
  - 3) Interbank Call Loans, which are not covered by DOSRI regulations;
  - 4) Compensation, monetary and non-monetary fringe and retirement benefits paid to a director or officer; and
  - 5) Dividends paid to stockholders.

For control purposes, the above transactions may form part of the independent testing to be performed by Compliance Division. Deviations not properly justified, if any, shall be reported to the RPTMC or RPTC, as the case may be.

## 5. Individual and Aggregate Limits

### a. Individual Limit

The total outstanding loans, other credit accommodations and guarantees to each of the Bank's RP shall be limited to the amount approved by the Board/RPTC/RPTMC which shall not be more than twenty five percent (25%) of the Bank's networth: provided, the total outstanding loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall be at all times limited to their individual ceiling as provided for under Sec. x330 of the MORB (i.e. equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the Bank: Provided, however, that unsecured loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall not exceed thirty percent (30%) of their respective total loans, other credit accommodations and guarantees.)

The total outstanding loans, other credit accommodations and guarantees to each of the Bank's subsidiaries and affiliates shall be at all times limited to what was provided for under Sec. x328.5 of the MORB (i.e., shall not exceed ten percent (10%) of the net worth of the lending bank: Provided, that the unsecured

loans, other credit accommodations and guarantees to each of said subsidiaries and affiliates shall not exceed five percent (5%) of such net worth.)

b. Aggregate Limit

The total outstanding loans, other credit accommodations and guarantees to all related parties shall not exceed one hundred percent (100%) of the Bank's net worth; provided, the total outstanding loans, other credit accommodations and guarantees to DOSRI shall at all times not exceed fifteen percent (15%) of the total loan portfolio of the bank or 100% of net worth whichever is lower; provided, that in no case shall the total unsecured loans, other credit accommodations and guarantees to said DOSRI exceed thirty percent (30%) of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower; provided further that the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall at all times not exceed twenty percent (20%) of the net worth of the Bank.

c. Monthly, Data Warehouse Division (DWD) shall prepare a list of all outstanding exposures to related parties and transmit this to Compliance Division via e-mail not later than the 3<sup>rd</sup> banking day after the reference month.

Based on the list, Compliance shall prepare a summary of exposures to each related party as well as the total amount of exposures to all related parties and report the same to the RPTC on a monthly basis. Breaches in limits, if any, shall be reported by Compliance Division to the Board of Directors with the decision of the Board to accept the exposure or to take steps to address the breaches, as may be necessary. Actions to be taken shall be documented in the minutes of meeting of the Board.

d. Monthly, the Bank's financial subsidiaries shall submit a list of all outstanding exposures to related parties to Compliance Division not later than the third (3<sup>rd</sup>) Friday after the reference month. The report shall form part of the monitoring of group exposures on related parties,

e. The individual and aggregate limits shall be reviewed at least once a year or as necessary by the RPTC.

## 6. RPTMC/RPTC/Board Approval of Related Party Transactions

a. The RPTMC shall evaluate, approve (except loans and credit accommodations to DOSRI) and endorse for the notation of the RPTC and the Board all proposals on Related Party Transactions (RPTs), including write-off of exposures, that fall below the set threshold.

After the review of the RPTMC, all proposals for the loans and credit accommodations to DOSRI shall be endorsed by the proponent unit to the BOD for approval. The proponent Unit shall prepare the Memo to the Board and forward the same to the BOD (through the Corporate Secretary) for approval within the prescribed timeline.

Compliance Division shall prepare the minutes of the meeting and the Summary of RPTs (*see Exhibit A*), for notation of the RPTC. The template may be revised to include other information, as necessary.

b. After the review and confirmation of the RPTC, the proponent Unit shall prepare the Memo to the Board and forward the same to the BOD (through the Corporate Secretary) for approval within the prescribed timeline.

Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction. No director or officer shall participate in the RPTC, RPTMC or Board discussion of a related party transaction for which he, she or any member of his or her close family or related interest is involved, including transactions of subordinates, except in order to provide material information on the related party transaction to the RPTC/Board.

All material (based on set threshold) RPTs reviewed and confirmed by the RPTC and approved by the Board shall be ratified and approved by the stockholders in the Annual Stockholders' Meeting.

## **7. Whistle Blowing Mechanism and Penalties for Non-Compliance**

- a. Existing guidelines on the Whistle Blowing Policy shall be observed in case of any legitimate concerns about illegal, unethical and questionable RPTs (***MOPP Vol. 5, POL. 2301 re: Whistle Blowing Policy***).
- b. The Compliance Officer shall monitor compliance of the Bank to the RPT Policy and the rules and regulations of regulatory agencies. Any material breaches/violations shall be reported to the Board through the RPTC. The Compliance Officer shall also recommend measures that would cut losses and allow recovery of losses or opportunity costs incurred by the Bank arising from RPTs that are not engaged on arm's length terms, the imposition of appropriate disciplinary action on the responsible parties, and the adoption of measures to prevent a repetition of the violation.
- c. The imposition of disciplinary action shall be governed by the Bank's existing policy (***MOPP Vol. 5, POL. 2300 re: Omissions/Errors/Offenses***).

## Policy on Insider Trading

### Purpose

To guide officers/staff in handling material non-public information about the securities of companies within the Metrobank Group ("Metrobank Securities"), as well as the securities of their corporate clients and business partners ("Partner's Securities").

### Scope

This policy applies to all Directors, SVPs, EVPs, SEVPs and all employees in Compliance, Institutional Accounting Division (IAD), Strategic Planning Division (SPD), Office of the Corporate Secretary (OCS), as well as their immediate family members residing with them in the same household as well as to corporations, other entities and funds subject to their influence or control who are considered to be Reporting Insiders.

### Definition

1. **Metrobank Group** - Currently, the companies covered include Metrobank, Philippine Savings Bank and its subsidiaries, First Metro Investment Corporation and its subsidiaries, Metrobank Card Corporation and Orix Metro Leasing and Finance Corporation and its subsidiaries
2. **Insider** - While this Policy focuses on insider trading by directors and employees within the Metrobank Group, the broader definition of the term "insider" under the SRC includes any person with access to Material Nonpublic Information. Thus, even after the termination of the relationship with the covered company, the obligation of a former director or employee not to trade or tip on the basis of Material Nonpublic Information remains.
3. **Material Nonpublic Information** - Materials which have not been generally disclosed to the public and if disclosed, would likely affect the price of the securities whether positively or negatively

### Policy Statements

1. Under the Securities Regulation Code, it is a crime for any director or employee within the Metrobank Group (Insider) who has access to material nonpublic information to do the following, whether directly or indirectly:
  - 1.1 Trade either in the Securities of Metrobank, PSBank Securities or any corporate client or business partner ("Partner");
  - 1.2 Communicate Material Nonpublic Information about the Securities of Metrobank or PSBank, or any Partner's Securities, to any person whom the director or employee has reason to believe will trade on those securities ("Tipping").

Disclosure of material nonpublic information about any of the companies within the Metrobank Group or any Partner shall be made on a need-to-know basis and in furtherance of a legitimate business purpose.

2. The following Reporting Insiders of listed companies within the Metrobank Group are required to report the aggregate number of listed shares (even if there is nothing to report/no shares held) beneficially owned by him and his Associates:

**2.1 Reporting Insiders** shall include:

2.1.1 Based on Rank

2.1.1.1 Directors

2.1.1.2 Officers who are at least Senior Vice President (SVP) in rank

2.1.2 Based on Function

All employees, regardless of rank, assigned to the following Covered units (or their equivalent within the listed company):

2.1.2.1 Controllership Group-Institutional Accounting Division (COG-IAD)

2.1.2.2 Compliance Division (Compliance)

2.1.2.3 Strategic Planning Division (SPD)

2.1.2.4 Office of the Corporate Secretary (CorpSec)

**2.2 Associates** of the Reporting Insiders shall include:

2.2.1 Immediate family members (i.e., spouse, 1<sup>st</sup> degree relatives and siblings) living with the Reporting Insider in the same household

2.2.2 Partnership where the Reporting Insider is a partner

2.2.3 Corporation that is more than 50% owned by the Reporting Insider

2.2.4 A trust account (e.g., IMA, Living Trust Account) where the Reporting Insider is a principal or trustor

2.2.5 Any person, natural or juridical, who has entered into a contract, arrangement or understanding with the Reporting Insider giving the latter the power to vote or to trade Metrobank shares beneficially owned by such person.

Human Resources Management Group (HRMG) shall maintain an updated list of Reporting Insiders and provide a copy to CorpSec ([corpsec@metrobank.com.ph](mailto:corpsec@metrobank.com.ph)) and SPD - Investor Relations Department (SPD-IRD) ([investor.relations@metrobank.com.ph](mailto:investor.relations@metrobank.com.ph)) via email.

3. Initial Reporting of Beneficial Ownership of Securities

- 3.1 The following units shall advise the Reporting Insider on the requirement to submit the Initial Statement of Beneficial Ownership of Securities (SEC Form 23-A) (*see Exhibit A*) on or before the prescribed deadline below:

RESPONSIBLE UNIT WHO WILL ADVISE THE REPORTING INSIDER	PRESCRIBED DEADLINE FOR THE REPORTING INSIDER
CorpSec	On or before the next trading day from election as Director
HRMG	On or before the next trading day from approval of his hiring, appointment or promotion as SVP/EVP/SEVP
	On or before the next trading day from transfer of his assignment to COG-IAD/Compliance Division/SPD/ CorpSec

3.2 In case the Reporting Insider will be out of the country (whether on official or personal business) and will not be able to submit the SEC Form 23-A within the prescribed deadline, the Reporting Insider shall submit a signed and notarized SPA (**see Exhibit B**) to CorpSec ([corpsec@metrobank.com.ph](mailto:corpsec@metrobank.com.ph)) at least two (2) banking days prior to the deadline above, and submit the original on the same day of execution.

The Attorney-in-Fact of the Reporting Insider shall accomplish the SEC Form 23-A and submit this to CorpSec following the prescribed deadline above.

3.3 For disclosure to PSE/reporting to SEC, the CorpSec shall report the trades/holdings of the following Reporting Insiders only:

- 3.3.1 Directors
- 3.3.2 All Officers who are at least SVP in rank
- 3.3.3 Head of SPD-Investor Relations Department
- 3.3.4 Head of Compliance Division
- 3.3.5 Corporate Secretary
- 3.3.6 Assistant Corporate Secretary

#### 4. Reporting of Changes in Beneficial Ownership of Securities

4.1 In case of change in the beneficial ownership of Metrobank shares (e.g., sale, purchase, inheritance, transfer of residence, etc.) as reported under SEC Form 23-A, the Reporting Insider shall accomplish and submit a scanned copy of the Statement of Changes in Beneficial Ownership of Securities (SEC Form 23-B) (**see Exhibit C**) on the next trading day from the date of the change in the beneficial ownership. The original shall also be forwarded to CorpSec on the same day of execution (Mailing Code: 10300).

4.2 In case the Reporting Insider will be out of the country (whether on official or personal business) and will not be able to submit the SEC Form 23-B within the prescribed deadline, the Reporting Insider shall submit a signed and notarized SPA (**see Exhibit B**) to CorpSec ([corpsec@metrobank.com.ph](mailto:corpsec@metrobank.com.ph)) at least two (2) banking days prior to the deadline above, and submit the original on the same day of execution.

The Attorney-in-Fact of the Reporting Insider shall accomplish the SEC Form 23-B and submit this to CorpSec following the prescribed deadline above.

4.3 For disclosure to PSE/reporting to SEC, the CorpSec shall report any change in the trades/holdings of the following Reporting Insiders only:

- 4.3.1 Directors
- 4.3.2 All Officers who are at least SVP in rank
- 4.3.3 Head of SPD-Investor Relations Department
- 4.3.4 Head of Compliance Division
- 4.3.5 Corporate Secretary
- 4.3.6 Assistant Corporate Secretary

#### 5. Blackout Periods and Preclearance Trading Procedures

5.1 As a general rule, a Reporting Insider and his Associates shall not sell or buy Metrobank shares of stock during the period within which Material Nonpublic Information<sup>1</sup> is obtained and up to two (2) trading days after the Information is disclosed (i.e., Blackout Period).

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<sup>1</sup> Materials which have not been generally disclosed to the public and if disclosed, would likely affect the price of the securities whether positively or negatively

The following Material Nonpublic Information will be governed by a more specific Blackout Period:

- 5.1.1 For the quarterly, annual and interim financial statements, the Blackout Period shall be seven (7) calendar days before and two (2) trading days after the disclosure of the financial statements.
- 5.1.2 For Material Nonpublic Information that requires board approval (e.g., cash dividend declaration, stock rights offering or any capital raising exercise, note issuance), the Blackout Period shall commence on the day of the Board approval and shall last for up to two (2) trading days from disclosure. The same principle shall apply to corporate exercises that specifically require stockholders' ratification, in which case, the Blackout Period shall commence on the day of the stockholders' approval and shall last for up to two (2) trading days from disclosure.
- 5.1.3 All other Material Nonpublic Information shall follow the general rule (i.e., Blackout Period shall commence on the day that the Material Nonpublic Information is known or obtained, and shall last up to two (2) trading days from disclosure).

All officers and employees involved in the abovementioned transactions shall maintain the level of confidentiality consistent with ethical standards and in compliance with the insider trading policy even prior to board approval.

- 5.2 The announcement of the specific dates covered by the Blackout Period shall be made by the Investor Relations Officer or any designated officer within the Strategic Planning Division. For guidance, especially on applying the materiality test, reference may be made to the Revised Disclosure Rules of the Philippine Stock Exchange.

## 6. Sanctions

Any monetary penalty arising from the delay (provided that the delay is due to the Reporting Insider) or inaccuracy in the disclosure to PSE/reporting to SEC shall be for the account of the concerned Reporting Insider.

Violation of the other provisions of this policy may subject the Reporting Insider to disciplinary action including termination from employment. This is in addition to the following:

- 6.1 significant fines and imprisonment
- 6.2 disqualification from serving as officers and directors of Metrobank, PSBank and other publicly-listed companies; and
- 6.3 irreparable damage to their personal and professional reputation.

## Benefit

This shall ensure clear standards of conduct applicable to the directors and employees of companies within the Metrobank Group to the extent that they are considered insiders having access to material nonpublic information about the securities of companies within the Metrobank Group ("Metrobank Securities"), as well as the securities of their corporate clients and business partners ("Partner's Securities").

### **Policy on Engagement of Advisers**

Advisers are individuals who possess specialized knowledge, skills, work experience and expertise and are engaged by the Bank to provide expert and professional advice and make non-binding recommendations to the Bank's Board of Directors, the President and Management with respect to matters within the areas of their experience and expertise.

An appointed adviser must be fit and proper for the position. In selecting, the following must be considered among others, by the Board: 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; sufficiency of time to fully carry out responsibilities; and recognized stature, influence and reputation in the banking community and/or other relevant field of expertise.

The role of an adviser shall be purely advisory. They are expected to enrich discussions by serving as trusted advisors and industry experts. Appointed advisers shall have no influence on the Board and the Bank and shall have no voting rights.

Advisers are appointed on an annual basis for a maximum of one year from the date of the appointment or longer as necessary. The Board shall have the authority, in its sole and absolute discretion, to remove any adviser in any time for any reason with or without cause.

The number of advisers to be appointed/re-appointed shall be at the discretion of the Board.

## Group Supervision on Internal Audit

### Purpose

To guide Internal Audit Group (IAG) in the review of significant audit observations of the Bank's subsidiaries/affiliates.

### Scope

This policy applies to IAG.

### Policy Statements

1. In compliance with Bangko Sentral ng Pilipinas (BSP) Circular No. 749 which provided guidelines for strengthening corporate governance in BSP-supervised financial institutions, the 'Group Supervisor' (GS) role for Internal Audit has been created in 2012 to assist the Board of Directors (BOD) in ensuring effective oversight over BSP-supervised financial subsidiaries and affiliates (FSAs) that belong to the Metrobank Group. Subsequently, BSP Circular No. 871 was issued to expand the coverage on Internal Audit Function in Group structures to promote strong control environments in BSP-supervised financial institutions. In view of the foregoing, the Metrobank Internal Audit Group (IAG) and the IAG Head (as the GS for Internal Audit) shall be responsible for the following:

- 1.1. Providing centralized internal audit function to the following offices/subsidiaries/associates:

- 1.1.1. Foreign Branches/Sub-branches (as allowed under host country's regulations)

- 1.1.1.1. Taipei Branch
- 1.1.1.2. Tokyo Branch
- 1.1.1.3. Osaka Sub-branch
- 1.1.1.4. Seoul Branch
- 1.1.1.5. Pusan Sub-branch
- 1.1.1.6. New York Branch (on limited basis; with co-sourced internal auditor)

- 1.1.2. Foreign Subsidiaries/Associates:

- 1.1.2.1. Metro Remittance (Hong Kong) Limited
- 1.1.2.2. Metrobank (Bahamas) Limited
- 1.1.2.3. Metro Remittance (USA), Inc.
- 1.1.2.4. Metro Remittance Singapore Pte. Ltd.
- 1.1.2.5. Metro Remittance Center, Inc. (USA)
- 1.1.2.6. MB Remittance Center (Hawaii), Ltd.
- 1.1.2.7. Metro Remittance (UK) Limited
- 1.1.2.8. Metro Remittance (Canada), Inc.
- 1.1.2.9. Metro Remittance (Japan) Co., Ltd.

- 1.1.3. Domestic Subsidiaries/Associates by virtue of Service Agreement

- 1.1.3.1. First Metro Investments Corporation
- 1.1.3.2. First Metro Securities Brokerage Corporation
- 1.1.3.3. First Metro Asset Management, Inc.
- 1.1.3.4. PBC Capital Investment Corporation
- 1.1.3.5. Orix Metro Leasing and Finance Corporation and Subsidiaries

For foreign branches, sub-branches, subsidiaries and affiliates, Metrobank-IAG shall report directly to Metrobank's BOD through the Audit Committee. For domestic subsidiaries/associates, Metrobank-IAG shall report directly to the subsidiary's/affiliate's Audit Committee.

- 1.2. Supervising the internal audit units (IAUs) of the following covered financial subsidiaries and co-sourced internal audit function of foreign branch:
  - 1.2.1. Philippine Savings Bank (PS Bank)
  - 1.2.2. Metrobank Card Corp. (MCC)
  - 1.2.3. Metropolitan Bank (China) Limited, Inc. (MBCL)
  - 1.2.4. Metrobank - New York Branch (MBNY)
  
2. Metrobank IAG-Audit Quality Assurance Department (AQUA) (for PSBank and MCC) and Subsidiaries and Associates Audit Division (SAAD) (for MBCL and MBNY) shall closely supervise the activities of IAUs/service provider as follows:
  - 2.1. Reviewing and approving the following from the supervised IAUs/service provider:
    - 2.1.1. Internal audit plans (including interim changes) and resources (including appropriate number of personnel to effectively implement and meet the audit plan);
    - 2.1.2. Accomplishments against audit plan (*Exhibit A*); and
    - 2.1.3. Other audit activities related to the conduct of the day-to-day operations of the IAU (e.g., IAU and Audit Committee charters, audit manuals, audit rating systems, outsourcing proposals)
 

The approval of the Metrobank IAG Head shall be secured prior to IAUs' presentation to their respective Audit Committees. This approval is recommendatory to the IAUs' appropriate approving authority (Audit Committee or Senior Management) to ensure IAUs' adherence to the International Standards for the Professional Practice of Internal Auditing (ISPPA), the Definition of Internal Auditing, and the Code of Ethics. The Metrobank IAG Head or its authorized representative may attend IAUs' Audit Committee meetings as deemed necessary.
  - 2.2. Evaluating conformity of IAUs/service provider to the ISPPA, the Definition of Internal Auditing and the Code of Ethics standards through periodic assessments, and review of external quality assurance report, self-assessments/compliance self-testing reports, and reports of regulatory examination including tracking on the resolution of exceptions cited in said reports.
  - 2.3. Reviewing on a quarterly basis, Summary of Significant Audit Findings (*Exhibit B*), and Monitoring/Aging of Audit Findings, Issue Resolution and Manpower Complement (*Exhibit C*) by the IAUs.
  - 2.4. Providing inputs to the performance appraisal of IAU Heads.
  
3. The Audit Heads of the domestic FSAs shall continue to be responsible for the day-to-day operations of their units and remain to be accountable to their management. They shall also continue to functionally report directly to their respective Audit Committees, which are the ultimate source of their independence and authority, to achieve their necessary independence, objectivity and organizational stature. However, to ensure compliance to Group governance policies, practices, controls and structures, the Audit Heads of the FSAs shall also be accountable to the Metrobank IAG Head in addition to their Management and Board/Audit Committee.

## **Benefit**

The prescribed guidelines shall promote consistency of audit activities across the Metrobank Group.

## Group Supervision on Accounting and Financial Reporting

### Purpose

To ensure compliance to group reportorial requirements for investee companies.

### Scope

This policy applies to Metrobank Controller, Chief Finance Officers (CFOs)/Controllers/Accounting Heads of investee companies, Controllership Group - Institutional Accounting Division and Branch Operations Control Division-Overseas Operations Control Department, Domestic Subsidiaries Division, International Offices and Subsidiaries Group, and Equity Investments Department.

### Definition of Terms

1. Investee companies - To include equity investments in subsidiaries, associates and joint ventures as defined by the accounting standards (for GAAP reporting) while equity investments in financial allied enterprises, non-financial allied enterprises and non-allied or non-related enterprises as defined by the Manual of Regulations for Banks by the Bangko Sentral ng Pilipinas (for BSP reporting)

### Policy Statements

1. The Metrobank Controller shall act as the Group Financial Supervisor (GFS) responsible for:
  - 1.1. Ensuring relevance, reliability and comparability of information in the Metrobank Group (consolidated) financial statements.
  - 1.2. Ensuring the use of uniform accounting policies on Group-level financial reporting.
  - 1.3. Overseeing compliance of the Metrobank Group with the related applicable financial reporting and accounting standards (i.e., PFRS/GAAP for SEC reporting and RAP for BSP reporting).
  - 1.4. Reporting to senior management and/or Audit Committee of Metrobank any significant findings and issues of investee companies.
  - 1.5. Facilitating sharing and benchmarking of group-level best practices on financial reporting processes such as set up of reporting protocol, timing of submission of information and format of reports, among others.
  - 1.6. Ensuring that adequate and qualified resources are available to effectively implement and meet the approved governance policies, practices and systems.
  - 1.7. Conducting a periodic review of the investee companies' structures, controls, and activities to assess consistency with the BOD approved policies, practices and strategies.
  - 1.8. Monitoring submission and disclosure of required group information to the BSP, Securities and Exchange Commission (SEC), Philippine Stock Exchange, Inc. (PSE), and other regulatory agencies.
2. The Controllership/Accounting Heads of the investee companies shall continue to be responsible for the day-to-day operations of their units and remains to be accountable to their management. However, to ensure compliance to Group governance policies, practices, controls and structures, the Controllership/Accounting Heads of investee companies shall also be accountable to the Group Financial Supervision in addition to their management and Board.

### Benefit

The guidelines shall facilitate communication across the Metrobank Group particularly on accounting and financial reporting.

<b>SUBJECT</b>	<p><b><u>OVERSIGHT FUNCTIONS OF COMPLIANCE DIVISION AND ANTI-MONEY LAUNDERING DIVISION</u></b>  <u>(Supersedes ICC No. 010, 2012 issued on July 25, 2012)</u>  <u>(Supersedes ICC No. 011, 2015 issued on December 21, 2015)</u>  <u>(Supersedes ICC No. 001, 2016 issued on January 19, 2016)</u>  <u>(Supersedes ICC No. 010, 2017 issued on December 18, 2017)</u></p>
<b>OBJECTIVE</b>	<p>To define the oversight functions of Compliance Division (CD) and Anti-Money Laundering Division (AMLD) on foreign branches and subsidiaries (both domestic and foreign) in compliance with the following Bangko Sentral ng Pilipinas (BSP) Circulars:</p> <ol style="list-style-type: none"> <li>a. BSP Circular 972 (re: Enhanced Guidelines in Strengthening Compliance Frameworks)</li> <li>b. BSP Circular 969 (re: Enhanced Corporate Governance for BSP-Supervised Financial Institutions)</li> <li>c. BSP Circular 950 (re: Amendments to Part Eight of the Anti-Money Laundering Regulations of the Manual of Regulations for Banks and Manual of Regulations for Non-Bank Financial Institutions)</li> </ol>
<b>POLICIES</b>	<ol style="list-style-type: none"> <li>1. The Metrobank Compliance Officer/AML Compliance Officer shall perform oversight functions over foreign branches and BSP-supervised subsidiaries (both domestic and foreign).</li> <li>2. The Metrobank Compliance Officer/AML Compliance Officer shall regularly report to the Senior Management and/or Board of Directors through the Corporate Governance &amp; Compensation Committee (CGCCOM)/Anti-Money Laundering Compliance Committee (AMLCC) and/or Anti-Money Laundering Committee (AMLACOM) matters which include but not limited to the following: <ol style="list-style-type: none"> <li>a. Significant compliance issues with the foreign branches and subsidiaries;</li> <li>b. Reasons/justifications for the noted variances</li> <li>c. Results of independent compliance testing</li> </ol> </li> <li>3. The Compliance Officer/AML Compliance Officer of the foreign branches and subsidiaries (both domestic and foreign) shall be primarily responsible in ensuring alignment of their respective policies with the policies of the Parent Bank.</li> <li>4. Compliance Officers/AML Compliance Officers of the foreign branches and subsidiaries (both domestic and foreign) shall be responsible with respect to the management of compliance/AML risk exposures and performance of compliance/AML activities of their respective institutions and accountable to their own Management and Board. They shall functionally report directly to their respective Board-level Committees or Board.</li> <li>5. Compliance Officers/AML Compliance Officers of foreign branches and subsidiaries (both domestic and foreign) shall be responsible for, and ensure, (1) that all compliance (both AML and non- AML) issues are duly and promptly resolved, (2) that all compliance findings/observations, including but not limited to those arising from regulatory examinations and audit (both internal and external) are promptly acted upon and properly addressed, and (3) that all these compliance issues, findings and observations, including the status/updates on the actions taken and resolution thereof, are reported to Compliance Officer/AML Compliance Officer of the Parent Bank in accordance with this policy.</li> <li>6. The Compliance Officer/AML Compliance Officer or a designated CD/AMLD Officer may conduct on-site/off-site independent compliance testing in foreign branches to assess their level of compliance with the applicable Bank policies, procedures, rules and Philippine regulations which could have significant impact on operations, reports and host country regulations.</li> </ol>

**PROCESS**

1. To ensure oversight over foreign branches and BSP-supervised financial subsidiaries (both domestic and foreign) of the Bank, the Metrobank Compliance Officer/AML Compliance Officer shall be responsible for:

- a. Reviewing the following Manuals to be forwarded by the foreign branches and subsidiaries (both domestic and foreign) for purposes of determining whether the following are compliant with applicable Philippine regulations and aligned with Metrobank’s compliance/governance framework/policies:

Responsible Officer	Manual
Compliance Officer	Compliance Policy Manual (CPM) and Corporate Governance Manual (CGM)
AML Compliance Officer	Money Laundering & Terrorist Financing Prevention Program (MLPP)

- b. Providing open communication

The Metrobank Compliance Officer/AML Compliance Officer shall meet with the Compliance officers/AML Compliance officers (or their representatives) of the domestic subsidiaries on a quarterly basis or as the need arises and shall serve as the forum and avenue for:

- 1) generating and sharing of information on relevant and recent regulatory issuances;
- 2) discussing compliance and/or regulatory issues including corporate governance concerns affecting the Group as well as possible actions to address the same; and
- 3) sharing and benchmarking of appropriate compliance and corporate governance best practices and policies

- c. Providing assistance and/or guidance in the fulfillment of regulatory requirements, as needed.

- d. Receiving reports from the Compliance Officers/AML Compliance Officers of the foreign branches and subsidiaries (both domestic and foreign):

Reports	Foreign Branch	Subsidiaries (Foreign and Domestic)	Frequency
<b>Compliance Division</b>			
1. On matters they have reported to their own Compliance Governance Committee, or equivalent, including status of unresolved compliance issues, results of regulatory examinations, etc. (as applicable)	✓	✓	Quarterly basis (end of April, July October, January of each year) or as the need arises
2. Approved business plans (compliance-related) vs accomplishments		✓	Every end of January
3. Approved manpower complement and Table of Organization (TO) vs actual		✓	

AML Division			
1. On Anti-Money Laundering/Combating the Financing Terrorism (AML/CFT) related-matters they have reported to their own AML Committee, or equivalent, including status of unresolved AML compliance issues, results of regulatory examinations relative to AML compliance, etc. (as applicable and to the extent allowed by all applicable laws and regulations, including those of host country)	✓	✓	Quarterly basis (end of April, July, October, January of each year) or as the need arises

2. However, to ensure compliance to Group governance, compliance and AML policies, practices and structures, the Compliance Officers/AML Compliance Officers of the foreign branches and subsidiaries (both domestic and foreign) shall be responsible for:

- a. Submitting the following to the Parent Bank:

Manual	Frequency	For Submission to
Compliance Policy Manual (CPM) and Corporate Governance Manual (CGM)	Annually	Compliance Officer (through IOSG-IOSSD-CMD for foreign branches/foreign subsidiaries)
Money Laundering & Terrorist Financing Prevention Program (MLPP)	Every two (2) years	AML Compliance Officer (through IOSG-IOSSD-CMD for foreign branches/foreign subsidiaries)

Compliance Officers/AML Compliance Officers of foreign branches and subsidiaries (both domestic and foreign) shall be responsible for, and ensure, the following:

- 1) That their CPM, CGM and MLPP Manual are aligned with the Parent Bank's CPM, CGM and MLPP Manual;
- 2) That their CPM, CGM and MLPP Manual are updated and compliant with all applicable laws, rules and regulation of the Philippines and the host country; and
- 3) That, in case of newly issued laws, rules and/or regulations, their CPM, CGM and MLPP Manual are (a) updated/revised to incorporate the requirements under the said laws, rules and regulation, and (b) the revised updated CPM, CGM and MLPP Manual are approved by the Board and/or other appropriate committees (as may be applicable), within the period required under the newly issued laws, rules and/or regulations.

- b. Maintaining open communication with the Compliance Officer/AML Compliance Officer of the Parent Bank. The compliance officers/AML compliance officers (or their representatives) of the domestic subsidiaries shall attend and participate in the meetings called for by the Compliance Officer/AML Compliance Officer of the Parent Bank.
  - c. Submitting reports to the Compliance Officer/AML Compliance Officer of the Parent Bank (see Item 2.a.) For foreign branches/foreign subsidiaries, submission of reports shall be coursed through IOSG-IOSSD-CMD.
3. For requests for interpretation and/or advice on the implementation of Philippine regulations and relevant laws:
- a. Requests shall be coursed by foreign branches and foreign subsidiaries through IOSG-IOSSD-CMD Head via email. The IOSG-IOSSD-CMD Head shall immediately relay the request to either the Compliance Officer or the AML Compliance Officer of the Parent Bank, depending on the nature of the query, for disposition.

Domestic subsidiaries may course their requests directly to the Compliance Officer or the AML Compliance Officer of the Parent Bank.

- b. Upon receipt of the request, the Compliance Officer/AML Compliance Officer may answer directly or assign the request to a designated CD/AML Officer for action.
- c. The assigned CD/ AMLD Officer shall send the reply to the concerned foreign branch/foreign subsidiary via email, copy furnished the Compliance Officer/ AML Compliance Officer and IOSG-IOSSD-CMD within five (5) banking days from receipt of request.

If the request cannot be immediately resolved (e.g., there are issues requiring consultation with the concerned regulatory agency), the designated CD/ AMLD Officer will provide updates to the requesting foreign branch/ subsidiary (both domestic and foreign) until the issue is resolved.

4. In conducting on-site/off-site independent compliance testing in foreign branches, the following shall be performed:
- a. CD/AML shall determine foreign branches that will be subject to on-site/off-site independent testing.
  - b. CD/AML shall prepare a business plan indicating foreign branches that will be subject to independent compliance testing for a particular period. On-site independent compliance testing shall be subject to approval of the Management.
  - c. The Compliance Officer/AML Compliance Officer shall advise the compliance officers/AML compliance officers of foreign branches at least one (1) month prior to conduct of on-site independent compliance testing and at least 1 week for off-site testing.

**EFFECTIVITY** 20 July 2018

## Equity Investments by the Bank

### Purpose

To guide selected Head Office (HO) units and committees in ensuring compliance with the guidelines prescribed by Bangko Sentral ng Pilipinas (BSP) for equity investments.

### Scope

This policy applies to Overseas Banking Committee (OBCOM), Equity Investment Department (EID), Domestic Subsidiaries Division (DSD) and International Offices and Subsidiaries Group (IOSG).

### Definition

**Major investments** are those investments in allied or non-allied undertakings including corporate affiliations or structures that give the Bank significant interest and/or control, such as stockholdings sufficient to elect one (1) member to the acquired entity's Board of Directors (BOD).

### Policy Statements

1. The Bank may invest in the equity of any enterprise subject to the prescribed guidelines under Section X376 of the Manual of Regulations of Banks (MORB).

Any major investment by the Bank should be approved by the BOD. In acting on such investments, the Management and the BOD should consider the following:

- 1.1. Such investment must be in accordance with the Bank's business plan and management objectives, taking into consideration the economic developments and future prospects and interests of the Bank's different stakeholders (i.e., shareholders, depositors and creditors).
  - 1.2. Such investment will complement/support the Bank's main business. Extra caution should be taken when investing in activities where the Bank has no managerial or technical expertise or businesses/industries which are high-risk.
  - 1.3. An efficient and effective 'exit mechanism' or contingency plan in case the investee's operations fail or do not prosper, including those evaluated or recommended by an external consultant/third party.
2. The proponent unit shall pre-evaluate proposals for equity investments based on the above criteria. It shall also consider the following in preparing the contingency plan or exit mechanism:
    - 2.1. All possible exit strategies are evaluated to ensure that the entire value of the asset is derived.
    - 2.2. The most appropriate exit strategy is recommended (i.e., direct sale on the market, incorporation in the investment fund or both).

The proponent unit may contract an external consultant or third party to evaluate all possible exit mechanisms.

3. Proposals for equity investments shall be submitted by the proponent unit to the EID (for domestic)/ IOSG (for foreign) for evaluation.

EID/IOSG shall ensure that the proposed equity investment meets the following criteria, wherever applicable:

- 3.1. Proven track record of sound financial performance with stable and predictable earnings and cash flow
- 3.2. Positive growth outlook that can accelerate the Bank's growth
- 3.3. Strong market position or franchise value
- 3.4. Product or services lines may complement those of the Bank's
- 3.5. Investment provide multiple exit strategies
- 3.6. Company is led by a highly talented, committed and experienced management team
- 3.7. Such other relevant criteria as the Bank may require

4. EID/IOSG shall forward meritorious proposals to Compliance Division for verification if the parties in the proposed equity investment are related parties.

4.1. If upon verification by Compliance Division that parties involved are related parties:

- 4.1.1. EID/IOSG shall present meritorious proposals to the following for review:

Type of Equity Investment	Committee
For domestic corporations	Domestic Equity Investments Committee (DEI Committee)
For foreign corporations	OBCOM

- 4.1.2. After review, EID/IOSG shall present the proposal to the Related Party Transactions Committee (RPTC) for clearance.

- 4.1.3. Upon clearance by the RPTC, DEI Committee/OBCOM shall endorse the proposal to the BOD for approval.

4.2. If the parties involved are not related parties:

- 4.2.1. EID/IOSG shall present meritorious proposals to the DEI Committee/OBCOM for review.

- 4.2.2. Upon review, DEI Committee/OBCOM shall endorse the proposal to the BOD for approval.

5. EID or IOSG shall secure approval from regulating bodies (e.g., BSP, etc.), if necessary.

6. To monitor the performance of the equity investment companies, the net income results of the company versus budget shall be reported as follows:

Responsible Unit for Reporting	Committee to be Reported to	Frequency of Reporting
DSD	DEI Committee	As required by the committee
IOSG	OBCOM	

7. On a monthly basis, the Controller shall render a report on the level of compliance with the equity investment ceilings to the Management and the BOD and submit a copy of such report to the DEI Committee.

**Benefit**

The prescribed guidelines shall strengthen the risk management of the Bank's equity investments. This shall also ensure that the Bank's financial position is properly managed.