

30 May 2018

Ms. RACHEL ESTHER J. GUMTANG - REMALANTE
Officer-in-Charge
Officer of the Director
Corporate Governance and Finance Department
Securities and Exchange Commission

Dear Ms. Remalante,

In compliance with SEC Memorandum Circular No. 15, s2017, we submit herewith Metrobank's 2017 Integrated Annual Corporate Governance Report (I-ACGR).

We hope you find everything in order.

Thank you.

Very truly yours,



ATTY. DONATO V. ESPINO
Compliance Officer



METROPOLITAN BANK & TRUST COMPANY

2017 Integrated Annual Corporate
Governance Report
(I-ACGR)

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

THE BOARD'S GOVERNANCE RESPONSIBILITIES	COMPLIANT / NON-COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION				
Principle 1: The company should be headed by a competent, working board to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.							
Recommendation 1.1							
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	COMPLIANT	<p>In compliance with Recommendation 1.1, the Bank, through its Nominations Committee ensures that the Board is composed of qualified directors with collective working knowledge, experience or expertise that is relevant to the banking business.</p> <p>As provided for in the Bank's Corporate Governance Manual (CGM):</p> <p><i>"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.</i></p>					
2. Board has an appropriate mix of competence and expertise.	COMPLIANT	<p><i>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).</i></p> <p><i>All directors were selected based on their qualifications such as 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."</i></p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 5 <p>We provide hereunder the Profiles of our Board of Directors for 2017:</p> <table border="1" data-bbox="674 1357 1730 1424"> <thead> <tr> <th data-bbox="674 1357 1150 1390">NAME</th> <th data-bbox="1150 1357 1730 1390">EXPERIENCE</th> </tr> </thead> <tbody> <tr> <td data-bbox="674 1390 1150 1424">GEORGE S.K. TY</td> <td data-bbox="1150 1390 1730 1424">Dr. George S.K. Ty, Filipino, 85 years old, founder</td> </tr> </tbody> </table>	NAME	EXPERIENCE	GEORGE S.K. TY	Dr. George S.K. Ty, Filipino, 85 years old, founder	
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3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	COMPLIANT	<p><i>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).</i></p> <p><i>All directors were selected based on their qualifications such as 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."</i></p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 5 <p>We provide hereunder the Profiles of our Board of Directors for 2017:</p> <table border="1" data-bbox="674 1357 1730 1424"> <thead> <tr> <th data-bbox="674 1357 1150 1390">NAME</th> <th data-bbox="1150 1357 1730 1390">EXPERIENCE</th> </tr> </thead> <tbody> <tr> <td data-bbox="674 1390 1150 1424">GEORGE S.K. TY</td> <td data-bbox="1150 1390 1730 1424">Dr. George S.K. Ty, Filipino, 85 years old, founder</td> </tr> </tbody> </table>	NAME	EXPERIENCE	GEORGE S.K. TY	Dr. George S.K. Ty, Filipino, 85 years old, founder	
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		<p>Group Chairman Adviser:</p> <ul style="list-style-type: none"> - Executive Committee 	<p>of Metrobank, has been the Chairman of the Metrobank Group since 2006. Previous to that, or from 1975 to 2006, he was Metrobank’s Chairman. Dr. Ty served as GT Capital Holdings, Inc.’s (GTCAP) Chairman from its inception in 2007 until 2012. After that, he became GTCAP’s Group Chairman, a position that he continues to hold. He is also concurrently the Chairman of the Board of Trustees of the Metrobank Foundation, Inc. (MBFI) and the Board of Directors of Toyota Motor Philippines Corporation (TMPC). Dr. Ty graduated from the University of Santo Tomas.</p> <p>Dr. Ty is the father of Chairman Arthur Ty, Director Alfred Ty and Vice-President Anjanette T. Dy Buncio, and father-in-law of First Vice-President Zandra M. Ty.</p>	
		<p>ARTHUR TY Chairman Chairman:</p> <ul style="list-style-type: none"> - Asset and Liabilities Committee - Executive Committee - Senior Non-Performing Assets Committee <p>Vice Chairman:</p> <ul style="list-style-type: none"> - IT Steering Committee <p>Adviser:</p> <ul style="list-style-type: none"> - Emergency Management Committee - Manpower Committee <p>Member:</p> <ul style="list-style-type: none"> - Corporate Governance and Compensation Committee - Domestic Equity Investments Committee - Anti-Money Laundering Committee 	<p>Mr. Arthur Ty, Filipino, 51 years old, has been the Bank’s Chairman since 2012. He was the Bank’s President from 2006 to 2012. He has been the Chairman of GTCAP since May 2016 and Metropolitan Bank China (Ltd.) (MBCL) since 2010, Vice-Chairman of PSBank since 2001 and FMIC since 2012. He earned his Bachelor of Science degree in Economics at the University of California, Los Angeles and obtained his Masters in Business Administration degree from Columbia University, New York.</p> <p>His father, Dr. George S. K. Ty, is the Metrobank Group Chairman while his siblings Alfred Ty and Anjanette T. Dy Buncio are Director and Vice-President of the Bank, respectively. He is married to Zandra M. Ty, Metrobank First Vice-President.</p>	

		<p>FRANCISCO C. SEBASTIAN Vice-Chairman Chairman:</p> <ul style="list-style-type: none"> - Overseas Banking Committee <p>Vice Chairman:</p> <ul style="list-style-type: none"> - Executive Committee <p>Member:</p> <ul style="list-style-type: none"> - Domestic Equity Investments Committee 	<p>Mr. Francisco C. Sebastian, Filipino, 63 years old, has been the Vice-Chairman of the Bank since 2006. He joined the Metrobank Group in 1997 as FMIC President until he was appointed Chairman in 2011. He was the Chairman of GTCAP from 2014 to April 2016. He has been the Vice-Chairman of GTCAP since May 2016. He earned his AB degree in Economics, Magna Cum Laude, from the Ateneo de Manila University in 1975.</p>	
		<p>FABIAN S. DEE President Chairman:</p> <ul style="list-style-type: none"> - Manpower Committee - Senior Credit Committee - IT Governance Committee <p>Member:</p> <ul style="list-style-type: none"> - Executive Committee - IT Steering Committee - Overseas Banking Committee - Trust Committee 	<p>Mr. Fabian S. Dee, Filipino, 55 years old, became President of Metrobank in 2012. Before becoming President, he headed the National Branch Banking Sector (2006-2012), Account Management Group (2002-2006) and Marketing Center (2001-2002). He has been the Chairman and Director of Metrobank Card Corporation (MCC) since 2006. He has been the Chairman of Metro Remittance Singapore PTE Ltd. since 2010 and SMBC Metro Investment Corporation (SMBC Metro) since 2014. He is the Chairman of LGU Guarantee Corporation since July 10, 2017, Director of Bancnet since 2015, Director of Bankers Association of the Philippines since 2014 and Trustee of MBFI since 2012. He holds a degree in Management Engineering from the Ateneo de Manila University.</p>	
		<p>VICENTE R. CUNA, JR. Director Chairman:</p> <ul style="list-style-type: none"> - IT Steering Committee <p>Member:</p> <ul style="list-style-type: none"> - Executive Committee 	<p>Mr. Vicente R. Cuna, Jr., Filipino, 55 years old, became a director of Metrobank in 2014. He has been on secondment from Metrobank as President of PSBank since 2013. He was a director of FMIC from 2011 to 2015. He was the former Head of the Bank's Institutional Banking Sector (2012-2013) and Corporate Banking Group (2006-2012). He is the Chairman of ORIX Auto Leasing Philippines Corporation since March 30, 2016. He graduated from the De La Salle University with a degree in AB</p>	

			Economics and pursued further studies at the Ateneo Graduate School of Business.	
		EDMUND A. GO Director Chairman: <ul style="list-style-type: none"> - Anti-Money Laundering Committee - Risk Oversight Committee Member: <ul style="list-style-type: none"> - IT Steering Committee - Trust Committee 	Mr. Edmund A. Go, Filipino, 67 years old, was first elected director in 2007. He has been a director of Metropolitan Bank China (Ltd.) since 2010. He is a member of the Board of Advisors of PSBank since 2009. He has been a Director for Investments of Ateneo de Manila University since 2010 and Investment Consultant for St. Peter’s Life Group since 2011. He was a director of First Metro International Investment Corporation (FMIIC) Hong Kong from 2001 to 2008. He served as Metrobank Treasurer (2000-2007) and consultant of the Philippine Dealing and Exchange Corp. on Securities Training and Development (2008-2010). Prior to 2000, he held various management positions at Citibank Manila, Hong Kong, Taiwan and New York in the areas of Treasury, Derivatives, Investment Banking and Private Banking. He is a Certified Public Accountant and holds a BS Commerce Degree in Accounting, Cum Laude, from the San Beda College and an MBA degree, with distinction, from the Asian Institute of Management.	
		ALFRED V. TY Director Member: <ul style="list-style-type: none"> - Domestic Equity Investments Committee - Overseas Banking Committee 	Mr. Alfred V. Ty, Filipino, 50 years old, was first elected director in September 2015. He is the Vice-Chairman of GTCAP since 2012 and TMPC since 2004. He serves as the Chairman of Lexus Manila, Inc. since 2008; Federal Land, Inc. (FLI) since 2015; Horizon Land Property Devt. Corp. since 2011; Property Company of Friends, Inc. since 2015 and Vice-Chairman of Omni-Orient Management Corp. since 2013. He is a Director of Metro Pacific Investment Corp. since 2015. He is the Chairman of Bonifacio Landmark Realty & Devt. Corp. since 2008; Cathay International Resources, Inc. since 2013 and Federal Brent Retail, Inc. since 2004. He	

		<p>is the Honorary Consul to the Oriental Republic of Uruguay to the Philippines since 2009; President and Director of Grand Estate Property Corp. since 2001; Chairman and President of Up Swing Corporation since 2012 and Vice-Chairman of Federal Homes, Inc. since 2012. He is the President and Director of Tytana Corporation since 2015 and Ferum Cee, Inc. since 2011. He is the Chairman and President of 82 Alpha Holdings Corp. since 2009; President and Director of Great Mark Resources and Grand Titan Capital Holdings, Inc. and Chairman of FLI and Orix Corp. since 2007; and President and Director of Global Treasure Holdings, Inc. since 2006. He is the Executive Vice-President and Director of Philippine Securities Corp. since 2005; Vice Chairman of Toyota Motor School of Technology since 2013 and Member of the Board of MACEA since 2017. He graduated with a Bachelor of Science degree in Business Administration from the University of Southern California in 1989.</p> <p>His father, Dr. George S.K. Ty, is the Metrobank Group Chairman while his siblings Arthur Ty and Anjanette T. Dy Buncio are the Chairman and Vice-President of the Bank, respectively. He is the brother-in-law of Zandra M. Ty, Metrobank First Vice-President.</p>		
		<p>*RENATO C. VALENCIA Independent Director Chairman: - Related Party Transaction Committee Vice-Chairman: - Audit Committee Member: - Risk Oversight Committee</p>	<p>Mr. Renato C. Valencia, Filipino, 73 years old, was first elected independent director in 1998. He is the Chairman and Independent Director of iPeople Inc., Independent Director of House of Investments, Inc., EEI Corporation, Anglo Philippine Holdings, Inc. and Vulcan Industrial and Mining, Inc. He was the President and CEO of the Social Security System from 1990 to 1998, subsequently Chairman and CEO of Union Bank of the Philippines from 1987 to 1991 and President</p>	

			and CEO of Roxas Holdings, Inc. from 2011 to 2015. He is a graduate of Philippine Military Academy with a degree in B.S. Gen. Engineering, and also holds an MBA from the Asian Institute Management
		<p>JESLI A. LAPUS Independent Director Chairman:</p> <ul style="list-style-type: none"> - Trust Committee - Nominations Committee <p>Vice-Chairman:</p> <ul style="list-style-type: none"> - Risk Oversight Committee <p>Member:</p> <ul style="list-style-type: none"> - Corporate Governance and Compensation Committee 	<p>Mr. Jesli A. Lapus, Filipino, 68 years old, became an independent director in 2010. He has been the Chairman and Independent Director of STI Education Services Group, Inc. since 2013 and Chairman of LBP Service Corporation since 2012. He has been an Independent Director of STI Education Systems Holdings Inc. since 2013 and Philippine Life Financial Assurance Corp. since June 2012. He sits in the Board of Governors of Information and Communication Technology Academy, Inc. since November 2010. He is the Advisor to the Board since 2013 of Radiowealth Finance Company. He was the Chairman of Manila Tytana Colleges from 2010 to 2013. He was a member of the Board of Trustees of the Asian Institute of Management (2010-2013), Secretary of the Department of Trade and Industry (2010), Secretary of the Department of Education (2006-2010), Congressman, Third District of Tarlac, House of Representatives (1998-2006) and President/CEO and Vice-Chairman of Land Bank of the Philippines (1992-1998). He is a Certified Public Accountant and holds an Accountancy degree from the Philippine School of Business Administration and a Master's degree in Business Management from the Asian Institute of Management. He has a Doctorate in Public Administration (Honoris Causa) from the Polytechnic University of the Philippines. He also did post-graduate studies in Investment Appraisal and Management at Harvard University; Management of Transfer of Technology at INSEAD (France), Project Management at BITS (Sweden); and Personal Financing Planning at UCLA.</p>

		<p>ROBIN A. KING Independent Director Chairman:</p> <ul style="list-style-type: none"> - Audit Committee <p>Vice Chairman:</p> <ul style="list-style-type: none"> - Related Party Transactions Committee <p>Member:</p> <ul style="list-style-type: none"> - Risk Oversight Committee - Nominations Committee 	<p>Mr. Robin A. King, Filipino, 71 years old, was first elected independent director in 2011. He was an independent director of FMIC (2010-2011), Toyota Financial Services Philippines Corporation (2008-2010), President and Director of Global Business Bank (1997-2002) and President and Vice-Chairman of International Bank of California (1994-1997). He is a Certified Public Accountant. He obtained his BSBA degree from the University of San Carlos in 1967 and his MBA degree major in Banking and Finance from the University of the Philippines in 1970.</p>	
		<p>REX C. DRILON II Independent Director Chairman:</p> <ul style="list-style-type: none"> - Corporate Governance and Compensation Committee - Related Party Transactions Committee <p>Vice-Chairman:</p> <ul style="list-style-type: none"> - Trust Committee <p>Member:</p> <ul style="list-style-type: none"> - Anti-Money Laundering Committee 	<p>Mr. Rex C. Drilon II, Filipino, 71 years old, became an independent director in 2012. He also served as independent director of FMIC (2011-2014). He has been a member of the Board of Trustees of the Institute of Corporate Directors since 2013, member of the Board of Trustees of Institute of Solidarity in Asia since 2010, and Chairman of Keyland Corporation and YLD Holdings, Inc. since 2012. He was the President of the Institute of Corporate Directors (2010-2012), Chief Operating Officer of Ortigas & Company, Limited Partnership (2001-2010) and CEO of Ayala Land’s publicly listed subsidiaries Cebu Holdings, Inc. and Cebu Property Ventures Development Corp. (1998-2001). He has a Business Administration degree from the University of the East. He pursued further studies at the University of Asia and The Pacific.</p>	
		<p>FRANCISCO F. DEL ROSARIO, JR. Independent Director Chairman:</p> <ul style="list-style-type: none"> - Domestic Equity Investments Committee <p>Member:</p> <ul style="list-style-type: none"> - Audit Committee - Corporate Governance and 	<p>Mr. Francisco F. Del Rosario, Jr., Filipino, 70 years old, was first elected independent director in 2011. He has been a director of Omnipay, Inc. since 2014 and DMCI Homes, Inc. He has been a Trustee of ABS-CBN Foundation since 2007, Senior Executive Director of PWC Isla Lipana and Chairman for Institute for Solidarity in Asia and Director for Center for Family Advancement since 2016. He</p>	

		<p>Compensation Committee</p> <ul style="list-style-type: none"> - Overseas Banking Committee 	<p>was the President and CEO of the Development Bank of the Philippines from 2010 to 2012. He obtained his BSC Accounting and BA Economics degrees from De La Salle University, and his MBM degree from the Asian Institute of Management.</p>	
		<p>**EDGAR O. CHUA Independent Director Member:</p> <ul style="list-style-type: none"> - Related Party Transactions Committee - Anti-Money Laundering Committee - Nominations Committee - Audit Committee 	<p>Mr. Edgar O. Chua, Filipino, 61 years old, became an independent director in 2017, He has been an Independent Director of Integrated Micro-Electronics, Inc. and Energy Development Corporation since 2013. He is also the Chairman of the Philippine Eagle Foundation since 2017, De La Salle University Board, De La Salle Science Foundation and Makati Business Club since 2016 and Energy Council of the Philippines since 2014. He is a Trustee/Treasurer of Philippine Business for Education since 2007 and Trustee for the College of Saint Benilde since 2017, De La Salle Araneta Salikneta since 2015, The English-Speaking Union of the Philippines, Inc. since 2009, Gawad Kalinga Community Development Foundation Inc. since 2005, and Pilipinas Shell Foundation, Inc. and Foundation for Rural Electrification for Ecoomic Development since 2003. He was the Chairman of Pilipinas Shell Petroleum from September 2003 to May 2017 and the Country Chairman of Shell companies in the Philippines from September 2003 to October 2016. He obtained his Bachelor of Science degree from De La Salle University in 1978.</p>	
		<p>*Director until March 2017 **Elected Director April 2017</p> <p>Sources:</p> <ul style="list-style-type: none"> • Website: March 2016 Definitive Information Statement (SEC 20-IS), page 11 • Website: April 2017 Definitive Information Statement (SEC 20-IS), page 10 <p>The following are the qualification standards for directors, as per the Bank's CGM</p>		

		<p><u>Qualifications of a Director</u> <i>A director shall have the following minimum qualifications:</i></p> <p><i>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, competence, relevant education/financial literacy/training, ; possession of competencies relative to the job, such as knowledge and experience, skills, diligence and independence of mind; and sufficiency of time to fully carry out responsibilities</i></p> <p><i>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</i></p> <p><i>An elected director has the burden to prove that he possesses all the foregoing minimum qualifications and none of the disqualifications by submitting to the Bangko Sentral 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.</i></p> <p><i>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.</i></p> <p><i>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 Bangko Sentral a certification of compliance with the Bangko Sentral-prescribed syllabus on corporate governance for first time directors and documentary proof of such compliance.</i></p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 16 	
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Recommendation 1.2			
1. Board is composed of a	COMPLIANT	In 2017, the Bank’s Board is comprised of twelve (12) members, nine (9) of whom are non-	

majority of non-executive directors.		<p>executive directors, of which five (5) are independent directors.</p> <table border="1" data-bbox="793 219 1480 722"> <thead> <tr> <th data-bbox="793 219 1192 284">Name</th> <th data-bbox="1192 219 1480 284">Type of Directorship</th> </tr> </thead> <tbody> <tr> <td data-bbox="793 284 1192 316">George S.K. Ty</td> <td data-bbox="1192 284 1480 316">NED</td> </tr> <tr> <td data-bbox="793 316 1192 349">Arthur V. Ty</td> <td data-bbox="1192 316 1480 349">ED</td> </tr> <tr> <td data-bbox="793 349 1192 381">Francisco C. Sebastian</td> <td data-bbox="1192 349 1480 381">NED</td> </tr> <tr> <td data-bbox="793 381 1192 414">Fabian S. Dee</td> <td data-bbox="1192 381 1480 414">ED</td> </tr> <tr> <td data-bbox="793 414 1192 446">Alfred V. Ty</td> <td data-bbox="1192 414 1480 446">NED</td> </tr> <tr> <td data-bbox="793 446 1192 479">Edmund A. Go</td> <td data-bbox="1192 446 1480 479">NED</td> </tr> <tr> <td data-bbox="793 479 1192 511">Vicente R. Cuna, Jr.</td> <td data-bbox="1192 479 1480 511">ED</td> </tr> <tr> <td data-bbox="793 511 1192 544">Jesli A. Lopus</td> <td data-bbox="1192 511 1480 544">ID</td> </tr> <tr> <td data-bbox="793 544 1192 576">Robin A. King</td> <td data-bbox="1192 544 1480 576">ID</td> </tr> <tr> <td data-bbox="793 576 1192 609">Rex C. Drilon II</td> <td data-bbox="1192 576 1480 609">ID</td> </tr> <tr> <td data-bbox="793 609 1192 641">Francisco F. Del Rosario, Jr.</td> <td data-bbox="1192 609 1480 641">ID</td> </tr> <tr> <td data-bbox="793 641 1192 673">Edgar O. Chua**</td> <td data-bbox="1192 641 1480 673">ID</td> </tr> <tr> <td data-bbox="793 673 1192 722">Renato C. Valencia*</td> <td data-bbox="1192 673 1480 722">ID</td> </tr> </tbody> </table> <p data-bbox="793 727 1081 755">*Director until March 2017</p> <p data-bbox="793 760 1102 787">**Elected Director April 2017</p> <p data-bbox="674 824 766 852">Source:</p> <ul data-bbox="724 889 1228 917" style="list-style-type: none"> <li data-bbox="724 889 1228 917">• Website: 2017 Metrobank Annual Report 	Name	Type of Directorship	George S.K. Ty	NED	Arthur V. Ty	ED	Francisco C. Sebastian	NED	Fabian S. Dee	ED	Alfred V. Ty	NED	Edmund A. Go	NED	Vicente R. Cuna, Jr.	ED	Jesli A. Lopus	ID	Robin A. King	ID	Rex C. Drilon II	ID	Francisco F. Del Rosario, Jr.	ID	Edgar O. Chua**	ID	Renato C. Valencia*	ID	
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Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors	COMPLIANT	<p>Based on the Bank’s CGM, 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.</p> <p>Pursuant to §X144.3 of the BSP’s Manual of Regulations for Banks and the Corporate Governance and Compensation Committee Charter, the Corporate Governance and Compensation Committee is mandated, among others, to make recommendations to the Board regarding the continuing education of directors.</p> <p><u>Hereunder are excerpts from the Bank’s CGM as regards the relevant orientation and training programs, as well as certificate of attendance for our directors:</u></p> <p><i>a. Orientation for First-Time Director</i></p> <p><i>It is critical that new directors receive the training they need in order to be an</i></p>	

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 will begin immediately after they are selected and before their first Board meeting. The orientation program for first-time directors shall be for at least eight (8) hours and shall cover the BSP-prescribed syllabus on corporate governance. Each first-time director shall be furnished with a copy of the Bank's Articles of Incorporation, By-Laws, and the Code of Conduct and Ethics for Directors. 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

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 an SEC-approved in-house corporate governance training, covering all the mandated topics including financial reporting and auditing. Key officers for purposes

		<p><i>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.</i></p> <p><i>In addition, the Corporate Secretary should annually attend training on corporate governance.</i></p> <p><i>Certificate of Attendance</i></p> <p><i>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.</i></p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 30 									
2. Company has an orientation program for first time directors	COMPLIANT	As provided for in the Bank's CGM, a first-time director has to undergo a minimum of eight (8) hours orientation program.									
3. Company has relevant annual continuing training for all directors.	COMPLIANT	<p>For the continuing education of directors, all incumbent directors unless otherwise exempted as provided by the regulations, are required to attend for a minimum of four (4) hours an annual Corporate Governance seminar with an SEC accredited service provider.</p> <p>The following are the topics covered during the four (4) hour training session in October 2017 conducted by Institute of Corporate Directors (ICD) for the Bank's Directors and select members of Senior Management:</p> <ul style="list-style-type: none"> • The New CG Code: Issues and Challenges of Doing the Right Thing • The Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) Course. • Fraud, Bribery, Whistleblower <p><u>2017 Schedule of Orientation/Trainings Seminars of Directors:</u></p> <table border="1" data-bbox="676 1195 1686 1393"> <thead> <tr> <th data-bbox="676 1195 1026 1295">NAME OF DIRECTOR</th> <th data-bbox="1026 1195 1253 1295">Date of Training</th> <th data-bbox="1253 1195 1530 1295">Program</th> <th data-bbox="1530 1195 1686 1295">Name of Training Institution</th> </tr> </thead> <tbody> <tr> <td data-bbox="676 1295 1026 1393">George S.K. Ty Group Chairman</td> <td data-bbox="1026 1295 1253 1393">Oct. 25-26, 2002</td> <td data-bbox="1253 1295 1530 1393">Corporate Governance for Bank Directors</td> <td data-bbox="1530 1295 1686 1393">Institute of Corporate Directors</td> </tr> </tbody> </table>	NAME OF DIRECTOR	Date of Training	Program	Name of Training Institution	George S.K. Ty Group Chairman	Oct. 25-26, 2002	Corporate Governance for Bank Directors	Institute of Corporate Directors	
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		Arthur Ty Chairman	6-Oct-17	Corporate Governance Seminar	Institute of Corporate Directors	
		Francisco C. Sebastian Vice Chairman	7-Sep-17	Corporate Governance Seminar	Metro Pacific Investments	
		Fabian S. Dee President/Director	6-Oct-17	Corporate Governance Seminar	Institute of Corporate Directors	
		Edgar O. Chua Independent Director	5-Apr-17	Orientation program	Metrobank	
	20-Apr-17		Seminar on Corporate Governance for the Common Good Center for Professional Development in Business	De La Salle University		
	6-Oct-17		Corporate Governance Seminar	Institute of Corporate Directors		
		Jesli A. Lapus Independent Director	6-Oct-17	Corporate Governance Seminar	Institute of Corporate Directors	
		Robin A. King Independent Director	6-Oct-17	Corporate Governance Seminar	Institute of Corporate Directors	
		Rex C. Drilon III Independent Director	2006-present	Annual Working Sessions on Corporate Governance and Monthly Breakfast Roundtable (Continuing Education) for ICD Fellows	Institute of Corporate Directors	
			2014 - present	Distinguished Corporate Governance Speaker Seminar Series	Institute of Corporate Directors	

		<table border="1"> <tr> <td data-bbox="663 151 1024 545"></td> <td data-bbox="1024 151 1255 282">2006 - present</td> <td data-bbox="1255 151 1530 282">Continuing Facilitation of Corporate Governance Workshops</td> <td data-bbox="1530 151 1686 282">Institute of Corporate Directors</td> </tr> <tr> <td data-bbox="663 282 1024 363"></td> <td data-bbox="1024 282 1255 363">March , 2017</td> <td data-bbox="1255 282 1530 363">Summit Conference on Positive Impact</td> <td data-bbox="1530 282 1686 363">Palladium Group</td> </tr> <tr> <td data-bbox="663 363 1024 444"></td> <td data-bbox="1024 363 1255 444">March , 2017</td> <td data-bbox="1255 363 1530 444">Masters Class on Strategy Execution</td> <td data-bbox="1530 363 1686 444">Palladium Group</td> </tr> <tr> <td data-bbox="663 444 1024 545"></td> <td data-bbox="1024 444 1255 545"></td> <td data-bbox="1255 444 1530 545">Corporate Governance Seminar *exempted (Vice Chairman of ICD)</td> <td data-bbox="1530 444 1686 545"></td> </tr> <tr> <td data-bbox="663 545 1024 643">Francisco F. Del Rosario, Jr. Independent Director</td> <td data-bbox="1024 545 1255 643">6-Oct-17</td> <td data-bbox="1255 545 1530 643">Corporate Governance Seminar</td> <td data-bbox="1530 545 1686 643">Institute of Corporate Directors</td> </tr> <tr> <td data-bbox="663 643 1024 740">Alfred V. Ty Director</td> <td data-bbox="1024 643 1255 740">6-Oct-17</td> <td data-bbox="1255 643 1530 740">Corporate Governance Seminar</td> <td data-bbox="1530 643 1686 740">Institute of Corporate Directors</td> </tr> <tr> <td data-bbox="663 740 1024 837">Edmund A. Go Director</td> <td data-bbox="1024 740 1255 837">6-Oct-17</td> <td data-bbox="1255 740 1530 837">Corporate Governance Seminar</td> <td data-bbox="1530 740 1686 837">Institute of Corporate Directors</td> </tr> <tr> <td data-bbox="663 837 1024 938">Vicente R. Cuna Jr. Director</td> <td data-bbox="1024 837 1255 938">6-Oct-17</td> <td data-bbox="1255 837 1530 938">Corporate Governance Seminar</td> <td data-bbox="1530 837 1686 938">Institute of Corporate Directors</td> </tr> </table>		2006 - present	Continuing Facilitation of Corporate Governance Workshops	Institute of Corporate Directors		March , 2017	Summit Conference on Positive Impact	Palladium Group		March , 2017	Masters Class on Strategy Execution	Palladium Group			Corporate Governance Seminar *exempted (Vice Chairman of ICD)		Francisco F. Del Rosario, Jr. Independent Director	6-Oct-17	Corporate Governance Seminar	Institute of Corporate Directors	Alfred V. Ty Director	6-Oct-17	Corporate Governance Seminar	Institute of Corporate Directors	Edmund A. Go Director	6-Oct-17	Corporate Governance Seminar	Institute of Corporate Directors	Vicente R. Cuna Jr. Director	6-Oct-17	Corporate Governance Seminar	Institute of Corporate Directors		
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Recommendation 1.4																																				
1. Board has a policy on board diversity.	COMPLIANT	<p>The Bank’s Corporate Governance Manual espouses diversity in the composition of the Board, which includes among others, experience or expertise, tenure, gender, age, etc. In 2017, all twelve (12) directors of the Board are male. The policy in board diversity is further discussed in below excerpts from the CGM:</p> <p><i>“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.</i></p>																																		

		<p><i>The Board shall be composed of directors with collective relevant working knowledge, experience or expertise. The Board shall ensure that its composition reflect <u>an appropriate mix with regards to skill representation, board experience, tenure, gender, age, and geographic experience</u>. 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).”</i></p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 5 	
Optional: Recommendation 1.4			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.			
Recommendation 1.5			
1. Board is assisted by a Corporate Secretary.	COMPLIANT	<p>The Bank’s Board is assisted by our Corporate Secretary - Atty. Antonio V. Viray, 78 years old and has been the Corporate Secretary since 2015. Concurrently, Atty. Viray is the Corporate Secretary of Property Company of Friends Inc. He has been Of Counsel at Feria Tantoco Daos Law Office since 2008 and Corporate Secretary at GT Capital Holdings, Inc., Grand Titan Holdings, Inc. and Golden Treasure Holdings, Inc. also since 2008. He has been the Chairman and President of AVIR Development Corp. since 1993 and has been a Director of Padre Burgos Corporation since 2012. He was Metrobank’s General Counsel in 1986–2003 and Special Counsel in 2003–2008. He was the Assistant Corporate Secretary of Metrobank from 1988 to 2007. He has been a director of Metrobank since 2012 to 2015. He obtained his Bachelor of Laws degree from the University of Sto. Tomas and his Master of Laws degree from Northwestern University, Illinois.</p> <p>The Office of the Corporate Secretary plays a significant role in supporting the Board of Directors in discharging its responsibilities. The Corporate Secretary is a separate individual from the Compliance Officer and is not a member of the Board of Directors.</p> <p>The Corporate Secretary and the Assistant Corporate Secretary, in consultation with the Chairman, prepare the agenda for each meeting and ensure that all supporting documents required for the evaluation of the items in the Agenda are on hand, prepare the minutes of each</p>	
2. Corporate Secretary is a separate individual from the Compliance Officer	COMPLIANT		
3. Corporate Secretary is not a member of the Board of Directors	COMPLIANT		

meeting and keep records of the proceedings. In coordination with the Compliance Officer, the Office of the Corporate Secretary also communicates with the directors the relevant statutory and regulatory updates, and likewise advises them of the schedules of relevant seminars/fora that they can attend.

The role, duties and responsibilities of the Corporate Secretary is further discussed in the Bank's CGM as follows:

Corporate Secretary

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, 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:

- 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;*
- b. Safekeeps and preserves the integrity of the minutes of the meetings of the Board*

		<p><i>and its committees, as well as the other official records of the corporation;</i></p> <p><i>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;</i></p> <p><i>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;</i></p> <p><i>e. Advises on the establishment of board committees and their terms of reference;</i></p> <p><i>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;</i></p> <p><i>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;</i></p> <p><i>h. Performs required administrative functions;</i></p> <p><i>i. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and</i></p> <p><i>j. Performs such other duties and responsibilities as may be provided by the SEC.</i></p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2015, page 41 • Website: Metrobank Amended By-Laws 													
<p>4. Corporate Secretary attends training/s on corporate governance.</p>	<p>COMPLIANT</p>	<p>The Corporate Secretary is required to attend trainings on corporate governance annually. Below provides the trainings attended by the Corporate Secretary as well as the Assistant to the Corporate Secretary in 2017.</p> <table border="1" data-bbox="674 1036 1686 1333"> <thead> <tr> <th>NAME</th> <th>Date of Training</th> <th>Program</th> <th>Name of Training Institution</th> </tr> </thead> <tbody> <tr> <td>Atty. Antonio V. Viray Corporate Secretary</td> <td>6-Oct-17</td> <td>Corporate Governance Seminar</td> <td>Institute of Corporate Directors</td> </tr> <tr> <td>Atty. Laarni D. Bernabe Asst. to the Corporate Secretary</td> <td>6-Oct-17</td> <td>Corporate Governance Seminar</td> <td>Institute of Corporate Directors</td> </tr> </tbody> </table> <p>Copies of Certificates of Attendance have been submitted to SEC on October 12, 2017.</p>	NAME	Date of Training	Program	Name of Training Institution	Atty. Antonio V. Viray Corporate Secretary	6-Oct-17	Corporate Governance Seminar	Institute of Corporate Directors	Atty. Laarni D. Bernabe Asst. to the Corporate Secretary	6-Oct-17	Corporate Governance Seminar	Institute of Corporate Directors	
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Optional: Recommendation 1.5

1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.

COMPLIANT

As stated in the Bank's CGM, the Corporate Secretary distributes the materials for Board meetings at least five (5) working days before the meeting, to wit:

As part of the duties and responsibilities, the Corporate Secretary should inform 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.

Source:

- [Website: Metrobank Corporate Governance Manual 2018, page 42](#)

Sample proof:

BOD meeting was held on June 28, 2017 and materials/agenda was distributed on June 21, 2017. See email below as proof:

From: Bernabe Laarni D [REDACTED]

Sent: Wednesday, June 21, 2017 5:30 PM

To: [REDACTED]

Cc: [REDACTED]

Subject: Agenda and Materials for Finrev and BOD Meeting for June 2017

Dear All,

Please see attached Agendas and materials for FINREV and BOD Meetings for June 2017. I will send the password in a separate email.

xxx

Thank you.

Best regards,

Arnie Bernabe
Asst. Corporate Secretary

		[REDACTED]		
Recommendation 1.6				
1. Board is assisted by a Compliance Officer.	COMPLIANT	<p>The Bank’s Compliance Officer is Atty. Donato V. Espino with the rank of Vice President, a position with adequate stature and authority within the organization. Atty. Espino, 49 years old, also served as Head of Money Laundering and Terrorist Financing Prevention Program (MLPP) and Training Department of AML Division for two (2) years (204-2016) and as an account officer of the bank’s Special Accounts Management Group from 2007 to 2014. Prior to joining Metrobank, he was with United Overseas Bank Philippines (2000-2007) where he was involved in account management and managing acquired assets; and Far East Bank and Trust Company (1992-2000) where he started his career in banking (branch operations and account management). Atty. Espino earned his Bachelor of Science degree in Business Management from De La Salle University and his Bachelor of Laws degree at Arellano University School of Law.</p> <p>The role, duties and responsibilities of the Compliance Officer is further discussed in the Bank’s CGM as follows:</p> <p><u>Compliance Officer</u></p> <p><i>The Bank shall appoint a full-time Compliance Officer to manage the Compliance Program. Given the importance of the compliance function, the Compliance Officer, a senior officer functionally reporting to the Board, should have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the Bank. Such appointment/designation shall require prior approval of the Monetary Board.</i></p> <p><i>The Compliance Officer is the lead senior officer for purposes of administering the Compliance Program and interacting with the regulatory agencies on compliance-related issues. The principal function of the Compliance Officer is to oversee the design of an appropriate compliance system, promote its effective implementation and address breaches that may arise. He shall also be responsible for ensuring the integrity and accuracy of all documentary submissions to BSP.</i></p> <p><i>In relation to Corporate Governance, the Compliance Officer shall have, among others, the following duties and responsibilities:</i></p> <p><i>a. Ensures proper onboarding of new directors (i.e., orientation on the company’s business, charter, articles of incorporation and by-laws, among others);</i></p> <p><i>b. Monitors, reviews, evaluates and ensures the compliance by the corporation, its</i></p>		
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation	COMPLIANT			
3. Compliance Officer is not a member of the board.	COMPLIANT			

		<p><i>officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;</i></p> <p><i>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;</i></p> <p><i>d. Ensures the integrity and accuracy of all documentary submissions to regulators;</i></p> <p><i>e. Appears before the SEC when summoned in relation to compliance with this Code;</i></p> <p><i>f. Collaborates with other departments to properly address compliance issues, which may be subject to investigation;</i></p> <p><i>g. Identifies possible areas of compliance issues and works towards the resolution of the same;</i></p> <p><i>h. Ensures the attendance of board members and key officers to relevant trainings; and</i></p> <p><i>i. Performs such other duties and responsibilities as may be provided by the SEC.</i></p> <p><i>The Compliance Officer also exercises other specific statutory responsibilities.</i></p> <p>Source:</p> <ul style="list-style-type: none"> • Metrobank Corporate Governance Manual 2018, page 45 	
4. Compliance Officer attends training/s on corporate governance.	COMPLIANT	<p>The Bank’s Compliance Officer is required to attend a 4-hour Corporate Governance seminar as well as other external training programs, as warranted.</p> <p>In 2017, Atty. Espino attended the Advanced Corporate Governance Training Program conducted by Institute of Corporate Directors on October 06, 2017 which covered the following topics:</p> <ul style="list-style-type: none"> • The New CG Code: Issues and Challenges of Doing the Right Thing • The Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) Course. • Fraud, Bribery, Whistleblower <p>Copy of Certificate of Attendance has been submitted to SEC on October 12, 2017.</p>	
<p>Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company’s articles and by-laws and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.</p>			
<p>Recommendation 2.1</p>			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best	COMPLIANT	<p>The Bank’s CGM provides the specific duties and responsibilities of a Director which will be the basis as well for the assessment of their performance.</p> <p><i>“The position of a director is a position of trust. A director assumes certain responsibilities to</i></p>	

<p>interest of the company.</p>		<p><i>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.”</i></p> <p>Hence the Directors are expected, among others to:</p> <p><i>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.</i></p> <p><i>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 should always strive to promote the interest of all stockholders, he should also give due regard to the rights and interests of other stakeholders.”</i></p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 19 <p>Further, Annual Performance Ratings are conducted to assess the Director’s performance in the discharge of their duties. This is coursed through the Corporate Governance and Compensation Committee (CGCCom). The following are excerpts from the CGM on self-assessment:</p> <p>ANNUAL SELF-ASSESSMENT</p> <p><i>The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, the President and individual members and committees.</i></p> <p><i>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.</i></p> <p>1. <i>The evaluation shall cover the period April of the previous year to March of the following year (whole term).</i></p>	
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		<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 52 <p>Directors' attendance to meetings is likewise a testament of their performance. In 2017, the Board had 24 meetings with the incumbent directors attending more than 88% of all meetings.</p>	
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2017													
Board	Name	Board Meetings	Executive Committee	Anti-Money Laundering Committee	Risk Oversight Committee	Domestic Equity Investments Committee	Trust Committee	Audit Committee	Corporate Governance Committee	Related Party Transactions Committee	Overseas Banking Committee	Nominations Committee	IT Steering Committee
Group Chairman (NED)	George S.K. Ty	12/24											
Chairman (ED)	Arthur Ty	21/24	(CC) 35/52	7/7		5/5			6/6				(VC) 4/5 ⁽¹⁾
Vice Chairman (NED)	Francisco C. Sebastian ⁽¹⁾	23/24	(VC) 28/52			5/5					(CC) 6/6		
President/Director (ED)	Fabian S. Dee	24/24	50/52				6/8 ⁽⁸⁾				6/6		3/5
Director (NED)	Alfred V. Ty	18/24				4/5					4/6		
Director (NED)	Edmund A. Go	21/24		(CC) 7/7	(CC) 12/12		11/11						5/5
Director (ED)	Vicente R. Cuna, Jr ⁽¹⁾	25/24	20/52										(CC) 5/5 ⁽⁴⁾
Independent	Jesli A. Lapus	22/24			(VC) 11/12		(CC) 9/11		5/6			(CC) 14/14 ⁽⁴⁾	
Independent	Res C. Dillon II	22/24		5/7			(VC) 11/11		(CC) 6/6	(CC) 11/11 ⁽⁴⁾			
Independent	Robin A. King	18/24		3/3 ⁽⁵⁾	7/8 ⁽⁸⁾			(CC) 15/15		(VC) 11/11		14/14	
Independent	Francisco F. Del Rosario, Jr.	23/24				(CC) 5/5		15/15	5/6		6/6		
Independent	Renato C. Valencia ⁽²⁾	3/3			4/4			4/4		3/3		5/5	
Independent	Edgar D. Chua ⁽³⁾	21/21		4/4				9/11		7/8		8/8	

(NED) Non-Executive Director
(ED) Executive Director
⁽¹⁾ Alternate Member until March 2017
⁽²⁾ Director until April 26, 2017
⁽³⁾ Elected director on April 26, 2017
⁽⁴⁾ Appointed on April 26, 2017
⁽⁵⁾ Member until April 26, 2017
⁽⁶⁾ Member starting April 26, 2017
(CC) Committee Chairman
(VC) Committee Vice-Chairman

Source:

- Website: Metrobank 2017 Annual Report, page 20**

Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	COMPLIANT	The Board oversees the Group's overall governance framework, approves and oversees the implementation of strategies to achieve objectives, monitors managements' performance against set targets and ensures appropriate controls and systems of checks and balances are in place and operating effectively.	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	COMPLIANT	<p>The Board reviews the Bank's business objectives and strategy annually.</p> <p>As provided in the Bank's CGM, part of the Board's specific duties and responsibilities are the following:</p> <p><i>The Board is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values.</i></p> <p><i>It is the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best</i></p>	

		<p><i>interests of its stockholders and other stakeholders</i></p> <p><i>Specific Duties and Responsibilities of the Board</i></p> <p><i>Oversee the development, approve and monitor the implementation of strategic objectives</i></p> <p><i>Consistent with the Bank’s strategic objectives, business plans shall be established for the Bank including its trust operations, and initiatives thereto shall be implemented with clearly defined responsibilities and accountabilities. These shall take into account the Bank’s long-term financial interests, its level of risk tolerance and its ability to manage risks effectively. The Board shall establish a system for measuring performance against plans through regular monitoring and reviews, with corrective action taken as needed.</i></p> <p><i>The Board shall likewise ensure that the Bank has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.</i></p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 6 	
Supplement to Recommendation 2.2			
<p>1. Board has a clearly defined and updated vision, mission and core values.</p>	COMPLIANT	<p><u>The Vision-Mission of the Bank</u></p> <p>To be the country’s premiere financial conglomerate, empowering our individual and business clients to realize their goals and reach their full potential. By creating and customizing financial solutions in response to our stakeholder’s needs, continuously expanding our scope of reach, and leading in community service, we live up to our “You’re in Good Hands” promise that embodies who we are and what we do. We are Metrobank.</p> <p>The Bank reviews the vision, mission and core values every 3 years.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Vision and Mission 	
<p>2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company’s business environment, and culture.</p>	COMPLIANT	<p>Function of the Board is to oversee the development, approve and monitor the implementation of strategic developments.</p> <p>Consistent with the Bank’s strategic objectives, business plans shall be established for the Bank including its trust operations, and initiatives thereto shall be implemented with clearly defined responsibilities and accountabilities. These shall take into account the Bank’s long-term financial interests, its level of risk tolerance and its ability to manage risks effectively. The Board shall establish a system for measuring performance against plans through regular monitoring and reviews, with corrective action taken as needed.</p>	

The Board shall likewise ensure that the Bank has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.

Source:

- [Website: Metrobank Corporate Governance Manual 2018, page 7](#)

The core of Metrobank's strategic planning process emanates from the direction helmed by the Board of Directors, and the Senior Management team represented by top leaders of revenue and support units. Strategic themes are formed based on a SWOT exercise anchored on:

- macro-and micro-economic prospects
- industry developments and trends; peer performance
- investors' insights
- the bank's financial performance
- business units' feedback and recommendations

The themes are then articulated in a strategy roadmap by the bank's Strategic Planning Division (SPD). For the medium term, the bank's strategic theme is focused on crafting and delivering its brand of CUSTOMER EXPERIENCE, build on appropriate PROCESSES and IT and manned by the right LEADERSHIP team.

The translation of the roadmap takes two forms:

a) The NON-FINANCIAL PLAN, or the Execution or Tactical Plan, which details the projects, initiatives, and action items that the various business units and sponsors committed towards attainment of the goals. Program ownership is determined to drive implementation and establish accountabilities, while a strict monitoring process is maintained to track developments and ensure completion. Program delivery or project completion is measured as part of the responsible unit's performance scorecard.

b) The FINANCIAL PLAN (the BUDGET) lays out the volume and income translation of expected outcomes from the tactical plan. It is driven primarily by profitability and efficiency targets, and is drawn up in tandem with resource allocation and capital planning which sit on top of risk management practices at par with industry best practice.

SPD develops various communication collaterals to drive key messages to both internal (HO Units, branches) and external (clients, investors, general public) parties. The institutional cascade starts with a presentation at the National Sales Convention and the IBS convention. Strategy roadshows are also conducted for smaller teams, e.g., HO groups, divisions or departments, or at

		<p>periodic regional branch meetings. Likewise, significant milestones and new insights to the strategic plan are relayed to the board in a full-year close-out report at the start of each year, to facilitate the affirmation of the strategic direction.</p> <p>SPD sustains the planning process through regular checkpoints with a core leadership audience and twice-a year planning sessions with the Leadership Group, as well as performance reviews for all revenue and key support units, the purpose of which is to drive progress and sustain traction for the roadmap. The sessions also help determine the team’s inclinations and future direction, taking into consideration changes in regulation, evolving customer behavior and preferences, new IT and process platforms, and feedback from all strategic business units. The information and insights then feed into the strategic planning loop, upon which the leadership group’s anchors its direction for the next medium-term period.</p>	
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	COMPLIANT	<p>The Board is headed by Mr. Arthur Ty, Filipino, 51 years old, has been the Bank’s Chairman since 2012. He was the Bank’s President from 2006 to 2012. He has been the Chairman of GTCAP since May 2016 and Metropolitan Bank China (Ltd.) (MBCL) since 2010, Vice-Chairman of PSBank since 2001 and FMIC since 2012. He earned his Bachelor of Science degree in Economics at the University of California, Los Angeles and obtained his Masters in Business Administration degree from Columbia University, New York.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: SEC Form 20-IS 2017;</u> • <u>Website: About us: Board of Directors, Management Team and Executives</u> • <u>Website: Metrobank Annual Report 2017</u> 	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	COMPLIANT	<p>Retirement and Succession Policy for key officers and management</p> <p>The process of identification and developing leaders has been institutionalized to objectively assess employee’s potential to assume higher responsibilities, especially to ensure succession planning. This is contained in the November 22, 2017 Board approved HR policy on Ascend – Leadership Development Program.</p>	
2. Board adopts a policy on the retirement for directors and key officers.	COMPLIANT	<p>The Bank provides a Retirement Plan for its employees and employee’s beneficiaries in case of the employee’s death, permanent total disability and retirement. Said plan is approved by the Bureau of Internal Review on March 25, 2014.</p> <p>The normal/compulsory retirement of Bank employees occurs at the age of 55 years old or 30</p>	

		<p>years of service, whichever comes first.</p> <p>Retirement and Succession Policies for Directors per the Bank’s CGM</p> <p><u>Retirement Policy</u></p> <p>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 Company</p> <p><u>Succession Policy</u></p> <p>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. 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.</p> <p>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.</p> <p>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.</p> <p><u>Source:</u></p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 22 	
Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long-term	COMPLIANT	<p>The compensation policy as discussed in the Bank’s CGM and Annual Report, as follows:</p> <p><u>Compensation Policy</u></p> <p>The Bank adopts a compensation policy that is aligned with the Bank’s operating and risk culture,</p>	

interests of the company.		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.	
2. Board adopts a policy specifying the relationship between remuneration and performance.	COMPLIANT	<p>Directors' Compensation Package</p> <p>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.</p>	
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	COMPLIANT	<p>Executive and Employee Compensation</p> <p>The Bank pays salaries commensurate to the individual's qualifications & 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.</p> <p>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.</p> <p>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.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Annual Report 2017, page 23 • Website: Metrobank Corporate Governance Manual 2018, page 50 <p>As discussed in the Bank's CGM, part of the Directors duties and responsibilities is to: Conduct fair business transactions with the Bank and to ensure that personal interest does not bias Board decisions</p> <p>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</p>	

		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. Source: <ul style="list-style-type: none"> Website: Metrobank Corporate Governance Manual 2018, page 19 	
Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.			
2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.			
Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	COMPLIANT	The Bank's CGM provides at length the formal policy for nominations and elections of the Board, including nomination procedures, rights of minority stockholders, confirmation of election/appointment, disqualification, removal, etc: The following are excerpts from the CGM on this subject matter:	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	COMPLIANT	<u>Election of Directors</u> The directors shall be elected by the vote of the holders of common stock of the Bank in accordance with Section 24 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.	
3. Board nomination and election policy includes how the company accepted nomination from minority shareholders.	COMPLIANT	<u>Nomination Procedure</u>	
4. Board nomination and election policy includes how the board shortlists	COMPLIANT	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	

candidates.			
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	COMPLIANT	<p>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.</p> <p>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.</p>	
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	COMPLIANT	<p>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.</p> <p>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 suggestions from stockholders. They may also make use of external databases of the Institute of Corporate Directors or other professional search firms.</p> <p>4) Only nominees whose names appear in the Final List of Candidates shall be eligible for election as director.</p> <p><u>Stockholders' Rights and Protection of Minority Stockholders' Interests</u></p> <p>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:</p> <ol style="list-style-type: none"> 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. <p>The Board encourages active shareholder participation by making the result of the</p>	

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.

Confirmation of Election/Appointment of Directors/Officers

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.

Disqualifications of Directors

Without prejudice to specific provisions of law prescribing disqualifications for directors, the criteria for permanent and temporary disqualifications of directors are detailed in the Bank's CGM.

Disqualification Procedures

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

		<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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 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.</p> <p>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.</p> <p>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.</p> <p>i. The Board shall be immediately informed of cases of disqualification approved by the</p>	
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	<p>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.</p> <p>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.</p> <p>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.</p> <p><u>Removal Procedures</u></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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 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 24 of the Corporation Code of the Philippines.</p> <p>d. A director removed from office is not eligible to seek re-election and/or be reappointed</p>	
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		to the Board unless a written consent is obtained from stockholders holding or representing at least two thirds (2/3) of the outstanding capital stock.	
		<p>Source:</p> <ul style="list-style-type: none"> Website: Metrobank Corporate Governance Manual 2018, page 21 	
Optional: Recommendation to 2.6			
1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.	COMPLIANT	The members of the Board are selected from a broad pool of qualified candidates. The Bank uses external databases of professional search firms (e.g. Institute of Corporate Directors) as well as recommendations from shareholders and existing directors for possible candidates as director.	
Recommendation 2.7			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	COMPLIANT	<p>Metrobank, through its Board of Directors, ensures 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.</p> <p>In this regard, an appropriate group-wide RPT policy has been concocted to cover among others:</p> <ul style="list-style-type: none"> Definition and Identification of related parties. The Bank has created a group-wide RPT database as a tool to properly identify related parties. Transaction coverage to include, not only those that give rise to credit and/or counterparty risks but also those that could pose material risk or potential abuse to the Bank and its stakeholders. Guidelines to facilitate review of terms and conditions of related party transactions and ensure that these are done on arm's length terms. Review and approval process of related party transactions by Related Party Transactions Management Committee (RPTMC), a management-level committee composed of senior officers and the Related Party Transactions Committee (RPTC), a Board-level committee composed of independent directors that would review related party transactions, depending on the materiality threshold set by the Bank. Identity and relationship of the parties involved in the transaction. The following are some of the considerations in the review process: 	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	COMPLIANT		
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile	COMPLIANT	<ul style="list-style-type: none"> 1) Terms of the transaction and whether these are no less favorable than terms 	

<p>and complexity of operations.</p>		<p>generally available to an unrelated third party under the same circumstances;</p> <ol style="list-style-type: none"> 2) Business purpose, timing, rationale and benefits of the transaction; 3) Approximate monetary value of the transaction and the approximate monetary value of the Related Party’s interest in the transaction; 4) Valuation methodology used and alternative approaches to valuation of the transaction; 5) Information concerning potential counterparties in the transaction; 6) Description of provisions or limitations imposed as a result of entering into the transaction; 7) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction; 8) Impact to a Director’s independence; and, 9) Extent that such transaction or relationship would present an improper conflict of interest 10) The availability of other sources of comparable products or services; <ul style="list-style-type: none"> • Material related party transactions require prior written approval of the members of the Board, with the exclusion of the director concerned in case the transaction involves him or his related interests. • Related party transactions are discussed in the Audited Financial Statements, particularly under Notes to the Financial Statements No. 31 on Related Party Transactions. All acts of the Board, including material related party transactions, are confirmed by the majority vote of the Bank’s stockholders during the annual stockholders’ meeting. <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, Annex 17 • Website: Metrobank Company Policies; • Website: SEC 17-A Report (Quarter ended September 2017) 	
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Supplement to Recommendations 2.7

<p>1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered <i>de minimis</i> or transactions that need to be disclosed, and those</p>	<p>COMPLIANT</p>	<p>The Bank’s policy on Related Party Transactions provides the following type of covered transactions and corresponding materiality thresholds:</p> <table border="1" data-bbox="730 1198 1698 1372"> <thead> <tr> <th data-bbox="730 1198 1152 1284">Type of Related Party Transactions</th> <th data-bbox="1152 1198 1438 1284">Related Party Transactions Management Committee (RPTMC)</th> <th data-bbox="1438 1198 1698 1284">Related Party Transactions Committee (RPTC)</th> </tr> </thead> <tbody> <tr> <td data-bbox="730 1284 1152 1372">On- and off-balance sheet credit exposures and claims</td> <td data-bbox="1152 1284 1438 1372">P100M and below</td> <td data-bbox="1438 1284 1698 1372">Above P100M</td> </tr> </tbody> </table>	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	
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							

<p>that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval</p>		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;			
		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			

		<p>The materiality threshold shall be reviewed at least once a year or as necessary by the RPTC.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, Annex 17 • Website: Metrobank Company Policies; • Website: SEC 17-Q Report (Quarter ended September 2017) 	
<p>2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.</p>	COMPLIANT	<p>Source:</p> <ul style="list-style-type: none"> • Website: Minutes of the General or Special Stockholder's Meeting <p>Excerpt from the Minutes of the Annual Stockholders Meeting of Metrobank held on April 26, 2017. The Meeting was attended by the shareholders (whether in person or by proxy) holding 2,131,049,957 Common Shares or 67.01% of the outstanding capital stock of 3,180,172,786.</p> <p style="text-align: center;"><u>RESOLUTION NO. 052 - MBTC-SH-2017</u></p> <p style="text-align: center;">RESOLVED, that the Minutes of the Annual Stockholders' Meeting held on April 27, 2016 be, as they are hereby approved.</p> <p>2. Ratification of All Acts and Resolutions of the Board of Directors, Management and All Committees from April 27, 2016 to April 25, 2017. (99.94% of shareholders present and represented voted in favor while .06% abstained))</p>	
Recommendation 2.8			
<p>1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive)</p>	COMPLIANT	<p>Part of the general responsibility of the Board is to approve the selection of the President and key members of senior management and control functions and oversee their performance. This responsibility is further discussed in the Bank's CGM under Specific Duties and Responsibilities of the Board, as follows:</p> <p>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.</p> <p>(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.</p>	
<p>2. Board is primarily responsible for assessing</p>	COMPLIANT		

<p>the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>		<p>(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.</p> <p>(c) Oversee the performance of senior management and heads of control functions. The Board shall:</p> <ul style="list-style-type: none"> 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. <p>(d) Engage in the succession planning for the President and other critical positions, as appropriate.</p> <p>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.</p> <p>It is the primary responsibility of the Board to appoint competent management team at all times, monitor and assess the performance of the management team based on established performance standards that are consistent with the Bank’s strategic objectives, and conduct regular review of Bank’s policies with the management team. It is also responsible for ensuring and adopting an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders’ value. The Board shall:</p>	
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- (a) Apply fit and proper standards on key personnel. Integrity, technical expertise and experience in the Bank’s business, either current or planned, shall be the key considerations in the selection process. The Board shall replace members of Senior Management, when necessary, and have in place an appropriate plan of succession.
- (b) Regularly monitor the actions of Senior Management and ensure that these are consistent/at par with the policies/standards that it has approved. It shall put in place formal performance standards to be able to effectively assess the performance of Senior Management.
- (c) Regularly meet with Senior Management to engage in discussions, question and critically review the reports and information provided by the latter.
- (d) Regularly review policies, internal controls and self-assessment functions (e.g., internal audit, risk management and compliance) with Senior Management to determine areas for improvement as well as to promptly identify and address significant risks and issues.

The Board shall ensure that Senior Management’s expertise and knowledge shall remain relevant given the Bank’s strategic objectives, complexity of operations and risk profile.

Assessment of the performance of Management is done annually.

Source:

- [Website: Metrobank Corporate Governance Manual 2018, page 7](#)

The CEO/President and Senior Management Team of Metrobank:

Name
Fabian S. Dee President
Joshua E. Naing Senior Executive Vice-President
Fernand Antonio A. Tansingco Senior Executive Vice-President
Maritess B. Antonio Executive Vice-President
Mary Mylene A. Caparas Executive Vice-President
Paul Robert Y. Murga Executive Vice-President
Corazon Ma. Therese B. Nepomuceno

			<table border="1"> <tr><td>Executive Vice-President</td></tr> <tr><td>Richard Benedict S. So Executive Vice-President</td></tr> <tr><td>Aniceto M. Sobrepeña Executive Vice-President</td></tr> <tr><td>Vivian L. Tiu Executive Vice-President</td></tr> <tr><td>Josefina T. Tuplano Executive Vice-President</td></tr> <tr><td>Amelin S. Yao Executive Vice-President</td></tr> <tr><td>Marilou C. Bartolome Senior Vice-President</td></tr> <tr><td>Christine Y. Carandang Senior Vice-President</td></tr> <tr><td>Godofredo V. Cruz Senior Vice-President</td></tr> <tr><td>Pocholo V. Dela Peña Senior Vice-President</td></tr> <tr><td>Susan L. Niere Senior Vice-President</td></tr> <tr><td>Antonio R. Ocampo, Jr. Senior Vice-President</td></tr> <tr><td>Rowena R. Oliveros Senior Vice-President</td></tr> <tr><td>Bernardino D. Ramos Senior Vice-President</td></tr> <tr><td>Angelica S. Reyes Senior Vice-President</td></tr> <tr><td>Lita S. Tan Senior Vice-President</td></tr> <tr><td>Anthony Paul C. Yap Senior Vice-President</td></tr> <tr><td>Leo R. Fragante First Vice-President</td></tr> </table>	Executive Vice-President	Richard Benedict S. So Executive Vice-President	Aniceto M. Sobrepeña Executive Vice-President	Vivian L. Tiu Executive Vice-President	Josefina T. Tuplano Executive Vice-President	Amelin S. Yao Executive Vice-President	Marilou C. Bartolome Senior Vice-President	Christine Y. Carandang Senior Vice-President	Godofredo V. Cruz Senior Vice-President	Pocholo V. Dela Peña Senior Vice-President	Susan L. Niere Senior Vice-President	Antonio R. Ocampo, Jr. Senior Vice-President	Rowena R. Oliveros Senior Vice-President	Bernardino D. Ramos Senior Vice-President	Angelica S. Reyes Senior Vice-President	Lita S. Tan Senior Vice-President	Anthony Paul C. Yap Senior Vice-President	Leo R. Fragante First Vice-President	
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<p>1. Board establishes an effective performance management framework that ensures that <u>Management's performance</u> is at par with the standards set by the Board and senior Management.</p>	<p>COMPLIANT</p>	<p>The Board, through the Bank's Manpower Committee and Human Resources Management Group ensures that the Bank's Performance Assessment & Management System (PAMS) which measures the employee's performance contribution based on clearly defined targets, goals and standards is in place.</p>	
<p>2. Board establishes an effective performance management framework that ensures that <u>personnel's performance</u> is at par with the standards set by the Board and Senior Management.</p>	<p>COMPLIANT</p>		
<p>Recommendation 2.10</p>			
<p>1. Board oversees that an appropriate internal control system is in place.</p>	<p>COMPLIANT</p>	<p>As an extension of the Board of Directors, the Audit Committee (AUDITCOM) assists 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.</p>	
<p>2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.</p>	<p>COMPLIANT</p>	<p>The AUDITCOM is responsible for overseeing Senior Management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures 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.</p> <p>To further strengthen the internal control system, the Bank likewise established internal policies related to conflict of interest, related party transactions and whistle blowing. , excerpts of which are provided hereunder:</p> <p>Conflict of Interest Policy</p> <p>All employees are obligated to promote and safeguard the business interests of Metrobank. No</p>	

	<p>employee should directly or indirectly engage in any conduct or activity that may directly or indirectly be construed as inconsistent or incompatible with Metrobank’s business interests. Conflict of interest arises when an employee is engaged in a personal activity that directly or indirectly competes with the Bank’s business, or promotes, aids or furthers the business of a direct or indirect competitor of the Bank. It also arises when the employee’s act or omission disrupts, impairs, undermines or impedes the Bank’s business or business potential. Conflict of interest may also exist where a favor of any form is accepted by an employee that compromises one’s ability to faithfully discharge his/her duties and obligations to the Bank.</p> <p>Business gifts or any form of gratuity and entertainment are courtesies designed to build understanding and goodwill among parties in a business relationship. A problem arises when a business gift compromises – whether potentially or actually – the recipient’s ability to make objective and fair business decisions, or when they are contrary to applicable laws. Metrobank prohibits the direct or indirect offering or receiving by an employee of any gift, gratuity, favor, benefit, accommodation, other payment or entertainment by an employee from any person, be they clients, vendors, suppliers, business partners or subordinates, etc. that might affect the employees’ ability to discharge his/her duties to the Bank.</p> <p>The employee is expected to effectively manage his/her personal affairs and avoid any situation or business endeavors arising from associations, interests or relationships that may lead to conflict or potential conflict between his/her personal interests and that of the Bank.</p> <p>Engaging in lending, trading or other similar business activity, borrowing and lending of money between/among employees and clients, engaging in another employment without management approval and solicitation of personal business for personal gain from clients or the Bank’s business partners are among the examples of non-acceptable behavior under this standard of conduct.</p> <p>Related Party Transaction Policy</p> <p>To ensure that the highest ethical standards consistent with the Principles for Enhancing Corporate Governance are observed, the Bank’s Board of Directors and the Board’s Related Party Transactions Committee reviews the propriety of transactions with related parties and ensures that these are conducted at arm’s-length terms.</p> <p>After the appropriate review of related party transactions, the Related Party Transactions Committee which is composed of 3 members, all of whom are independent directors, discloses all information and endorses the proposed related party transactions with recommendations, to the Board for approval.</p>	
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		<p>Whistle Blowing Policy</p> <p>As a way of strengthening the Bank’s system of integrity, all employees are encouraged to report irregular transactions. Towards this end, the Bank instituted a Whistle blowing policy where acts of fraud, malpractice, conflict of interest or violation of internal/regulatory policies, procedures and control may be reported to the Chief Audit Officer.</p> <p>The Whistle blowing policy applies in cases when an employee deems it more prudent to report violations or offenses to another authorized unit/person within the Bank, 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.</p> <p>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. Consistent with the principles of good governance, the Chief Audit Officer reports to the Board’s Audit Committee.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank Company Policies</u> 	
3. Board approves the Internal Audit Charter.	COMPLIANT	Internal Audit Charter is reviewed annually, updates made thereto was approved by the Audit Committee on June 19, 2017 and endorsed to the Board of Directors on July 26, 2017.	
Recommendation 2.11			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	COMPLIANT	<p>The Enterprise Risk Management (ERM) framework is ultimately the responsibility of the Board, consistent with the “tone from the top” governance principle. The Risk Oversight Committee (ROC), a board-level committee assists the Board in fulfilling its corporate governance duties in terms of management of risks</p> <p>The ROC Charter spells out the Board’s oversight responsibility on the establishment of an effective ERM framework. Said framework is embodied in the Bank’s Risk Management Manual.</p>	
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk	COMPLIANT	<p>In the execution of the ERM, information on risk exposures and various risk metrics flow back up to the Board. These then serve as guide in the Board’s conduct, thru the ROC, of its oversight responsibilities.</p> <p>The Bank’s risk management process focuses on the interplay among business, concomitant risks, and required capital with the goal of sustaining the franchise through the rise and ebb of the business cycle. It provides the engine for the determination of the Bank’s strategic goals, its</p>	

management strategies.		<p>material risks, and its appetite for said risks. Risk exposure identification, measurement, management, and monitoring provide the support on which business budgets are afforded the chance of being achieved and for which capital adequacy to support the effort is continuously assured. Metrics and risk assessment tools, both adopted from regulation and best practice and internal to the Bank are then used to measure identified risks. The use of these tools complements the conduct of business as they help prevent risks from being realized into serious issues, as well as cue the possibility of any instance that capital may be called to absorb losses.</p> <p>Notwithstanding a defined risk management function, the Bank recognizes that the core banking activity of managing risks is not the sole responsibility of RSK. It is rather a function that cuts across the entire organization as manifested in the Bank’s three (3) lines of defense. Such set-up is central to risk management, as it expresses everyone’s role in ensuring that risk exposures are managed and within the Bank’s risk appetite. The first line of defense consists of the risk taking and risk owning units since they are in the position to immediately identify, respond, manage, and monitor risks. Second would be independent units, like RSK, that provide oversight and the tools, systems and advice necessary to support the first line in identifying, managing and monitoring risks. The third line of defense is provided by the internal audit function. This function provides a level of independent assurance that the risk management and internal control framework is working as designed.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Annual Report 2017, page 44 	
Recommendation 2.12			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	COMPLIANT	<p>The Bank’s Corporate Governance Manual (CGM) serves as the Board Charter which clearly defines the roles, responsibilities and accountabilities of the Board in carrying out its fiduciary role. In the same token the CGM provides guidance for the Directors in the conduct of their performance.</p> <p>The CGM is available and posted on the Bank’s website:</p>	
2. Board Charter serves as a guide to the directors in the performance of their functions.	COMPLIANT	<p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018 	
3. Board Charter is publicly available and posted on the company’s website.	COMPLIANT		
Additional Recommendation to Principle 2			
1. Board has a clear insider	COMPLIANT	The Bank has an Insider Trading Policy to ensure that the shareholders are afforded protection	

trading policy.		<p>and that individuals do not benefit from knowledge which is not generally available to the market. The policy covers the standard of conduct applicable to 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 to the extent that they are considered insiders having access to material nonpublic information about the securities of companies within the Metrobank Group (“Metrobank Group Securities”) as well as the securities of any of their corporate clients and business partners (“Partner’s Securities”).</p> <p>Following the Securities Regulation Code, it is a crime for a director or employee of a company within the Metrobank Group to do any of the following, directly or indirectly, while in possession of Material Nonpublic Information: (a) to trade Metrobank Group Securities or a Partner’s Securities; and (b) to communicate Material Nonpublic Information about Metrobank Group Securities or any Partner’s Securities to any person whom the director or employee has reason to believe will trade on those securities. Further, information is considered Material Nonpublic if it has not been generally disclosed to the public and, if disclosed, would likely affect the price of the securities whether positively or negatively.</p> <p>The policy which is annexed in the Bank’s CGM 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 Securities and Exchange Commission and the Philippine Stock Exchange.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Annual Report 2017, page 23 • Website: Metrobank Corporate Governance Manual, page 51 and Annex 18 • Website: Metrobank Company Policies 	
Optional: Principle 2			
1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm’s length basis and at market rates	COMPLIANT	<p>The policy on granting loans to directors is covered under the Metrobank’s RPT Policy which is available in the Bank’s Website:</p> <p>The policy ensures that transactions with related parties (directors included) 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.</p>	

		<p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual, page 51 and Annex 17 • Website: Metrobank Company Policies 	
2. Company discloses the types of decision requiring board of directors' approval	COMPLIANT	<p>The Bank's Amended By-Laws provides the Board of Directors express powers, as follows:</p> <ol style="list-style-type: none"> 1. To make and change rules and regulations for the conduct of corporate business, provided that they are not contrary to the Articles of Incorporations, the By-laws or the Statutes of the Philippines. 2. To authorize any officer of the Bank to enter into any negotiation. contract or agreement with any person, firm or entity which it may consider necessary for the best interests of the Bank and which the Bank may enter into under the statutes of the Philippines; 3. To set aside from the surplus profits of the Bank, if any, such amounts as shall be paid to the stockholders in the form of dividends; 4. To authorize the payment of bonuses of gratuities to any deserving directors, officers or employees of the Bank, and determines the amounts thereof; 5. To vest in one or more committees such powers as the Board of Directors may delegate under the law; and 6. To delegate from time to time, any of the powers of the Board which may be lawfully delegated in the course of the current or ordinary business of the Bank to any officer and officers and to designate agents and/or correspondents of the Bank both in and outside the Philippines under such terms and conditions as it may deem proper. <p>And other transactions that the Board may need to approve from time to time.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Amended By-Laws 	
<p>Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.</p>			
<p>Recommendation 3.1</p>			
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.		<p>To aid the Board in the optimal performance of its roles and responsibilities, the following board-level committees were created:</p> <ul style="list-style-type: none"> • 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

All the above committees have Committee Charters that provide among others, their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.

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.

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.

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.

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.

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.

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.

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.

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.

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 resources of the Bank are not misappropriated or misapplied.

		<p>10. <u>Risk Oversight Committee</u></p> <p>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.</p> <p>11. <u>Trust Committee</u></p> <p>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.</p> <p>The Charters of the respective Board level Committees are posted in the Bank’s website:</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Board Committees</u> • <u>Website: Metrobank Corporate Governance Manual 2017, page 36</u> 	
Recommendation 3.2			
<p>1. Board establishes an Audit Committee to enhance its oversight capability over the company’s financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.</p>	<p>COMPLIANT</p>	<p>The Audit Committee (AUDITCOM) assists 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.</p> <p>As provided in its amended charter, one of the duties and responsibilities of the Audit Committee is to exercise effective oversight of external audit functions. With respect to the registrant’s independent external auditors, the Audit Committee is responsible to:</p> <ol style="list-style-type: none"> 1. <u>Recommend the appointment, re-appointment and termination of the independent external auditors</u> based on fair and transparent criteria, which should be approved by the Board and ratified by the shareholders. If the external auditors resign or communicate 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 auditors, the reasons for removal or change should be disclosed to the regulators and the public through the company website and required disclosures; 2. Discuss and agree to the terms of the engagement letter issued by the external auditors prior to the approval of the engagement, obtain an understanding of the nature, scope 	

		<p>and audit approach, 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;</p> <ol style="list-style-type: none"> 3. Review management representation letters before these are transmitted to the external auditors to ensure that items in the letter are complete and accurate; 4. Review the disposition of the recommendations in the external auditors' management letter; 5. Review independent external auditors' report on the results of the audit of the annual financial statements before these are submitted to the Board of Directors for approval, focusing particularly on any change/s in accounting policies and procedures, major estimates, assumptions and judgmental areas, unusual or complex transactions, significant adjustments, material errors and fraud, going concern assumption, compliance with accounting standards, and compliance with tax, legal and regulatory requirements; 6. Understand and duly assess the external auditors' opinion regarding the capability of the management and the adequacy of accounting/information systems to comply with the financial and prudential reporting responsibilities; 7. Evaluate and determine non-audit work by external auditors 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 auditors. The non-audit work, if allowed, should be disclosed in the Annual Report and Annual Corporate Governance Report; 8. Review and monitor the overall suitability and effectiveness and conduct regular performance appraisal of external auditors. These involve assessing and monitoring the integrity, independence and objectivity of external auditors, and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements; 9. Ensure that the 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; 10. Assess the extent of cooperation provided by the management during the conduct of the external audit; 11. Meet with external auditors every semester or as the need arises; and 12. Recommend necessary enhancements in the audit processes. 	
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		<p>Source:</p> <ul style="list-style-type: none"> Website: Audit Committee Charter 											
<p>2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.</p>	COMPLIANT	<p>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.</p> <p>2017 Membership of Audit Committee</p> <table border="1"> <thead> <tr> <th>Name of Members</th> <th>Designation</th> </tr> </thead> <tbody> <tr> <td>Robin A. King, Chairman</td> <td>Independent Director</td> </tr> <tr> <td>Francisco F. Del Rosario, Jr., Member</td> <td>Independent Director</td> </tr> <tr> <td>Edgar O. Chua, Member</td> <td>Independent Director</td> </tr> <tr> <td>Cornelio C. Gison, Adviser</td> <td>Board Adviser</td> </tr> </tbody> </table> <p>Source:</p> <ul style="list-style-type: none"> Website: Metrobank 2017 SEC Form 20-IS, page 47 Website: Metrobank Annual Report 2017, page 21 	Name of Members	Designation	Robin A. King, Chairman	Independent Director	Francisco F. Del Rosario, Jr., Member	Independent Director	Edgar O. Chua, Member	Independent Director	Cornelio C. Gison, Adviser	Board Adviser	
Name of Members	Designation												
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Edgar O. Chua, Member	Independent Director												
Cornelio C. Gison, Adviser	Board Adviser												
<p>3. All the members of the committee have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance.</p>	COMPLIANT	<p>All of the members of the AUDITCOM 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.</p> <p>Profile of Members:</p> <p>Mr. Robin A. King , Filipino, 71 years old, was first elected independent director in 2011. He was an independent director of FMIC (2010-2011), Toyota Financial Services Philippines Corporation (2008-2010), President and Director of Global Business Bank (1997-2002) and President and Vice-Chairman of International Bank of California (1994-1997). He is a Certified Public Accountant. He obtained his BSBA degree from the University of San Carlos in 1967 and his MBA degree major in Banking and Finance from the University of the Philippines in 1970.</p> <p>Mr. Francisco F. Del Rosario, Jr., Filipino, 70 years old, was first elected independent director in 2011. He has been a director of Omnipay, Inc. since 2014 and DMCI Homes, Inc. He has been a Trustee of ABS-CBN Foundation since 2007, Senior Executive Director of PWC Isla Lipana and Chairman for Institute for Solidarity in Asia and Director for Center for Family Advancement since 2016. He was the President and CEO of the Development Bank of the Philippines from 2010 to 2012. He obtained his BSC Accounting and BA Economics degrees from De La Salle University, and his MBM degree from the Asian Institute of Management</p>											

		<p>Mr. Edgar O. Chua, Filipino, 61 years old, is currently an Independent Director of Integrated Micro-Electronics, Inc. (IMI) and Energy Development Corporation (EDC) since 2013. He was the Chairman of Pilipinas Shell Petroleum until May 2017. He is also the Chairman of the Philippine Eagle Foundation (2017), De La Salle University Board (2016), De La Salle Science Foundation (2016), Makati Business Club (2016) and Energy Council of the Philippines (2014). He is a Trustee/Treasurer of Philippine Business for Education since 2007 and Trustee for College of Saint Benilde (2017), De La Salle Araneta Salikneta (2015), De La Salle National Mission Council, Gawad Kalinga Community Development Foundation, Inc. (2005). He is also a Trustee of Pilipinas Shell Foundation, Inc. (2003), Foundation for Rural Electrification for Economic Development (FREED) since 2003 and Trustee of the English-Speaking Union of the Philippines, Inc. (2009). He was the Country Chairman of Shell companies in the Philippines from September 2003 to October 2016. He obtained his Bachelor of Science degree from De La Salle University in 1978.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank 2017 SEC Form 20-IS, page 18 • Website: Metrobank Annual Report 2017, page 33 	
4. The Chairman of the audit committee is not the Chairman of the Board or of any other committee.	COMPLIANT	<p>The Chairman of the Audit Committee Mr. Robin A. King is not the chairman of the board or of any other committees.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank 2017 SEC Form 20-IS, page 18 • Website: Metrobank Annual Report 2017, page 33 	
Supplement to Recommendations 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor	COMPLIANT	<p>Audit Committee Memos and Minutes of Meetings document the Audit Committee approval of the non-audit services conducted by the external auditor.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Annual Report 2017, page 26 	
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	COMPLIANT	<p>Audit Committee Minutes of Meetings document the regular meetings and dialogues with the external audit team without anyone from the management present. Meetings were held on September 28, 2017 & October 27, 2017 and duly minuted.</p>	
Optional: Recommendation 3.2			
1. Audit committee meet at		Fifteen (15) Audit Committee Meetings were conducted in year 2017 duly minuted and on file.	

least four times during the year			
2. Audit Committee approves the appointment and removal of the internal auditor		The Audit Committee recommended the approval of appointment of internal auditor to the Board of Directors. The Board approved the appointment of the internal auditor on April 26, 2017.	
Recommendation 3.3			
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	COMPLIANT	<p>The Corporate Governance and Compensation Committee (CGCCom) assists 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.</p> <p>Duties and Responsibilities:</p> <ol style="list-style-type: none"> 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. 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. 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. 4. Oversee the continuing education/training programs for the Board. <ol style="list-style-type: none"> a. Proposes and plans relevant trainings for the members of the Board b. Ensure allocation of sufficient time, budget and other resources for the continuing education of directors and draw on external expertise as needed. c. Establish and ensure effective implementation of policy for on-boarding/orientation program for first time directors and annual continuing education for all directors 5. Oversee the performance evaluation process <ol style="list-style-type: none"> a. Oversee the periodic evaluation of contribution and performance (e.g., competence, 	

		<p>candor, attendance, preparedness and participation) evaluation of the Board and its committees, executive and senior management</p> <p>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.</p> <p>c. Perform annual self-assessment using the self-assessment form.</p> <p>d. Determine whether or not a director or officer who has multiple positions 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.</p> <p>6. Oversee the design and operation of the remuneration and other incentives policy</p> <p>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</p> <p>b. Work closely with the Risk Oversight Committee in evaluating the incentives created by the remuneration system</p> <p>7. Provide oversight in the implementation of the Bank’s compliance system.</p> <p>a. Ensure that oversight on the Bank’s compliance management is adequate.</p> <p>b. Ensure that a Compliance Program is defined for the Bank and that compliance issues are resolved expeditiously:</p> <p>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 recommend approval thereof by the Board.</p> <p>d. Monitor the implementation of the Bank’s Compliance Program and ensure that compliance issues are resolved expeditiously.</p> <p>e. Monitor the Bank’s compliance with the applicable laws, regulations and rules of regulatory agencies and recommend to the Board appropriate actions.</p>	
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		<p>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.</p> <p>8. To contribute to the Board’s effective oversight functions over entities in the group, CGCCOM shall require Compliance Division to, among others:</p> <p>a. Provide compliance oversight function over the Bank’s BSP-supervised Financial Subsidiaries and Affiliates (FSAs).</p> <p>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.</p> <p>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.</p> <p>9. Oversee the preparation of Annual Report and ensure that the Bank fully discloses the minimum disclosure requirements per regulation.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 37 and Annex5 • Website: Metrobank Annual Report 2017 • Website: Corporate Governance and Compensation Committee Charter <p>The Bank has a separate Nominations Committee which Is a board-level committee that handles the process of identifying the quality of directors aligned with the company’s strategic direction.</p>	
<p>2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.</p>	<p>NON-COMPLIANT with respect to the membership, all of whom should be independent directors.</p>	<p>Provide information or link/reference to a document containing information on the members of the Corporate Governance Committee, including their qualifications and type of directorship.</p> <p>As provided for in the updated CGCCom Charter, 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. This is to align the membership requirement with BSP regulation as per the recently issued BSP Circular</p>	<p>In Feb. 2018, Chairman Arthur V. Ty was designated as non-executive director to comply with the BSP requirement of no executive directors as</p>

	The Bank's CGCCom is composed of 4 members, majority of whom are independent directors.	<p>969.</p> <table border="1" data-bbox="676 219 1730 422"> <thead> <tr> <th data-bbox="676 219 1203 251">Name of Members / Membership</th> <th data-bbox="1203 219 1730 251">Designation</th> </tr> </thead> <tbody> <tr> <td data-bbox="676 251 1203 284">Rex C. Drilon II, Chairman</td> <td data-bbox="1203 251 1730 284">Independent Director</td> </tr> <tr> <td data-bbox="676 284 1203 316">Arthur V. Ty, Member</td> <td data-bbox="1203 284 1730 316">Chairman</td> </tr> <tr> <td data-bbox="676 316 1203 349">Francisco F. Del Rosario Jr., Member</td> <td data-bbox="1203 316 1730 349">Independent Director</td> </tr> <tr> <td data-bbox="676 349 1203 381">Jesli A. Lopus, Member</td> <td data-bbox="1203 349 1730 381">Independent Director</td> </tr> <tr> <td data-bbox="676 381 1203 422">Dr. Placido L. Mapa Jr., Adviser</td> <td data-bbox="1203 381 1730 422">Senior Adviser</td> </tr> </tbody> </table> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank 2017 SEC Form 20-IS , page 18 • Website: Metrobank Annual Report 2017 • Website: Corporate Governance and Compensation Committee Charter 	Name of Members / Membership	Designation	Rex C. Drilon II, Chairman	Independent Director	Arthur V. Ty, Member	Chairman	Francisco F. Del Rosario Jr., Member	Independent Director	Jesli A. Lopus, Member	Independent Director	Dr. Placido L. Mapa Jr., Adviser	Senior Adviser	<p>members.</p> <p>Majority of the committee members, including the Chairman are independent directors thus the objectivity/independence of the committee in making focused decisions are preserved.</p>
Name of Members / Membership	Designation														
Rex C. Drilon II, Chairman	Independent Director														
Arthur V. Ty, Member	Chairman														
Francisco F. Del Rosario Jr., Member	Independent Director														
Jesli A. Lopus, Member	Independent Director														
Dr. Placido L. Mapa Jr., Adviser	Senior Adviser														
3. Chairman of the Corporate Governance Committee is an independent director.	COMPLIANT	<p>Director Rex C. Drilon II, Chairman of the Corporate Governance and Compensation Committee (CGCC) is an independent director.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Annual Report 2017, page 33 • Website: Metrobank 2017 SEC Form 20-IS, page 18 													
Optional: Recommendation 3.3															
1. Corporate Governance Committee meet at least twice during the year.	COMPLIANT	<p>The Corporate Governance and Compensation Committee held six (6) meetings in 2017 and all are duly minuted.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Annual Report 2017, page 20 													
Recommendation 3.4															
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	COMPLIANT	<p>The Risk Oversight Committee (ROC), as the extension of the Board of Directors (BOD), provides oversight on the credit, market, liquidity, operations, legal and other risks taken throughout the Bank, initially and Group-wide, subsequently.</p> <p>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.</p> <p>Duties and Responsibilities</p> <ol style="list-style-type: none"> 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. 													

		<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>6. The Committee shall perform an annual self-assessment of the performance of its functions using the prepared self-assessment form (See Exhibit A).</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank Annual Report 2017, page 22</u> • <u>Website: Risk Oversight Committee Charter</u> 											
<p>2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.</p>	<p>NON-COMPLIANT with respect to the ROC Chairman who is a non-executive director.</p>	<p>2017 ROC Membership</p> <table border="1" data-bbox="676 1065 1730 1268"> <thead> <tr> <th data-bbox="676 1065 1203 1101">Name of Members / Membership</th> <th data-bbox="1203 1065 1730 1101">Designation</th> </tr> </thead> <tbody> <tr> <td data-bbox="676 1101 1203 1133">Edmundo A. Go, Chairman</td> <td data-bbox="1203 1101 1730 1133">Non-Executive Director</td> </tr> <tr> <td data-bbox="676 1133 1203 1166">Jesli A. Lopus, Member</td> <td data-bbox="1203 1133 1730 1166">Independent Director</td> </tr> <tr> <td data-bbox="676 1166 1203 1198">Robin A. King, Member</td> <td data-bbox="1203 1166 1730 1198">Independent Director</td> </tr> <tr> <td data-bbox="676 1198 1203 1268">*Joshua E. Naing, Member</td> <td data-bbox="1203 1198 1730 1268">Senior Executive Vice President / Head, Financial and Control Sector</td> </tr> </tbody> </table> <p>*named as resource person for 2018-2017</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank Annual Report 2017, page 33</u> • <u>Website: Risk Oversight Committee Charter</u> • <u>Website: Metrobank 2017 SEC 20-IS, page 18</u> 	Name of Members / Membership	Designation	Edmundo A. Go, Chairman	Non-Executive Director	Jesli A. Lopus, Member	Independent Director	Robin A. King, Member	Independent Director	*Joshua E. Naing, Member	Senior Executive Vice President / Head, Financial and Control Sector	<p>The Bank recognizes that amongst the Directors, the concurrent Chairman of Risk Oversight Committee is the most qualified to head this Board level committee, given his background, experience and exposure. In adherence to the majority composition of members which should</p>
Name of Members / Membership	Designation												
Edmundo A. Go, Chairman	Non-Executive Director												
Jesli A. Lopus, Member	Independent Director												
Robin A. King, Member	Independent Director												
*Joshua E. Naing, Member	Senior Executive Vice President / Head, Financial and Control Sector												

			be Independent Directors. In the last ASM April 2018, Mr. Joshua Naing was named as Resource Person for ROC for the term 2018-2019.
3. The Chairman of the BROCOM is not the Chairman of the Board or of any other committee.	NON-COMPLIANT With respect to the Chairman of ROC as concurrent Chairman of AMLACom.	Director Edmundo A. Go is the Chairman of the Risk Oversight Committee (ROC) and concurrently serves as Chairman of AMLACOM in 2017. Source: <ul style="list-style-type: none"> • Website: Metrobank Annual Report 2017, page 33 • Website: Metrobank 2017 SEC 20-IS, page 19 	During the Bank's Organizational Board meeting in April 2018, the Bank nominated Director Edgar O. Chua as Chairman of AMLACom. Director Edmundo A. Go will remain as Chairman of ROC and will no longer chair any other committee.
4. At least one member of the BROCOM has relevant thorough knowledge and experience on risk and risk management.	COMPLIANT	Committee Chairman: Mr. Edmund A. Go , Filipino, 67 years old, was first elected director in 2007. He has been a director of Metropolitan Bank China (Ltd.) since 2010. He is a member of the Board of Advisors of PSBank since 2009. He has been a Director for Investments of Ateneo de Manila University since 2010 and Investment Consultant for St. Peter's Life Group since 2011. He was a director of FMIIC Hong Kong from 2001 to 2008. He served as Metrobank Treasurer (2000-2007) and consultant of the Philippine Dealing and Exchange Corp. on Securities Training and Development (2008-2010). Prior to 2000, he held various management positions at Citibank Manila, Hong Kong, Taiwan and New York in the areas of Treasury, Derivatives, Investment Banking and Private Banking. He is a Certified Public Accountant and holds a BS Commerce Degree in Accounting, Cum Laude, from the San Beda College and an MBA degree, with distinction, from the Asian Institute of Management. Vice Chairman: Mr. Jesli A. Lapus , Filipino, 68 years old, became an independent director in 2010. He has been Chairman and Independent Director of STI Education Services Group, Inc. since 2013 and Chairman of LBP Service Corporation since 2012. He has been Independent Director of STI Education Systems Holdings Inc. since 2013 and Philippine Life Financial Assurance Corp. since June 2012. He sits in the Board of Governors of Information and Communication Technology Academy, Inc. since November 2010. He is the Advisor to the Board since 2013 of Radiowealth Finance Company. He was the Chairman of Manila Tytana Colleges from 2010 to 2013. He was a member of the Board of Trustees of the Asian Institute of Management (2010-2013), Secretary of	

		<p>the Department of Trade and Industry (2010), Secretary of the Department of Education (2006-2010), Congressman, Third District of Tarlac, House of Representatives (1998-2006) and President/CEO and Vice- Chairman of Land Bank of the Philippines (1992-1998). He is a Certified Public Accountant and holds an Accountancy degree from the Philippine School of Business Administration and a Master’s degree in Business Management from the Asian Institute of Management. He has a Doctorate in Public Administration (Honoris Causa) from the Polytechnic University of the Philippines. He also did post-graduate studies in Investment Appraisal and Management at Harvard University; Management of Transfer of Technology at INSEAD (France), Project Management at BITS (Sweden); and Personal Financing Planning at UCLA.</p> <p>Member: Mr. Robin A. King, Filipino, 70 years old, was first elected independent director in 2011. He was an independent director of FMIC (2010-2011), Toyota Financial Services Philippines Corporation (2008-2010), President and Director of Global Business Bank (1997-2002) and President and Vice-Chairman of International Bank of California (1994-1997). He is a Certified Public Accountant. He obtained his BSBA degree from the University of San Carlos in 1967 and his MBA degree major in Banking and Finance from the University of the Philippines in 1970.</p> <p>Member: Mr. Joshua E. Naing, Filipino, 57 years old, has been the Head of the Financial and Control Sector since November 2013 after serving as Controller from October 2002 to November 2013. He has been a director of FMIC since April 2015; Metro Remittance Center, Inc. (USA) since June 2008; Metro Remittance (Hong Kong) Limited since January 2009 and MB Remittance Center (Hawaii), Ltd. since April 2010</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank Annual Report 2017, page 33</u> • <u>Website: Metrobank 2017 SEC 20-IS, pages 18-21</u> • <u>Website: Our People</u> 	
Recommendation 3.5			
<p>1. Board establishes a Related party Transaction (RPT) Committee, which is tasked with reviewing all material related party transactions of the company</p>	<p>COMPLIANT</p>	<p>Related Party Transactions Committee (RPTC) is 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.</p> <p>Duties and Responsibilities:</p> <ol style="list-style-type: none"> 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- 	

		<p>related to related and vice versa) are captured.</p> <p>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> <p>The Committee should take into account the following:</p> <ol style="list-style-type: none"> a. The related party's relationship to the Bank and interest in the transaction; b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction; c. The benefits of the Bank of the proposed RPT; d. The availability of other sources of comparable products or services; and 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. <p>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.</p> <p>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</p> <p>5. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.</p> <p>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</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, Annex 11 • Website: Related Party Transactions Committee Charter 	
<p>2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman</p>	<p>COMPLIANT</p>	<p>As provided in the RPTC Charter, membership shall be composed of at least three (3), 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.</p>	

2017 RPTC Membership

Name of Members / Membership	Designation
Rex C. Drilon II, Chairman	Independent Director
Robin A. King, Vice Chairman	Independent Director
Edgar O. Chua, Member	Independent Director

Committee Chairman:

Mr. Rex C. Drilon II, Filipino, 71 years old, became an independent director in 2012. He also served as independent director of FMIC (2011-2014). He has been a member of the Board of Trustees of the Institute of Corporate Directors since 2013, member of the Board of Trustees of Institute of Solidarity in Asia since 2010, and Chairman of Keyland Corporation and YLD Holdings, Inc. since 2012. He was the President of the Institute of Corporate Directors (2010-2012), Chief Operating Officer of Ortigas & Company, Limited Partnership (2001-2010) and CEO of Ayala Land's publicly listed subsidiaries CHI and CPVDC (1998-2001). He has a Business Administration degree from the University of the East. He pursued further studies at the University of Asia and The Pacific.

Vice- Chairman:

Mr. Robin A. King, Filipino, 70 years old, was first elected independent director in 2011. He was an independent director of FMIC (2010-2011), Toyota Financial Services Philippines Corporation (2008-2010), President and Director of Global Business Bank (1997-2002) and President and Vice-Chairman of International Bank of California (1994-1997). He is a Certified Public Accountant. He obtained his BSBA degree from the University of San Carlos in 1967 and his MBA degree major in Banking and Finance from the University of the Philippines in 1970.

Member:

Mr. Edgar O. Chua, Filipino, 61 years old, is currently an Independent Director of Integrated Micro-Electronics, Inc. (IMI) and Energy Development Corporation (EDC) since 2013. He was the Chairman of Pilipinas Shell Petroleum until May 2017. He is also the Chairman of the Philippine Eagle Foundation (2017), De La Salle University Board (2016), De La Salle Science Foundation (2016), Makati Business Club (2016) and Energy Council of the Philippines (2014). He is a Trustee/Treasurer of Philippine Business for Education since 2007 and Trustee for College of Saint Benilde (2017), De La Salle Araneta Salikneta (2015), De La Salle National Mission Council, Gawad Kalinga Community Development Foundation, Inc. (2005). He is also a Trustee of Pilipinas Shell Foundation, Inc. (2003), Foundation for Rural Electrification for Economic Development (FREED) since 2003 and Trustee of the English-Speaking Union of the Philippines, Inc. (2009). He was the Country Chairman of Shell companies in the Philippines from September 2003 to October 2016. He obtained his Bachelor of Science degree from De La Salle University in 1978.

		<p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Annual Report 2017, page 33 • Website: Metrobank 2017 SEC 20-IS, pages 18-21 • Website: Our People 	
Recommendation 3.6			
1. All established committees have a committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	COMPLIANT	<p>All Board-level Committee Charters are included in the Bank’s Corporate Governance Manual. Each charter provides among others, the respective responsibility statement, duties and responsibilities, meeting schedules, which likewise serve as basis for the performance evaluation process of the committee.</p> <p>All committees have its own performance assessment rating standards</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018 • Website: Board Committee Charters 	
2. Committee Charters provide standards for evaluating the performance of the Committees.	COMPLIANT		
3. Committee Charters were fully disclosed on the company’s website.	COMPLIANT	<p>All board-level committee charters are disclosed in the Bank’s website</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Board Committee Charters 	
Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation’s business.			
Recommendation 4.1			
1. The Directors attend and actively participate in all meetings of the Board. Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.	COMPLIANT	<p>Conduct of Board Meetings and Quorum Requirements as provided in the Bank’s Corporate Governance Manual</p> <p><i>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.</i></p> <p><i>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. It shall meet regularly to properly discharge its functions. It shall also ensure that independent views in Board</i></p>	

meetings shall be given full consideration and all such meetings shall be duly minuted.

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.

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.

Source:

- [Website: Metrobank Corporate Governance Manual 2018, page 15](#)
- [Website: Metrobank Annual Report 2017, page 20](#)
- [Website: 2017 Annual Stockholders' Meeting](#)

In compliance with the SEC Memorandum Circular No. 1, Series of 2014 dated January 10, 2014, we are pleased to submit the Attendance of Directors of Metropolitan Bank & Trust Company for the calendar year 2017:

Board	Name	Date of Election	% Present
Group Chairman	George S.K. Ty	April 26, 2017 (re-elected)	50
Chairman	Arthur Ty	April 26, 2017 (re-elected)	88
Vice Chairman	Francisco C. Sebastian	April 26, 2017 (re-elected)	96
President/Director	Fabian S. Dee	April 26, 2017 (re-elected)	100
Director	Alfred V. Ty	April 26, 2017 (re-elected)	75
Director	Edmund A. Go	April 26, 2017 (re-elected)	88
Director	Vicente R. Cuna, Jr	April 26, 2017 (re-elected)	96
Independent	Renato C. Valencia *	April 27, 2016	100
Independent	Jesli A. Lopus	April 26, 2017 (re-elected)	92
Independent	Robin A. King	April 26, 2017 (re-elected)	79
Independent	Rex C. Drilon II	April 26, 2017 (re-elected)	92
Independent	Francisco F. Del Rosario, Jr.	April 26, 2017 (re-elected)	96
Independent	Edgar O. Chua **	April 26, 2017 (newly elected)	100

*Director until March 2017

** Elected director in April 2017

Names	Dates of Regular and Special Board Meetings														Total No. of Meetings Attended	Percentage (%) of Attendance												
	Jan 25, 2017 (regular board meeting)	Feb. 22, 2017 (regular board meeting)	March 22, 2017 (regular board meeting)	April 25, 2017 (organizational/regular board meeting)	May 24, 2017 (regular board meeting)	May 31, 2017 (special board meeting)	June 28, 2017 (regular board meeting)	July 5, 2017 (special board meeting)	July 19, 2017 (special board meeting)	July 21, 2017 (special board meeting)	July 26, 2017 (regular board meeting)	Aug. 2, 2017 (special board meeting)	Aug. 7, 2017 (special board meeting)	Aug. 23, 2017 (regular board meeting)			Sept. 6, 2017 (special board meeting)	Sept. 12, 2017 (special board meeting)	Sept. 15, 2017 (special board meeting)	Sept. 15, 2017 (special board meeting)	Sept. 27, 2017 (regular board meeting)	Oct. 25, 2017 (regular board meeting)	Nov. 22, 2017 (regular board meeting)	Nov. 28, 2017 (special board meeting)	Dec. 6, 2017 (special board meeting)	Dec. 18, 2017 (regular board meeting)		
George S.K. Ty	x	x	x	x	x	A	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	12	50	
Arthur Ty	x	x	x	x	x	A	x	x	x	A	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	21	88
Francisco C. Sebastian	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	23	96
Fabian S. Dee	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	24	100
Alfred V. Ty	x	x	x	x	x	x	x	x	A	A	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	18	75
Edmund A. Go	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	21	88
Vicente R. Cuna, Jr.	x	x	x	x	x	x	x	x	A	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	23	96
Jesli A. Lapus	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	A	x	x	x	x	x	x	x	x	x	x	22	92
Rex C. Drlon II	x	x	x	A	x	x	x	x	x	x	x	A	x	x	x	x	x	x	x	x	x	x	x	x	x	x	22	92
Robin A. King	x	x	x	x	x	A	x	x	x	A	x	x	x	x	x	A	A	x	x	x	x	x	x	x	x	x	19	79
Francisco F. Del Rosario Jr.	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	A	x	x	x	x	x	x	x	x	23	96
Renato C. Valencia *	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	3	100
Edgar O. Chua **	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	21	100

* Director until March 2017
 ** Elected Director in April 2017

x present
 A absent
 n.a.

2. The directors review meeting materials for all Board and Committee meetings.

COMPLIANT

Materials are provided to members for review within the agreed timeframe. As far as practicable, materials for the Board meeting should be provided within five (5) banking days before the meeting.

From: Bernabe Laarni D <[REDACTED]>
Sent: Wednesday, June 21, 2017 5:30 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: Agenda and Materials for Finrev and BOD Meeting for June 2017

Dear All,

Please see attached Agendas and materials for FINREV and BOD Meetings for June 2017. I will send the password in a separate email.

		<p style="text-align: center;">xxx</p> <p style="text-align: center;">Thank you.</p> <p style="text-align: center;">Best regards,</p> <p style="text-align: center;">Arnie Bernabe Asst. Corporate Secretary</p> <div style="background-color: black; width: 100px; height: 20px; margin: 0 auto;"></div>	
<p>3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.</p>	<p>COMPLIANT</p>	<p>As stated in the Bank's Corporate Governance Manual, in the conduct of Board meetings, the directors are expected to attend and actively participate in all meetings of the Board, Committees and shareholders, review meeting materials and, if called for, ask the necessary questions or seek clarifications and explanations.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 15 <p><u>Excerpts from June 2017 Regular Board Meeting showing questions raised and/or clarification sought by the directors:</u></p> <p>1. On a year-on-year comparison of the net income of the Bank, President Dee emphasized the following:</p> <ul style="list-style-type: none"> ☐ The absolute amount of Year to Date net interest income still improved by 11.03% considering that for the same period last year, the Bank still had about P150 Billion AFS securities that it disposed of only in April to June 2016. <p style="padding-left: 40px;">Ms. Bartolome added that there was also a shift as far as the source of interest income is concerned. Volume of loans grew by 27% while volume of investment securities dropped by 11%.</p> <ul style="list-style-type: none"> ☐ Bank commissions and service charges increased by 22%. These are mostly from deposit account related services provided by electronic channels (ATM and POS) then RCOI items, trade and lending services, and treasury-related services. 	

		<p>☐ CASA growth is our challenge now. CASA growth from December 2016 to May 2017 is lower compared with the growth from December 2015 to May 2016.</p> <p>2. Director Del Rosario inquired on the source of the 25% increase in loan portfolio of the Bank.</p> <p>Ms. Bartolome replied that 83% of the outstanding loan balance came from large corporate accounts. The 25% increase year on year was contributed by large corporations, commercial and consumer clients which increased by 28%, 10% and 14%, respectively. As to location, 83% of the increase was sourced from NCR.</p> <p>3. Director Drilon asked how PSBank compared with Metrobank's MetroHome and MetroCar products in terms of volume.</p> <p>Director Cuna replied that in terms of volume, Metrobank is a bit higher in MetroCar but about the same in MetroHome. PSBank is growing at 8% for mortgages and about 27% for car. In terms of spread, PSBank's is higher and can thus also absorb the higher past due rate.</p> <p>Director Del Rosario inquired if there are lessons that PSBank can learn from Metrobank on how to lower the past due ratio considering they have the same products.</p> <p>Director Cuna replied that the two banks follow different business models and market to different clients. Chairman Ty added that it is Metrobank which actually learns from PSBank's experience in terms of fraud and other similar client issues.</p>	
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Recommendation 4.2

<p>1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term</p>	<p>COMPLIANT</p>	<p>The Bank has a policy on multiple board seats that sets the limit of board seats a non-executive director can hold simultaneously. The policy is embedded in the Bank's CGM and posted in the website, excerpts below:</p> <p><u>Multiple Board Seats</u> <i>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</i></p>	
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strategy of the company.		<p><i>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 considered in assessing compliance with this requirement</i></p> <p>For the information on the directorship positions of the directors in other companies both listed and non-listed, pls refer to the profiles of each director as provided in our response under Recommendation 1.1 above or refer to below link:</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 31 • Website: Metrobank 2017 SEC Form 20-IS, page 18-21 • Website: Metrobank About Us - Our People 	
Recommendation 4.3			
1. The directors notify the company's board before accepting a directorship in another company.	COMPLIANT	<p>No actual case recorded for 2017 Minutes of BOD Meeting. However, the Company observes the policy embodied in the Bank's CGM stated under Multiple Board Seats as:</p> <p><i>A director should notify the Board before accepting a directorship in another company. This is for the Board to be able to assess if his present responsibilities and commitment to the Bank will be affected and if the director can still adequately provide what is expected of him.</i></p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 31 	
Optional: Principle 4			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	COMPLIANT	The Bank does not have any Executive Director/s who serve in more than two boards of listed companies outside of the group.	
2. Company schedules boards of directors' meetings before the start of the financial year.	COMPLIANT	<p>Notices for the Board Meetings were sent at least one month ahead of the ensuing month's schedule.</p> <p>Per the Bank's Amended By-laws, the Board of Directors shall hold meetings every Wednesday of each month at 4:30pm.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Amended By-Laws 	
3.			

4. Board of directors meet at least six times during the year.

COMPLIANT

Indicate the number of board meetings during the year and provide proof

For the year 2017, a total of 24 Board Meetings were held, all Minutes of the Board Meetings from the period January 1 2017 to December 31, 2017 are complete and on file.

In compliance with the SEC Memorandum Circular No. 1, Series of 2014 dated January 10, 2014, we are pleased to submit the Attendance of Directors of Metropolitan Bank & Trust Company for the calendar year 2017:

Board	Name	Date of Election	% Present
Group Chairman	George S.K. Ty	April 26, 2017 (re-elected)	50
Chairman	Arthur Ty	April 26, 2017 (re-elected)	88
Vice Chairman	Francisco C. Sebastian	April 26, 2017 (re-elected)	96
President/Director	Fabian S. Dee	April 26, 2017 (re-elected)	100
Director	Alfred V. Ty	April 26, 2017 (re-elected)	75
Director	Edmund A. Go	April 26, 2017 (re-elected)	88
Director	Vicente R. Cuna, Jr	April 26, 2017 (re-elected)	96
Independent	Renato C. Valencia *	April 27, 2016	100
Independent	Jesli A. Lopus	April 26, 2017 (re-elected)	92
Independent	Robin A. King	April 26, 2017 (re-elected)	79
Independent	Rex C. Drilon II	April 26, 2017 (re-elected)	92
Independent	Francisco F. Del Rosario, Jr.	April 26, 2017 (re-elected)	96
Independent	Edgar O. Chua **	April 26, 2017 (newly elected)	100

*Director until March 2017

** Elected director in April 2017

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George S.K. Ty	v	v	v	v	v	A	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	12	50
Arthur Ty	v	v	v	v	v	A	v	v	v	A	A	v	v	v	v	v	v	v	v	v	v	v	v	v	21	88
Francisco C. Sebastian	v	v	v	v	v	v	v	v	v	A	v	v	v	v	v	v	v	v	v	v	v	v	v	v	23	96
Fabian S. Dee	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	24	100
Alfred V. Ty	v	v	v	v	v	v	v	v	A	A	v	v	v	v	v	v	v	v	v	v	v	v	v	v	18	75
Edmund A. Go	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	21	88
Vicente R. Cuna, Jr.	v	v	v	v	v	v	v	v	A	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	23	96
Jesli A. Lapus	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	A	v	v	v	v	v	v	v	v	22	92
Rex C. Drilon II	v	v	A	v	v	v	v	v	v	v	v	A	v	v	v	v	v	v	v	v	v	v	v	v	22	92
Robin A. King	v	v	v	v	v	A	v	v	A	v	v	A	v	v	v	v	A	A	v	v	v	v	v	v	19	79
Francisco F. Del Rosario Jr.	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	A	v	v	v	v	v	23	96
Renato C. Valencia *	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	3	100
Edgar O. Chua **	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	21	100

* Director until March 2017
** Elected Director in April 2017

v present
A absent
n.a.

Source:

- [Website: Metrobank Annual Report 2017, page 20](#)
- [Website: 2017 Annual Stockholders' Meeting](#)

<p>5. Company requires as minimum quorum of at least 2/3 board decisions.</p>		<p>As stated in the Bank’s CGM under - Conduct of Board Meetings and Quorum Requirements:</p> <p><i>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. 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.</i></p> <p>Source:</p> <ul style="list-style-type: none"> Website: Metrobank Corporate Governance Manual 2018, page 15 	
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Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs

Recommendation 5.1			
<p>1. The Board has at least 3 independent directors or such number as to constitute one-third</p>	<p>COMPLIANT</p>	<p>As stated in the Bank’s CGM on Composition of the Board:</p> <p>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.</p>	

		<p>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 and are not part of the day to day management of banking operations and shall include the independent directors.</p> <p>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.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 5 <p>In 2017, our Board is comprised of twelve directors, five (5) of whom are independent directors namely: Mr. Jesli A. Lapus Mr. Robin A. King Mr. Rex C. Drilon II Mr. Francisco F. Del Rosario, Jr. Mr. Edgar O. Chua</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: About Us - Our People 	
Recommendation 5.2			
<p>1. The independent directors possess all the qualification and none of the disqualification to hold the positions.</p>	<p>COMPLIANT</p>	<p>Profiles of directors are provided in the Annual Report, SEC Form 20-IS and Bank’s website.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Annual Report 2017, page 33 • Website: Metrobank 2017 SEC 20-IS, pages 18-21 • Website: Our People 	
Supplement to Recommendation 5.2			
<p>1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors’ ability to vote independently.</p>	<p>COMPLIANT</p>	<p>There are no shareholder agreements, voting trust agreements, confidentiality agreements or any such other agreements that may impact the control, ownership and strategic direction of the Company.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Org Chart 	

Recommendation 5.3

<p>1. The independent directors serve for a cumulative term of nine years (reckoned from 2012)</p>	COMPLIANT	<p>No independent director has served for a cumulative term of nine years (reckoned from 2012)</p> <table border="1" data-bbox="678 253 1730 521"> <thead> <tr> <th>Independent Directors</th> <th>Tenure</th> <th>Number of Years as ID (reckoned from 2012)</th> </tr> </thead> <tbody> <tr> <td>Jesli A. Lapus</td> <td>Dir. since August 2010</td> <td>5 years</td> </tr> <tr> <td>Rex C. Drilon II</td> <td>Dir. since August 2012</td> <td>5 years</td> </tr> <tr> <td>Robin A. King</td> <td>Dir. since April 2011</td> <td>5 years</td> </tr> <tr> <td>Francisco F. Del Rosario, Jr.</td> <td>Dir since April 2013</td> <td>4 years</td> </tr> <tr> <td>Edgar O. Chua</td> <td>Dir. since April 2017</td> <td>8 months</td> </tr> </tbody> </table> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Annual Report 2017, page 20 • Website: Metrobank About Us - Our People 	Independent Directors	Tenure	Number of Years as ID (reckoned from 2012)	Jesli A. Lapus	Dir. since August 2010	5 years	Rex C. Drilon II	Dir. since August 2012	5 years	Robin A. King	Dir. since April 2011	5 years	Francisco F. Del Rosario, Jr.	Dir since April 2013	4 years	Edgar O. Chua	Dir. since April 2017	8 months	
Independent Directors	Tenure	Number of Years as ID (reckoned from 2012)																			
Jesli A. Lapus	Dir. since August 2010	5 years																			
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Edgar O. Chua	Dir. since April 2017	8 months																			
<p>2. The company bars an independent director from serving in such capacity after the term limit of nine years.</p>	COMPLIANT	<p>Term Limits for Independent Directors</p> <p><i>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.</i></p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 19 																			
<p>3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.</p>	COMPLIANT	<p>For Year 2017, there was no case/instance discussed regarding retention of a director in the same capacity after maximum tenure of 9 years. All independent directors are still within the maximum term limit of 9 years.</p>																			
Recommendation 5.4																					
<p>1. The positions of Chairman of the Board</p>	COMPLIANT	<p>The Bank's Chairman of the Board and Chief Executive Officer are held by the following individuals separately:</p>																			

<p>and Chief Executive Officer are held by separate individuals.</p>		<p>Mr. Arthur Ty, Chairman of the Board Mr. Fabian S. Dee, President/CEO</p>	
<p>2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.</p>	<p>COMPLIANT</p>	<p>The positions of Chairman of the Board and Chief Executive Officer are held by two separate individuals</p> <p><u>The following are excerpts from the Bank’s CGM on the roles and responsibilities of the Chairman of the Board and the President:</u></p> <p>THE CHAIRMAN OF THE BOARD AND THE PRESIDENT</p> <p><i>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.</i></p> <p><i>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.</i></p> <p><i>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.</i></p> <p><i>Specifically, the respective powers and duties of the Chairman and the President are delineated in the Bank’s By-Laws.</i></p> <p><i>Based on the By-Laws, the Chairman shall have the following powers and duties:</i></p> <p><i>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;</i></p>	

		<ul style="list-style-type: none"> b. <i>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;</i> c. <i>To maintain qualitative and timely lines of communication and information between the Board and management;</i> d. <i>To submit an annual report of the operations of the Bank to the stockholders at the annual meeting;</i> e. <i>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</i> f. <i>To exercise such other powers and perform such other duties as the Board may from time to time fix or delegate.</i> <p><i>In addition to the foregoing, the Chairperson shall also have, among others, the following duties and responsibilities:</i></p> <ul style="list-style-type: none"> a. <i>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;</i> b. <i>Guarantees that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions;</i> c. <i>Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;</i> d. <i>Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;</i> e. <i>Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and</i> f. <i>Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.</i> <p>2. <i>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.</i></p>	
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		<p><i>Based on the By-Laws, the President shall have the following powers and duties:</i></p> <ul style="list-style-type: none"> <i>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;</i> <i>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;</i> <i>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;</i> <i>d. To suspend, at his discretion, any management officer or employees of the Bank;</i> <i>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;</i> <i>f. To represent the Bank in all judicial and administrative proceedings affecting its business;</i> <i>g. To sign with the Secretary all the certificates of stock of the Bank;</i> <i>h. To carry out all the resolutions and orders of the Board and of any authorized committee;</i> <i>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</i> <i>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.</i> <p><i>In addition to the foregoing, the President shall also have, among others, the following duties and responsibilities:</i></p> <ul style="list-style-type: none"> <i>a. Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;</i> <i>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;</i> <i>c. Oversees the operations of the corporation and manages human and financial</i> 	
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		<p><i>resources in accordance with the strategic plan;</i></p> <p><i>d. Has a good working knowledge of the corporation’s industry and market and keeps up-to-date with its core business purpose;</i></p> <p><i>e. Directs, evaluates and guides the work of the key officers of the corporation;</i></p> <p><i>f. Manages the corporation’s resources prudently and ensures a proper balance of the same;</i></p> <p><i>g. Provides the Board with timely information and interfaces between the Board and the employees;</i></p> <p><i>h. Builds the corporate culture and motivates the employees of the corporation; and</i></p> <p><i>i. Serves as the link between internal operations and external stakeholders.</i></p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 33 • Website: Metrobank Amended By-Laws 	
Recommendation 5.5			
<p>1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.</p>	<p>NON-COMPLIANT</p> <p>The Bank has no Lead Independent Director, but certainly provides a policy for the nomination of one, if warranted.</p>	<p>Policy as provided for in the Bank’s Corporate Governance Manual</p> <p><u>Lead Independent Director</u></p> <p><i>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.</i></p> <p><i>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: :</i></p> <p><i>a. lead the independent directors at Board meetings in raising queries and pursuing matters; and</i></p> <p><i>b. lead meetings of independent directors, without the presence of executive directors.</i></p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 18 	<p>The Bank has not named a Lead Independent Director, since the positions of Chairman of the Board and the Chief Executive Officer/President are held by separate individuals. The Chairman is not independent.</p> <p>The Bank warrants that proper mechanisms are in place to ensure independent views and perspectives, avoid abuse of power or monopoly of authority and potential conflict of interest. The Bank’s Board is composed of majority of non-executive directors, a deliberate stance to promote objectivity and</p>

			<p>independence in the board. The Board is comprised of a total of twelve (12) directors, nine of whom are non-executive directors NED, of which five (5) are independent directors.</p> <p>The Board also ensures that non-executive board members meet with the external auditor and heads of internal audit, compliance and risk management functions other than in meetings of the audit and risk oversight committees, in the absence of senior management. This mechanism provides a valuable channel of communication should there be any concern/s the directors may wish to discuss relating to the Chairman or CEO/President or Management.</p>
Recommendation 5.6			
<p>1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.</p>	<p>COMPLIANT</p>	<p>The Bank's CGM provides that <i>Directors should conduct fair business transactions with the Bank and ensure that personal interest does not bias Board decisions.</i></p> <p><i>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</i></p>	

		<p>would compromise his impartiality. Directors are required to abstain from participating in the Board discussion on a particular agenda when they are conflicted.</p> <p>Source:</p> <ul style="list-style-type: none"> Website: Metrobank Corporate Governance Manual 2018, page 19 <p>Minutes of the Meeting have recorded “step-outs” of directors with material interest in the transaction being deliberated.</p> <p>Related Party Transactions Committee (RPTC) Minutes of Meeting 19 June 2017, 01:00 P.M. Mapa Room</p> <p>xxx</p> <p>Before proceeding with the next review, Vice Chairman RAKing stepped out of the room.</p> <p>xxx</p> <p>After the deliberation for [REDACTED], Vice Chairman RAKing returned to the room and joined the Committee for the rest of the discussions.</p>	
Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present	COMPLIANT	<p>The non-executive directors meet at least once a year without the presence of any executive. In 2017, the meeting was held on 20th February 2017.</p> <p>The meeting was attended NEDs, majority of whom are independent directors without the presence of any executives, hence, objectivity and independence is maintained.</p> <p>The meeting was headed by an Independent Director.</p>	
2. The meetings are chaired by the lead independent director.	COMPLIANT		
Optional: Principle 5			
1. None of the directors is a former CEO of the	COMPLIANT	In the past two years i.e. 2015-2017, Mr. Fabian S. Dee has remained the Bank’s President/CEO.	

company in the past 2 years.			
Principle 6: The best measure of the Board’s effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.			
Recommendation 6.1			
1. Board conducts an annual self-assessment of its performance as a whole.	COMPLIANT	<p>The Board has created an internal self-rating system and procedures to determine and measure compliance vis-à-vis good corporate governance principles and practices as prescribed in the Code of Corporate Governance: (i) each Director self-rates and collectively rates the Board, the Chairman of the Board and the President; (ii) the Corporate Governance and Compensation Committee (CGCC), Audit, Risk Management and other Board committees conduct self-rating. When a director or officer has multiple positions in the Group, CGCC determines whether or not said director or officer is able to and has been adequately carrying out his/her duties. The results of the annual self-assessment are validated and summarized, discussed by the CGCC and reported to the Board. Based on the results of the annual evaluation, for the year 2017, the Bank has fully complied with the material requirements of the Code of Corporate Governance.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank 2017 Annual Report, page 22</u> <p>For 2017, the Board conducted an annual self-assessment of its performance, including the performance of the Chairman, the President and individual members and committees. Results of the evaluation were submitted to the Corporate Governance and Compensation Committee on May 10, 2018 and were presented to the Board on May 23, 2018 for notation.</p>	
2. The Chairman conducts a self-assessment of his performance	COMPLIANT		
3. The individual members conduct a self-assessment of their performance.	COMPLIANT		
4. Each committee conducts a self-assessment of its performance.	COMPLIANT		
5. Every three years, the assessments are supported by an external facilitator.	Compliant		<p>The Bank’s Corporate Governance and Compensation Committee (CGCCom) handles the annual self-assessment of the Board’s performance, as well as the CEO and the board level committees.</p> <p>Effective this year, the Bank will consult an external facilitator to assist in the performance assessment.</p>
Recommendation 6.2			
1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and	COMPLIANT	<p>In compliance with this recommendation, Annual Self-Assessment procedures are included in the Bank’s Corporate Governance Manual, as follows:</p> <p>The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, the President and individual members and committees.</p> <p>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</p>	

committees.		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.	
2. The system allows for a feedback mechanism from the shareholders.	COMPLIANT	<p>1. The evaluation shall cover the period April of the previous year to March of the following year (whole term).</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 52 <p>The Bank has a system for feedback mechanism from the shareholders through the Stockholders’ meetings where the Bank conducts open forum and voting mechanism in ratifying the acts of the directors. Shareholders are also given access to communicate anytime through the Investor Relations Hotline in the Bank’s website.</p>	

Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			
Recommendation 7.1			
1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	COMPLIANT	<p>The following Codes of Conduct are posted in the Bank’s website and included in the Corporate Governance Manual:</p> <ul style="list-style-type: none"> ✓ Code of Conduct and Ethics for Bank Directors ✓ Code of Conduct for Employees <p>The revised Code of Conduct for Employees was approved by the Board on November 22, 2017 and took effect January 1, 2018. The revised Code of Conduct is anchored on the Bank’s Core Values.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank Business Ethics</u> 	
2. The Code is properly disseminated to the Board, senior management and employees.	COMPLIANT	<p>The revised Code of Conduct was disseminated to all employees on January 5, 2018. All are required to submit an acknowledge receipt that they have read, understood and will comply with the Code of Conduct.</p> <p>Further, the Code of Conduct is discussed with the new employees of the bank during their New Employee’s Orientation (every 1st and 16th of the month). There are regular advisories about the Code and standards of right behavior are shared during training and on various unit’s meetings.</p>	
3. The Code is disclosed and made available to the public through the company website.	COMPLIANT	<p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank Business Ethics</u> 	
Supplement to Recommendation 7.1			
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	COMPLIANT	<p>Under the standard of Avoidance of Conflict of Interest, it clearly states that “Bribery, fraud, extortion, collusion, conflict of interest, and money laundering, and other corrupt practices have no role in the way we conduct our affairs.”</p> <p>Commission of any form of bribery is categorized as a Class D Offense and is punishable by termination under the Code of Conduct.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank Company Policies</u> 	
Recommendation 7.2			
1. Board ensures the proper and efficient implementation and	COMPLIANT	The Bank’s Code of Conduct has strict implementing guidelines to ensure clarity and consistency of implementation. Bank’s policies and procedures to support the Code are articulated and announced via bankwide announcements. Units also issue the appropriate advisories whenever	

<p>monitoring of compliance with the Code of Business Conduct and Ethics</p>		<p>updates or new policies are to be implemented. Training programs use live cases from bank operations to illustrate right behavior.</p>	
<p>2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.</p>	<p>COMPLIANT</p>	<p>All employees are required to comply with the Code of Business Conduct and Ethics. The Board of Directors are likewise bound to comply with the Code of Conduct and Ethics for Directors.</p> <p>There are bank units that monitor the bank's compliance to rules & policies, such as (but not limited to) Branch Operations & Control Division (BOCD), Internal Audit Group. Any breach in the Code of Conduct and/or policies & procedures follows the prescribed administrative due process (to include investigation and decision) by the appropriate Committee to ascertain accountability.</p> <p>Further, as an extension of the Board of Directors, the Audit Committee (AUDITCOM) assists the Board of Directors in fulfilling its statutory and fiduciary responsibilities, which include among others, ensuring compliance with Bank policies, and applicable laws, rules and regulations and code of conduct; ensuring adequate and effective internal controls.</p> <p>As part of the Internal Audit Charter, the IAG Head, in the discharge of his/her duties, shall be accountable to Management and the Audit Committee for providing annual assessment on the adequacy and effectiveness of the Bank's processes for controlling its operations and managing its risks in the areas set forth under the mission and scope of work.</p>	
Disclosure and Transparency			
Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
Recommendation 8.1			
<p>1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that give a fair and complete picture of a company's financial condition, results and business operations.</p>	<p>COMPLIANT</p>	<p>Company disclosures are posted in the Bank's website.</p> <p>The Bank has policies and procedures in place for the required bank disclosures which is now in process of updating to align and comply with new regulations issued by SEC, PSE and BSP.</p>	
Supplement to Recommendation 8.1			
<p>1. Company distributes or</p>	<p>COMPLIANT</p>	<p>The Bank has submitted/published the consolidated/interim financial reports within the required</p>	




<p>makes available annual and quarterly consolidated reports, cash flow statements and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.</p>		<p>period as follows:</p> <table border="1" data-bbox="674 217 1730 456"> <thead> <tr> <th>17Q (Quarterly Unaudited FS)</th> <th>Date Submitted to SEC</th> <th>No. of Days</th> </tr> </thead> <tbody> <tr> <td>March 31, 2017</td> <td>May 11, 2017</td> <td>41</td> </tr> <tr> <td>June 30, 2017</td> <td>August 7, 2017</td> <td>38</td> </tr> <tr> <td>September 30, 2017</td> <td>November 6, 2017</td> <td>37</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td>2017 Audited FS</td> <td></td> <td></td> </tr> <tr> <td>With Management Discussion</td> <td>February 1, 2018</td> <td>32</td> </tr> </tbody> </table>	17Q (Quarterly Unaudited FS)	Date Submitted to SEC	No. of Days	March 31, 2017	May 11, 2017	41	June 30, 2017	August 7, 2017	38	September 30, 2017	November 6, 2017	37				2017 Audited FS			With Management Discussion	February 1, 2018	32	
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<p>2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.</p>	<p>COMPLIANT</p>	<p>There are no shareholder agreements, voting trust agreements, confidentiality agreements or any such other agreements that may impact the control, ownership and strategic direction of the Company.</p> <p>Source:</p> <ul style="list-style-type: none"> <u>Website: Metrobank Annual Report 2017</u> 																						
<p>Recommendation 8.2</p>																								
<p>1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.</p>	<p>COMPLIANT</p>	<p>Metrobank has instituted its own Insider Trading Policy to ensure that shareholders are afforded protection and that individuals do not benefit from knowledge which is not generally available to the market. The policy requires that the disclosure of material non-public 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. <u>The policy covers the standard of conduct applicable to all directors and employees</u> 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</p>																						
<p>2. Company has a policy</p>	<p>COMPLIANT</p>																							

<p>requiring all officers to disclose/report to the company's shares within three business days.</p>		<p>reporting insiders to confirm their respective beneficial ownership of listed shares of stock in their respective companies, if any, and <u>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.</u></p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual, page 51 • Website: Metrobank Annual Report 2017, page 49 • Website: Metrobank Company Policy 	
<p>Supplement to Recommendation 8.2</p>			
<p>1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).</p>	<p>COMPLIANT</p>	<p>Source:</p> <ul style="list-style-type: none"> • Website: Initial Statement of Beneficial Ownership • Website: Metrobank Top 100 Shareholders • Website: Metrobank Disclosures 2018 • Website: Metrobank Org. Chart 	
<p>Recommendation 8.3</p>			
<p>1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications and assess any potential conflicts of interest that might affect their judgement.</p>	<p>COMPLIANT</p>	<p>Please follow below links for the relevant and material information on the directors, such as but not limited to academic qualifications, professional/employment history, share ownership, trainings attended.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: SEC 20-IS 2017 • Website: Metrobank Annual Report 2017 • Website: Metrobank - Our People 	
<p>2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualification, and assess</p>	<p>COMPLIANT</p>	<p>Please follow below links for the relevant and material information on key officers/executives, such as but not limited to academic qualifications, professional/employment history, share ownership, trainings attended.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank SEC 20-IS 2017, page 16-17 	

any potential conflicts of interest that might affect their judgement		<ul style="list-style-type: none"> • Website: Metrobank Annual Report 2017 • Website: Metrobank - Our People 	
Recommendation 8.4			
1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.	COMPLIANT	<p>Directors' Compensation Package</p> <p>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.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 50 	
2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	COMPLIANT	<p>Executive and Employee Compensation</p> <p>The Bank pays salaries commensurate to the individual's qualifications & 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 conducted by an accredited and recognized third party, Towers Watson, to ensure its competitiveness vis-à-vis industry and other market considerations.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 50 	
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	COMPLIANT	<p>The Bank discloses information on its directors and executive based on the existing disclosure rules of the SEC and PSE, while respecting individual executive's right to data privacy.</p> <p>In line with the above explanation, the Bank discloses annual remuneration of its directors and executive officers in the aggregate. It also provides the components of such remuneration.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank SEC 20-IS 2017, page 26 	
Recommendation 8.5			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance	COMPLIANT	<p>As provided in the Bank's Corporate Governance Manual, the Bank has adopted a policy 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.</p> <p>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</p>	

		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. Source: <ul style="list-style-type: none"> • Website: Metrobank Company Policies • Website: Metrobank Corporate Governance Manual 2018, page 51 and Annex 17 	
2. Company discloses material or significant RPTs reviewed and approved during the year	COMPLIANT	Significant RPTs are disclosed in Note 31 of the 2017 Audited Financial Statements Source: <ul style="list-style-type: none"> • Website: Metrobank SEC 20-IS 2017, page 208-219 • Website: Metrobank SEC 17-A (Item 31) 	
Supplement to Recommendation 8.5			
1. Company requires directors to disclose their interests in transactions or any other conflict of interest.	COMPLIANT	Directors are required to provide their biographical data and disclose any probable conflict of interests which are part and parcel of the assessment and nomination process for directors. At the onset of review of a related party transaction, a director with interest in the particular transaction or any other conflict of interest should disclose such and should abstain from participating in the deliberation of the particular transaction.	
Optional: Recommendation 8.5			
1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.	COMPLIANT	Company disclosures on RPTs are found in the Annual Report, SEC Form 20-IS, SEC 17-A and Bank's website Source: <ul style="list-style-type: none"> • Website: Metrobank SEC 20-IS 2017, page 208-219 • Website: Metrobank SEC 17-A (Item 31) • Website: Metrobank 2017 Annual Report FS, page 138-149 	
Recommendation 8.6			
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect	COMPLIANT	The Bank's material subsequent events are disclosed in SEC Form 20-IS, SEC 17-A as follows: <u>Material Subsequent Events</u> a. The purchase of 200 million MCC shares by the Parent Company representing 20% ownership was completed on January 8, 2018 (Note 11). b. On January 17, 2018, the BOD of the Parent Company approved the SRO by way of issuance of up to a maximum of 819,827,214 common shares which is equivalent to the remaining unissued portion of the authorized capital stock for the purpose of raising additional capital of up to	

<p>the viability or the interest of its shareholders and other stakeholders.</p>		<p>P=60.0 billion. This was noted by the BSP with the issuance of a letter of no objection to the Rights Issue on January 29, 2018. The SRO issuance shall be further subject to other regulatory approvals as well as market and other conditions.</p> <p>c. On January 18, 2018, the BOD of PSBank declared a 7.50% regular cash dividend for the fourth quarter of 2017 amounting to P=180.2 million or P=0.75 per share, payable not later than February 19, 2018 to all common stockholders as of record date of February 2, 2018.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank SEC 20-IS 2017, page 221</u> 	
<p>2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.</p>	<p>COMPLIANT</p>	<p>R.G. Manabat & Co. handled the final valuation and fairness report on MCC deal.</p>	
<p>Supplement to Recommendation 8.6</p>			
<p>1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership and strategic direction of the company.</p>	<p>COMPLIANT</p>	<p>As per the Bank’s Annual Report, there are no shareholder agreements, voting trust agreement, confidentiality agreements or any such other agreements that may impact the control, ownership and strategic direction of the company</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank 2017 Annual Report, page 27</u> 	
<p>Recommendation 8.7</p>			
<p>1. Company’s corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG)</p>	<p>COMPLIANT</p>	<p>The Bank’s Corporate Governance Manual is disclosed in the Bank’s website.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank Corporate Governance Manual 2018</u> 	
<p>2. Company’s MCG is</p>	<p>COMPLIANT</p>		

submitted to the SEC and PSE.			
3. Company's MCG is posted on its company website	COMPLIANT		
Supplement to Recommendation 8.7			
1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices	COMPLIANT	<p>31 May 2017</p> <p>Atty. Justina F. Callangan Director Corporate Governance and Finance Department Securities and Exchange Commission</p>  <p>Dear Atty. Callangan,</p> <p>In compliance with SEC Memorandum Circular No. 19, s2016 and SEC Memorandum Circular No. 08, s2017, we submit herewith a copy of the revised Corporate Governance Manual of Metropolitan Bank and Trust Company.</p> <p>We hope you find everything in order.</p> <p>Thank you.</p> <p> ATTY. DONATO V. ESPINO Compliance Officer</p> <p> ARTHUR TY Chairman of the Board</p>	
Optional: Principle 8			
1. Does the company's Annual Report disclose the following information:		2017 ANNUAL REPORT: Chairman's Message Our priorities and corporate objectives are clear: To ensure the sustainability of our business and increase market position by staying relevant to the changing needs of our customers.	
a. Corporate Objectives	COMPLIANT	2017 ANNUAL REPORT: Summary of Financial Statements ATM & Branch Network	
b. Financial performance indicators	COMPLIANT	2017 ANNUAL REPORT: President's Report On a consolidated basis, we ended the year with 952 branches and over 2,300 ATMs nationwide. 2017 ANNUAL REPORT: Contact Information	
c. Non-financial	COMPLIANT	Metrobank is the country's premier universal bank, with an extensive consolidated network that	

performance indicators		spans over 2,300 ATMs nationwide, more than 950 domestic branches, and 33 foreign branches, subsidiaries and representative offices.	
d. Dividend Policy	COMPLIANT		
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	COMPLIANT	<p>2017 ANNUAL REPORT: Corporate Social Responsibility 285,247 individuals benefitted from MBFI initiatives 78 socio civic and charitable organizations P28 M total amount of grants provided</p> <p>2017 ANNUAL REPORT: People (Human Resources) Employee demographics</p> <p>2017 ANNUAL REPORT: Customer Protection In 2017, total complaints increased by 8.8% in line with the increase in transaction volumes. The ratio of complaints to total transactions remained at 0.03%</p>	
f. Attendance details of each director in all directors meetings held during the year	COMPLIANT	<p>2017 ANNUAL REPORT: Corporate Governance – Dividend Policy Historically, the Bank has declared annual cash dividends equal to P1.00 per common share, equivalent to 5% of par value. 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. 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.</p>	
g. Total remuneration of each member of the board of directors	COMPLIANT	<p>2017 ANNUAL REPORT: Board of Directors (BOD) Photos with BOD Profile</p> <p>2017 ANNUAL REPORT: Corporate Governance Attendance table</p> <p>SEC 20-IS Inclusive of directors’ per diem and transportation allowances amounting to P37.81 million, P36.98 million and P36.84 million as of December 31, 2018, 2017, and 2016, respectively, or an average of P262,583.33, P237,057.69 and P219,302.59 per month/per director in 2018, 2017 and 2016, respectively.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank 2017 Annual Report • Website: SEC 20-IS 2017 	
2. The Annual Report	COMPLIANT		

<p>contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.</p>		<p>2017 ANNUAL REPORT: Corporate Governance – Evaluation System Based on the results of the annual evaluation, for the year 2017, the Bank has fully complied with the material requirements of the Code of Corporate Governance.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank 2017 Annual Report, page 22</u> 	
<p>3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.</p>	<p>COMPLIANT</p>	<p>2017 Corporate Governance Report on Internal Audit and 2017 Audit Committee Report to the Board of Directors as part of the 2017 Annual Report was submitted to the Strategic Planning Division.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank 2017 Annual Report, page 26</u> 	
<p>4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.</p>	<p>COMPLIANT</p>	<p>2017 ANNUAL REPORT: Corporate Governance – Audit Committee Report to the Board of Directors Based on the Committee's accomplishments, representation letter from the Bank Management, an unqualified opinion from the external auditor on the financial statements, and Chief Audit Executive's positive overall assessment on the adequacy and effectiveness of the Bank's internal control, risk management, and governance processes, we conclude that business risks are managed in accordance with the BOD-set policies and in compliance with relevant regulatory requirements.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank 2017 Annual Report, page 26</u> 	
<p>5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT,</p>	<p>COMPLIANT</p>	<p>Risk Management in 2017</p> <p>As business opportunities continued to expand in 2017, so did the demands for risk management to keep up and to ensure that such growth is sustainable. The past year thus saw the further embedding of risk management initiatives, a re-thinking of existing frameworks and processes, and crafting roadmaps towards fulfilling the requirements of new regulations and pursuing best</p>	

<p>environmental, social, economic).</p>		<p>practice.</p> <p>Group Oversight</p> <p>Governance and oversight was a recurring theme in 2017, hence a more dynamic collaboration with other risk management units of the Metrobank Group’s subsidiaries was implemented through an enhanced charter of the Risk Management Coordinating Council (RMCC), with the parent bank’s Chief Risk Officer as chair person. Regular meetings and reports were established and conducted with the subsidiaries as a venue to sound concerns and share best risk practices within the Group. Standardization and alignment of business practices, risk policies and procedures across the various risk management units is an endeavor that is projected to continue.</p> <p>Credit Risk</p> <p>The primary task of managing credit risk is to ensure that the credit risk exposures are consistently managed based on the Bank’s risk appetite to support the balance sheet’s sustainability.</p> <p>In 2017, much of credit risk management work was devoted to developing expected credit loss models that would facilitate transition to the new accounting standards taking effect in January 2018. Initiatives, particular to risk data collection and consolidation of credit information, continued to progress aimed at allowing model improvement and more efficient and accurate credit portfolio analytics. Leveraging on the developed models for expected credit loss, the Bank likewise began testing its capacity to consistently attribute economic capital to its credit risk exposures with a view towards migrating to more advanced risk capital and performance measures.</p> <p>Credit Concentration Risk</p> <p>Credit concentration risk is the current and prospective negative impact to earnings and capital arising from over-exposure to specific industries or borrowers and counterparties. The Bank managed, and continues to manage this risk via adherence to processes relating to industry and counterparty assessments, observance of regulatory ceilings, and setting of internal limits. Credit risk profiles of the various portfolios were monitored and analyzed during the year to address any concentration issues.</p> <p>Market Risk and Interest Rate Risk in the Banking Book (IRRBB)</p>	
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	<p>Market risk and IRRBB are risks resulting from adverse movements in the general level or volatility of market rates and/or prices possibly affecting the Bank’s financial condition. The Bank manages these risks via a process of identifying, analyzing, measuring and controlling relevant market risk factors, and establishing appropriate limits for the various exposures. In 2017, risks exposures were kept within regulatory standards and defined thresholds of the Bank. Moreover, the Bank undertook the enhancement of its model risk management framework, while performing validation of its various risk assessment tools. Its off-market monitoring and reporting framework was likewise revamped, thus establishing 2nd level checks on top of customary benchmarks.</p> <p>Liquidity Risk</p> <p>The Bank’s liquidity policy has always been to manage its operations to ensure that funds available are more than adequate to meet the demands of its customers and to enable deposits to be repaid on demand or upon maturity. The Bank’s strategy for managing this risk is generally via limiting the maturity mismatch between assets and liabilities, and by holding sufficient liquid assets of appropriate quality and marketability. In 2017, liquidity gaps were kept within defined thresholds. In keeping with the recognition that liquidity risk outranks all others, the Bank likewise enhanced its contingency funding plan and bolstered further its liquidity stress testing framework.</p> <p>Operational Risk</p> <p>2017 saw the further embedding of operational risk management (ORM) initiatives, taking guidance from the principles under BSP Circular 900. The Business Risk Manager (BRM) function was rolled out, thus creating a certified risk officer embedded in each of the Bank’s businesses. The responsibilities currently ascribed to BRMs are expected to expand as the function matures. ORM tools were likewise enhanced along with the revision of the Bank’s ORM framework. The most notable of such enhancements were: a) the alignment of the Risk Control Self-Assessment (RCSA) with the Bank’s Audit Rating System (ARS), thus facilitating a consistent view of Risk across the organization, and b) the completion and monitoring of institutional and business-level Key Risk Indicators (KRIs).</p> <p>Business Continuity Risk</p> <p>Enhancement of the Bank’s ability to continue with its operations despite any disruption was also a highlight of 2017, proceeding from the guidelines set out in BSP Circular 951. To this end, the annual run of the Disaster Risk Assessment (DRA) and Business Impact Analysis (BIA) were completed, culminating in a successful staging of an enterprise-wide Business Continuity Plan</p>	
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		<p>testing exercise. Disaster preparedness initiatives likewise continued to be rolled out, highlighted by the provision of “grab bags” or all Metrobank personnel.</p> <p>Reputation Risk</p> <p>The Bank holds that reputation risk is a consequence of other risks. Its management therefore is tied closely to the manner by which it manages its other risks. By ensuring effective identification, assessment, control, monitoring, and reporting of the other material risks, reputation risk is likewise effectively managed.</p> <p>Compliance and Regulatory Risk</p> <p>Compliance and regulatory risk as the current and potential negative impact to operations arising from failure to comply with all applicable laws, regulations, codes of conduct, standards of good governance and practice. The Bank’s Compliance Program, the implementation of which is overseen and coordinated by the Compliance Officer, is the primary control process for regulatory risk issues. The Compliance Officer is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing compliance issues, performing periodic compliance testing on branches and Head Office units, and reporting compliance findings to the appropriate Board committee. Specific to money laundering, AML risk is managed separately by the Bank’s Anti-Money Laundering Division (AMLDD) reporting directly to the Board’s AML Committee.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank 2017 Annual Report, page 24-25 	
<p>Principle 9: The company should establish standards for the appropriate selection of an external auditor and exercise effective oversight of the same to strengthen the external auditor’s independence and enhance audit quality.</p>			
<p>Recommendation 9.1</p>			
<p>1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal and fees of the external auditors.</p>	<p>COMPLIANT</p>	<p>As stated in the Charter, the Audit Committee shall be responsible for recommending the appointment, re-appointment and termination of the independent external auditor based on fair and transparent criteria.</p> <p>i. The recommendation should be approved by the Board and ratified by the shareholders;</p> <p>ii. If the 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;</p> <p>Duties and Responsibilities 1.g.</p>	

		The Audit Committee shall 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;	
2. The appointment, reappointment, removal and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	COMPLIANT	<p>RESOLUTION NO. 055 - MBTC-SH-2017 RESOLVED, that as recommended by the Audit Committee and approved by the Board of Directors, SGV & Co. is hereby appointed as the External Auditors of Metrobank for the year 2017.</p> <p>Appointment of External Auditor for Year2017 (90.52% of shareholders present and represented voted in favor; 8.75% voted against; 0.73% abstained)</p> <p>The proxies, attendance and votes cast at the Meeting were tabulated by the Bank's Stock Transfer Agent (the Metrobank -Trust Banking Group), and validated by SGV & Co. in its capacity as third-party validator.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Results of 2017 Annual Stockholders' Meeting</u> 	
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	COMPLIANT	<p>As stated in the revised Charter of the Audit Committee under:</p> <p>Duties and Responsibilities 1.a.ii.</p> <p>If the 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;</p> <p>The Bank had no case or incident of removal or change of external auditor in 2017.</p>	
Supplement to Recommendation 9.1			
1. Company has a policy of rotating the lead audit	COMPLIANT	SGV has been the external auditors of the registrant since 1962. In compliance with the amended SRC Rule 68 (3) (b) (ix), the signing partners are rotated after every five years reckoned from the	

partner every five years.		<p>year 2002.</p> <p>Please see discussions on Information on Independent Accountants (page 37 of 2016 SEC Form 17A and page 32 of SEC Form 20-IS)</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank SEC-17A 2017</u> • <u>Website: SEC 20-IS 2017</u> 	
Recommendation 9.2			
<p>1. Audit Committee Charter includes the Audit Committee’s responsibility on:</p> <p>i. assessing the integrity and independence of external auditors;</p> <p>ii. exercising effective oversight to review and monitor the external auditor’s independence and objectivity; and</p> <p>iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</p>	COMPLIANT	<p>Provided in the Revised Charter of the Audit Committee as part of:</p> <p>Duties and Responsibilities 1.m.iii</p> <p>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;</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Audit Committee Charter</u> 	
<p>2. Audit Committee Charter contains the Committee’s responsibility on reviewing and monitoring the external auditor’s suitability and effectiveness on an</p>	COMPLIANT	<p>Provided in the Revised Charter of the Audit Committee under:</p> <p>Duties and Responsibilities 1.m.iii</p> <p>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;</p>	

annual basis.		<p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Audit Committee Charter</u> 	
Supplement to Recommendation 9.2			
1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions	COMPLIANT	<p>Provided in the Revised Charter of the Audit Committee under:</p> <p>Duties and Responsibilities 1.m.</p> <p>The Audit Committee shall review and monitor the overall suitability and effectiveness and conduct a regular performance appraisal of external auditors.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Audit Committee Charter</u> 	
2. Audit Committee ensures that the external auditor has adequate quality control procedures	COMPLIANT	<p>Provided in the Revised Charter of the Audit Committee under:</p> <p>Duties and Responsibilities 1.m.</p> <p>The Audit Committee shall review and monitor the overall suitability and effectiveness and conduct a regular performance appraisal of external auditors.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Audit Committee Charter</u> 	
Recommendation 9.3			
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	COMPLIANT	<p>Please see discussions on Information on Independent Accountants</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank SEC 20-IS 2017, page 62-64</u> 	
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services,	COMPLIANT	<p>Provided in the Revised Charter of the Audit Committee under:</p> <p>Duties and Responsibilities 1.g.</p> <p>The Audit Committee shall 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</p>	

which could be viewed as impairing the external auditor's objectivity.		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; Source: <ul style="list-style-type: none"> • Website: Audit Committee Charter 	
Supplement to Recommendation 9.3			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services	COMPLIANT	Please see discussions on Information on Independent Accountants. Source: <ul style="list-style-type: none"> • Website: Metrobank SEC 20-IS 2017, page 62-64 	
1. Company's external auditor is duly accredited by the SEC under Group A category.	COMPLIANT	Yes, SGV is duly accredited by SGV and belongs to Group A category. Audit Partner: Ms. Janeth Nunez-Javier SEC Accreditation: Number : 1328-AR-1 Date Accredited: July 28, 2016 Expiry date: July 28, 2019 Name/Address/Contact No: SyCip Gorres Velayo & Co. 6760 Ayala Avenue, 1226 Makati City Tel No. (632) 891-0307	
2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).	NOT APPLICABLE	As advised by external auditor, SEC moved the effectivity in 2018 (no specific date).	
Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.			
Recommendation 10.1			
1. Board has a clear and focused policy on the disclosure of non-	COMPLIANT	As provided in the IR Manual, the Bank's Investor Relations Department is tasked to disclose all pertinent non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of the Bank's business which underpin	

<p>financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability</p>		<p>sustainability. To the extent possible, this information is included in the Bank’s Annual Report and/or website as applicable.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank 2017 Annual Report, page 24</u> 	
<p>2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.</p>	<p>NON - COMPLIANT</p>		<p>In progress on a group level. GT Capital Holdings, Inc. has engaged University of Asia & the Pacific (UA&P) – Center for Social Responsibility in a bid to align disclosures to a recognized framework, similar to GRI for reporting sustainability and non-financial issues. In 2018, officers of MBT Strat Plan and IR have already attended three of these seminars with other component companies of GT Capital.</p>
<p>Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.</p>			
<p>Recommendation 11.1</p>			
<p>1. Company has media and analysts’ briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to</p>	<p>COMPLIANT</p>	<p>List of Conferences and Media Briefings, IR Presentation, Recent Investor relations activities are available here: Website: Investors Relations Program (https://www.metrobank.com.ph/IR_programs.asp)</p> <p>Panelist: GTCAP Quarterly Briefing https://www.gtcapital.com.ph/investor-relations/presentation-slides</p>	

its shareholders and other investors.			
Supplemental to Principle 11			
1. Company has a website disclosing up-to-date information on the following:		Website: Metrobank Financial Reports Website: Metrobank Company Presentation Website: Metrobank Annual Reports Website: Metrobank Notice of ASM Website: Metrobank Minutes of ASM Website: Metrobank Articles of Incorporation Website: Metrobank Amended By-Laws	
a. Financial statements/reports (latest quarterly)	COMPLIANT		
b. Materials provided in briefings to analyst and media	COMPLIANT		
c. Downloadable annual report	COMPLIANT		
d. Notice of ASM and/or SSM	COMPLIANT		
e. Minutes of ASM and/or SSM	COMPLIANT		
f. Company's Articles of Incorporation and By-laws	COMPLIANT		
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	COMPLIANT		
Internal Control System and Risk Management Framework			
Principle 12: To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.			
Recommendation 12.1			
1. Company has an adequate and effective internal control system in the conduct of its business.	COMPLIANT	<p>The Audit Quality Assurance (AQuA) Department's quality program assessments include benchmarking of internal audit activity's practices and performance metrics against relevant successful practices and composed of the following activities:</p> <p>1. Implementing Quality Programs</p> <p>The Internal Audit Group Head (IAGH) should be accountable for implementing processes that are designed to provide reasonable assurance to the various stakeholders of the Internal Audit Activity that it:</p> <ul style="list-style-type: none"> Performs in accordance with its charter, which should be consistent with the 	

		<p>International Standards for the Professional Practice of Internal Auditing and Code of Ethics,</p> <ul style="list-style-type: none"> • Operates in an effective and efficient manner, and • Is perceived by those stakeholders as adding value and improving the organization’s operations. <p>2. Monitoring Quality Programs This pertains to ongoing and periodic assessments which comprise of rigorous, comprehensive processes, continuous supervision and testing of performance of audit, and periodic validations of compliance with International Standards for the Professional Practice of Internal Auditing. Monitoring includes ongoing measurements and analyses of performance metrics. If the results of these assessments indicate areas for improvement in the IA activity, the improvements should be implemented by the IAGH through AQuA Department.</p> <p>3. Assessing Quality Programs Assessments should evaluate and conclude on the quality of the internal audit activity and lead to recommendations for appropriate improvements. Assessments of quality programs should include evaluation of:</p> <ul style="list-style-type: none"> • Compliance with Standards and Code of Ethics • Adequacy of the IA activity’s charter, goals, objectives, policies, and procedures • Contribution to the organization’s risk management, governance, and control processes • Compliance with applicable laws, regulations, and government or industry standards • Effectiveness of continuous improvement activities and adoption of successful practices • Whether the auditing activity adds value and improves the organization’s operations <p>4. Continuous Improvement All quality improvement efforts should include a communication process designed to facilitate appropriate modification of resources, technology, processes, and procedures as indicated by monitoring and assessment activities.</p> <p>5. Communicating Results AQuA Department Head shall communicate the results of such assessment annually to the Audit Committee and the President. The results should include the assessment with respect to the degree of conformance with the Standards and Code of Ethics. The form, content, and frequency of communicating the results of the quality assurance and improvement program considers the responsibilities of the IA Activity and IAGH as contained in the internal audit charter. To provide accountability, the IAGH should share the results of external, and as appropriate, internal quality program assessments with the various stakeholders of the activity, such as senior management, the board, audit committee, and external auditors.</p>	
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<p>2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.</p>	<p>COMPLIANT</p>	<p>The Risk Management Group (RSK) is an independent unit of the Bank that identifies, analyzes, measures, and monitors identified material risks in close coordination with other business units. It exercises oversight on the risk management units of various subsidiaries and affiliates with the goal of ensuring compliance with relevant regulations, and the implementation of a consistent risk management framework across the MBTC group.</p> <p>The framework’s components are thoroughly consistent with BSP regulations which, in turn, subscribe to the principles espoused by the Basel Committee on Banking Supervision, among others.</p> <p><u>The Risk Management Process</u></p> <p>Consistent with the foregoing, the Bank’s risk management process focuses on the interplay among business, concomitant risks, and required capital with the goal of sustaining the franchise through the rise and ebb of the business cycle. It provides the engine for the determination of the Bank’s strategic goals, its material risks, and its appetite for said risks. Risk exposure identification, measurement, management, and monitoring provide the support on which business budgets are afforded the chance of being achieved and for which capital adequacy to support the effort is continuously assured.</p> <p>Metrics and risk assessment tools, both adopted from regulation and best practice and internal to the Bank are then used to measure identified risks. The use of these tools complements the conduct of business as they help prevent risks from being realized into serious issues, as well as cue the possibility of any instance that capital may be called to absorb losses.</p> <p>Notwithstanding a defined risk management function, the Bank recognizes that the core banking activity of managing risks is not the sole province of RSK. It is rather a function that cuts across the entire organization as manifested in the Bank’s three (3) lines of defense. Such set-up is central to risk management, as it expresses everyone’s role in ensuring that risk exposures are managed and within the Bank’s risk appetite. The first line of defense consists of the risk taking and risk owning units since they are in the position to immediately identify, respond, manage, and monitor risks. Second would be independent units, like RSK, that provide oversight and the tools, systems and advice necessary to support the first line in identifying, managing and monitoring risks. The third line of defense is provided by the internal audit function. This function</p>	

		<p>provides a level of independent assurance that the risk management and internal control framework is working as designed.</p> <p><u>Risk Management in 2017</u></p> <p>As business opportunities continued to unravel in 2017, so did the demands for risk management to keep up and to ensure that such growth is sustainable. The past year thus saw the further embedding of risk management initiatives, a re-thinking of existing frameworks and processes, and crafting roadmaps towards fulfilling the requirements of new regulations and pursuing best practice</p> <p>Group Oversight</p> <p>Governance and oversight was a recurring theme in 2017, thus a more dynamic collaboration with other risk management units of the Metrobank Group’s subsidiaries was implemented through an enhanced charter of the Risk Management Coordinating Council (RMCC), with the parent bank’s Chief Risk Officer as chair. Regular meetings and reports were established and conducted with the subsidiaries as a venue to sound concerns and share best risk practices within the Group. Standardization and alignment of business practice, risk policies and procedures across the various risk management units is an endeavor that is projected to continue well into 2018.</p> <p>Credit Risk</p> <p>The primary task of managing credit risk is to ensure that the credit risk exposures are consistently managed based on the Bank’s risk appetite to support the balance sheet’s sustainability.</p> <p>In 2017, much of credit risk management work was devoted to developing expected credit loss models that would facilitate transition to the new accounting standards taking effect January 2018. Initiatives, particular to risk data collection and consolidation of credit information, continued to progress aimed at allowing model improvement and more efficient and accurate credit portfolio analytics. Leveraging on the developed models for expected credit loss, the Bank likewise began testing its capacity to consistently attribute economic capital to its credit risk exposures with a view towards migrating to more advanced risk capital and performance measures.</p> <p>Credit Concentration Risk</p>	
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	<p>Credit concentration risk is the current and prospective negative impact to earnings and capital arising from over-exposure to specific industries or borrowers / counterparties. The Bank managed, and continues to manage this risk via adherence to processes relating to industry and counterparty assessments, observance of regulatory ceilings, and setting of internal limits. Credit risk profiles of the various portfolios were monitored and analysed during the year to address any concentration issues.</p> <p>Market Risk and Interest Rate Risk in the Banking Book (IRRBB)</p> <p>Market risk and IRRBB are risks resulting from adverse movements in the general level or volatility of market rates and/or prices possibly affecting the Bank's financial condition. The Bank manages these risks via a process of identifying, analyzing, measuring and controlling relevant market risk factors, and establishing appropriate limits for the various exposures. In 2017, risks exposures were kept within regulatory standards and defined thresholds of the Bank. Moreover, the Bank undertook the enhancement of its model risk management framework, while performing validation of its various risk assessment tools. Its off-market monitoring and reporting framework was likewise revamped, thus establishing 2nd level checks on top of customary benchmarks.</p> <p>Liquidity Risk</p> <p>The Bank's liquidity policy has always been to manage its operations to ensure that funds available are more than adequate to meet the demands of its customers and to enable deposits to be repaid on demand or upon maturity. The Bank's strategy for managing this risk is generally via limiting the maturity mismatch between assets and liabilities, and by holding sufficient liquid assets of appropriate quality and marketability. In 2017, liquidity gaps were kept within defined thresholds. In keeping with the recognition that liquidity risk outranks all others, the Bank likewise enhanced its contingency funding plan and bolstered further its liquidity stress testing framework.</p> <p>Operational Risk</p> <p>2017 saw the further embedding of operational risk management (ORM) initiatives, taking guidance from the principles under BSP Circular 900. The Business Risk Manager (BRM) function was rolled out, thus creating a certified risk officer embedded in each of the Bank's businesses. The responsibilities currently ascribed to BRMs are expected to expand as the function matures. ORM tools were likewise enhanced along with the revision of the Bank's ORM framework. The most notable of such enhancements were: a) the alignment of the Risk Control Self-Assessment (RCSA) with the Bank's Audit Rating System (ARS), thus facilitating a consistent view of Risk across</p>	
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		<p>the organization, and b) the completion and monitoring of institutional and business-level Key Risk Indicators (KRIs).</p> <p>Business Continuity Risk</p> <p>Enhancement of the Bank’s ability to continue with its operations despite any disruption was also a highlight of 2017, proceeding from the guidelines set out in BSP Circular 951. To this end, the annual run of the Disaster Risk Assessment (DRA) and Business Impact Analysis (BIA) were completed, culminating in a successful staging of an enterprise-wide Business Continuity Plan testing exercise. Disaster preparedness initiatives likewise continued to be rolled out, highlighted by the provision of “grab bags” for all MBTC personnel.</p> <p>Reputation Risk</p> <p>The Bank holds that reputation risk is a consequence of other risks. Its management therefore is tied closely to the manner by which it manages its other risks. By ensuring effective identification, assessment, control, monitoring, and reporting of the other material risks, reputation risk is likewise effectively managed.</p> <p>Compliance and Regulatory Risk</p> <p>Compliance and regulatory risk as the current and potential negative impact to operations arising from failure to comply with all applicable laws, regulations, codes of conduct, standards of good governance and practice. The Bank’s Compliance Program, the implementation of which is overseen and coordinated by the Compliance Officer, is the primary control process for regulatory risk issues. The Compliance Officer is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing compliance issues, performing periodic compliance testing on branches and Head Office units, and reporting compliance findings to the appropriate Board committee. Specific to money laundering, AML risk is managed separately by the Bank’s Anti-Money Laundering Division (AMLDD) reporting directly to the Board’s AML Committee.</p> <p><u>Risk Management Principles</u></p> <p>Ultimately this philosophy of balancing risk and reward translates to the following risk management principles:</p> <ol style="list-style-type: none"> 1. Because risk is native to the banking business, the Bank manages risks that correspond to its goals and objectives as an ongoing business; 	
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		<p>2. As the business landscape evolves, the Bank’s risk management practices must likewise remain appropriate and practicable, but always in consonance with standards set by its regulators;</p> <p>3. The Bank must ensure that it has the right risk governance structure in order to minimize the chances of risks becoming real losses while exploiting the gains that may accrue from business opportunities; and</p> <p>4. Risk management is everyone’s concern – from the Board who sets the overall tone, to the officers and staff who execute the Bank’s risk management strategy.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank 2017 Annual Report, page 24-25</u> 	
Supplement to Recommendations 12.1			
<p>1. Company has a formal comprehensive enterprise wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.</p>	COMPLIANT	<p>Metrobank is committed to full compliance with applicable laws and regulations and promote the safety and soundness of its banking operations through an enabling policy and environment governed by high standards and acceptable practices of good corporate governance.</p> <p>To further enhance the Bank’s commitment, the Bank’s Compliance Policy Manual (CPM) was developed to formalize and document the Bank’s Compliance Risk Management System, which forms an integral part of its culture and risk governance framework, designed to specifically identify and mitigate risk that may erode the franchise value of the Bank, such as risks of legal or regulatory sanctions, material financial loss, or loss to reputation, that 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 conflicts of interest or treat customers fairly.</p> <p>An important component of our Compliance Risk Management System is having a clear, open and two-way communication process within the Bank to educate and address compliance matters. The Compliance Division, in partnership with Learning and Development Division, provides training to officers and staff thru classroom training and e-learning.</p> <p>The CPM is reviewed annually and provides reasonable assurance that the Bank and its employees comply with relevant banking and corporate laws, regulations, rules and standards.</p>	
Optional: Recommendation 12.1			
<p>1. Company has a governance process on IT issues including</p>	COMPLIANT	<p>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 Board, it shall supervise the IT Risk Management Program of</p>	

<p>disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.</p>		<p>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 or other significant issues related to IT risks.</p> <p>Information Technology Group and Information Security Division Monthly Performance Reports (MPRs) are being provided to ITSC. MPRs contain resulting measures/statuses of IT/IS matters such as Business Recovery Center (BRC) Technical Test Results, critical systems and network availability, major incidents, SLA performance and cyber security status</p>	
<p>Recommendation 12.2</p>			
<p>11. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations</p>	<p>COMPLIANT</p>	<p>Metrobank internal audit activity is not outsourced. Internal Audit Group (IAG) was established by the Board of Directors, and its responsibilities were defined by the Audit Committee as part of its oversight function.</p> <p>The Audit Committee and Management take all the necessary measures to provide the appropriate resources and staffing that would enable Internal Audit Group to achieve its objectives.</p> <p>The mission of the Internal Audit Group is to provide independent, objective assurance and consulting services designed to add value and improve the Bank's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.</p>	
<p>Recommendation 12.3</p>			
<p>1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board</p>	<p>COMPLIANT</p>	<p>Mr. Leo R. Fragante, FVP, is the Bank's Chief Audit Executive (CAE). His appointment was approved by the Board on April 26, 2017. He has been the acting Head of the Internal Audit Group since August 1, 2016.</p> <p>The CAE's responsibilities are detailed in the Internal Audit Charter which includes among others:</p> <ol style="list-style-type: none"> 1. Developing a flexible annual business plan using an appropriate risk-based methodology, considering the internal audit activities to be provided to subsidiaries/associates, internal audit activities to be outsourced, and any risks or control concerns identified by or inputs of Management and the Board of Directors/Audit Committee; ensuring that such plan is comprehensive and adequately covers regulatory matters; and submitting the plan to the Audit Committee for review and approval, as well as periodic updates. 2. Implementing the annual audit plan, as approved, including as appropriate any special tasks or projects requested by Management and the Audit Committee. 	

		<ol style="list-style-type: none"> 3. Ensuring that IAG has adequate human resources with sufficient knowledge, skills, experience, and professional qualifications/certifications to meet the requirements of regulations, the IAG Manual and this Charter. Furthermore, the IAG shall conduct periodic assessment and monitoring of the skill-set of the internal audit function and ensuring that there is an adequate development program for the internal audit staff that shall enable them to meet the growing technical complexity of banking operations. The skill set of the internal audit staff shall be complemented with appropriate audit methodologies and tools as well as sufficient knowledge of auditing techniques in the conduct of audit activities. Moreover, the IAG Head shall demonstrate appropriate leadership and have the necessary skills to fulfill his responsibilities for maintaining the unit's independence and objectivity. 4. Evaluating and assessing significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion (i.e., participating, from the start, in all critical computerized projects of the Bank to ensure adequacy and effectiveness of security and control) 5. Issuing periodic reports to the Audit Committee and Management summarizing results of internal audit activities. 6. Keeping the Audit Committee abreast and informed of emerging trends and best practices in internal auditing. 7. Providing a list of significant measurement goals and results to the Audit Committee. 8. Assisting the Bank in fraud prevention by examining and evaluating the adequacy and effectiveness of the internal controls' system commensurate with the extent of a potential exposure within the organization. 9. Exercising due professional care to the degree that fraud may be present in activities covered in the normal course of audit work, and in accordance with the internal audit standards and the IAG Manual. 10. Conducting investigation of suspected fraudulent activities and irregularities within the Bank including suspected money laundering/terrorist financing (MLTF) activities and informing Management and the Audit Committee of the results. Suspicions can result from complaints, informal tips, or an on-going audit engagement. When conducting investigations, internal audit may seek assistance from/coordination with management, legal counsel, and other specialists, such as human resources and insurance risk management, as appropriate throughout the course of the investigation. 11. Considering the scope of work of the external auditors, external service providers, and regulators, as appropriate, for the purpose of providing optimal audit coverage. 12. Establishing a quality assurance and improvement program by which the IAG Head (also the Chief Audit Executive) assures the operation of internal auditing activities in compliance with audit standards and communicates the results thereof, including results 	
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		<p>of ongoing internal assessments and external assessments conducted at least every five (5) years, to Senior Management and the Board.</p> <p>13. Performing consulting services, beyond internal audit's assurance services, to assist management in meeting its objectives (i.e., counsel, facilitation, process design, training, and advisory services). Categories include:</p> <ul style="list-style-type: none"> a. Formal consulting engagements - planned and subject to written agreement. b. Informal consulting engagements - routine activities, such as attendance on standing committees (as resource persons) as requested by the President/Senior Management (e.g., POLCOM, BIDCOM, AMLCC, Risk Management Committee, etc.), limited-life projects, ad hoc meetings, and routine information exchange. c. Special consulting engagements - participation on a merger and acquisition team or system conversion team. d. Emergency consulting engagements - participation on a team established for recovery or maintenance of operations after a disaster or other extraordinary business event or a team assembled to supply temporary help to meet a special request or unusual deadline. <p>IAG shall ensure adherence to the policies and procedures on consulting or advisory services defined in the IAG Manual.</p> <p>14. Establishing a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has been apprised of and has accepted the risk of not taking action.</p> <p>15. Conducting a periodic formal review of the group structure, its controls and activities to assess consistency with the board approved policies, practices and strategies and report the results of assessment directly to the Audit Committee.</p> <p>16. Supervising the internal audit functions of Subsidiaries/ Associates through their respective Audit Heads and providing assurance and consulting services for Subsidiaries/Associates by virtue of a Service Agreement.</p> <p>17. Ensuring that team members who conducted pre-implementation review of a specific project shall not be assigned to conduct the first post-implementation review.</p> <p>18. Ensuring that the terms and conditions stipulated in the service agreement/contract for the internal audit activities provided to subsidiaries/associates, and outsourced audit activities/functions are met. Also, IAG shall ensure that outsourced internal audit activities/functions are in accordance with the BSP regulations, Bank's and IAG's policies on outsourcing. The IAG Head shall ensure that the knowledge or inputs from the</p>	
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		outsourced experts shall be assimilated into the Bank to the greatest extent possible. 19. Conducting periodic and independent evaluation of the risk management and degree of adherence to internal control mechanisms related to money laundering and terrorist financing. It shall include determination of compliance of the Anti-Money Laundering (AML) system functionalities to the requirements of the Bangko Sentral ng Pilipinas (BSP).	
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	COMPLIANT	See preceding item on the list of CAE's responsibilities which includes (item 18) ensuring that the terms and conditions stipulated in the service agreement/contract for the outsourced audit activities/functions are met	
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	NOT APPLICABLE	Metrobank internal audit activity is not outsourced. Internal Audit Group was established by the Board of Directors, and its responsibilities were defined by the Audit Committee as part of its oversight function.	
Recommendation 12.4			
1. Company has a separate risk management function to identify, asses and monitor key risk exposures.	COMPLIANT	The Risk Management Group (RSK) is an independent unit of the Bank that identifies, analyzes, measures, and monitors identified material risks in close coordination with other business units. It exercises oversight on the risk management units of various subsidiaries and affiliates with the goal of ensuring compliance with relevant regulations, and the implementation of a consistent risk management framework across the Metrobank group.	
Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally	COMPLIANT	The Bank engages external subject matter experts from time to time. The most recent is the engagement with SGV-EY for the PFRS9 migration	
Recommendation 12.5			

1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	COMPLIANT	<p>Ms. Maritess B. Antonio, EVP assumed the position as Chief Risk Officer under Risk Management Group last August 2016. She was the Chief Audit Executive and Head of Internal Audit Group from June 2010 to July 2016 after serving as Deputy Chief Audit Executive from 2008 to 2010.</p> <p>As Chief Risk Officer, Ms. Antonio is responsible for providing independent oversight for any and all activities that may subject the Bank to risk. Specific duties and responsibilities include among others:</p>	
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities	COMPLIANT	<ul style="list-style-type: none"> • Identification of key risk exposures for the purpose of assessing and measuring the extent of such exposures of the Bank and its trust operations; • Monitor risk exposures and determine corresponding capital requirement in accordance with the Basel capital adequacy framework and the risk exposure's consistency with the board approved policies on risk tolerance; as well as, effectiveness of risk mitigation measures employed; • Oversee collection and construction of historical databases required for risk analysis and measurement methodology • Provide quantitative estimates of market risk levels taken by risk-taking personnel independently and collectively. Reviews risk-taking personnel profit and loss reports • Oversee documentation and review of each model used by the front and back offices for valuation and hedging; recommends enhancements thereof, if and when necessary • Act as the Group Supervisor for Risk Management to assist the Board of Directors (BOD) in ensuring effective oversight over BSP-supervised financial subsidiaries and affiliates 	
Additional Recommendation to Principle 12			
1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	COMPLIANT	<p>IAG's Annual Year-end Report</p> <p>IAG's Annual Year-end Report contains overall assessment on the adequacy and effectiveness of the Bank's internal control, risk management and governance processes.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank 2017 Annual Report, page 26</u> 	
Cultivating a Synergic Relationship with Shareholders			
Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
Recommendation 13.1			
1. Board ensures that basic shareholder rights are disclosed in the Manual	COMPLIANT	<p>The Bank's CGM provides the basic shareholder rights as follows:</p> <p>Stockholders' Rights and Protection of Minority Stockholders' Interests</p>	

on Corporate Governance.		<p>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:</p> <ol style="list-style-type: none"> 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. <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 13 	
2. Board ensures that basic shareholder rights are disclosed on the company's website	COMPLIANT	<p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 13 	
Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share	COMPLIANT	<p>The Bank's common shares carry one (1) vote for one (1) share.</p> <p>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</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 14 • Website: Metrobank Amended By-laws 	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	COMPLIANT	<p>Metrobank issues one class of shares i.e. common stock. Each stockholder is entitled to one (1) vote for each share of stock in his name.</p>	
3. Board has an effective, secure, and efficient voting system.	COMPLIANT	<p>Voting is done manually. Votes are counted based on submitted proxies and actual votes received during the Annual Stockholders' Meeting.</p> <p>Voting Procedures</p>	

		<p>1. Majority vote is required for the following:</p> <ol style="list-style-type: none"> a) Approval of the minutes of the annual meeting of the stockholders held on April 26, 2017 b) Ratification of Corporate Acts c) Election of External Auditors <p>On the election of directors, nominees receiving the highest number of votes shall be declared elected following the provisions of the Corporation Code.</p> <p>2. 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. 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 ratification shall be decided by the required vote of stockholders present in person or by proxy.</p> <p>3. Metrobank has not solicited any discretionary authority to cumulative voting.</p> <p>4. Votes cast at the meeting shall be counted by the Bank’s Stock Transfer Agent and validated by SGV & Co.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank SEC 20-IS 2017, page 11 	
<p>4. Board has an effective shareholder voting mechanisms such as supermajority or “majority of minority” requirements to protect minority shareholders against actions of controlling shareholders.</p>	<p>COMPLIANT</p>	<p>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:</p> <ol style="list-style-type: none"> 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. <p>Voting mechanism is simple majority as per Corporation Code.</p>	
<p>5. Board allows shareholders to call a special shareholders’ meeting and submit a proposal for consideration or agenda</p>	<p>COMPLIANT</p>	<p>The Board upholds the rights of Stockholders and protection of minority Stockholders’ interest as provided for in the Bank’s CGM:</p> <p><i>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</i></p>	

<p>item at the AGM or special meeting</p>		<p><i>information, as a rule, at least 28 days before the meeting. 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.</i></p> <p><i>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.</i></p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank Corporate Governance Manual 2018, page 13-14</u> 	
<p>6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders</p>	<p>COMPLIANT</p>	<p><u>Stockholders' Rights and Protection of Minority Stockholders' Interests</u></p> <p>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:</p> <ol style="list-style-type: none"> 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. <p>a. Stockholders' Participation</p> <p>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. 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.</p> <p>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</p>	

		<p>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.</p> <p>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.</p> <p><u>Voting Procedures</u></p> <p>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. 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.</p> <p>Majority vote is required for the following:</p> <ol style="list-style-type: none"> 1) Approval of the minutes of the annual meeting of the stockholders 2) Ratification of corporate acts 3) Election of external auditors <p>On the election of directors, nominees receiving the highest number of votes shall be declared elected following the provision of the Corporation Code.</p> <ol style="list-style-type: none"> 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 	
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		<p>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 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.</p> <p>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.</p> <p>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.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank Corporate Governance Manual 2018, page 13-15</u> 	
7. Company has a transparent and specific dividend policy	COMPLIANT	<p><u>DIVIDEND POLICY</u></p> <p>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.</p> <p>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</p>	

		<p>5% of par value.</p> <p>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 Bangko Sentral ng Pilipinas, the Securities and Exchange Commission and the Philippine Stock Exchange.</p> <p>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.</p> <p>Source:</p> <ul style="list-style-type: none">• <u>Website: Metrobank Corporate Governance Manual 2018, page 49-50</u>	
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Dividends

There are no restrictions that limit the ability of the Bank to pay cash dividends. Details of cash dividend distribution from 2015 to 2017 follow:

Date of Declaration	Cash Dividend		Date of BSP Approval	Record Date	Payment Date
	Per Share	Amount (In Millions)			
February 22, 2017	₱1.00	₱3,180	n.a.	March 9, 2017	March 23, 2017
March 16, 2016	₱1.00	₱3,180	n.a.	April 1, 2016	April 8, 2016
January 27, 2015	₱1.00	₱2,745	March 3, 2015	March 26, 2015	March 31, 2015

In accordance with BSP Circular No. 888 dated October 9, 2015, prior BSP approval on dividend declaration is no longer required.

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines.

The Bank paid the semi-annual coupon on its USD125.0 million HT1 Capital Securities (redeemed on February 16, 2016) amounting to USD5.6 million in 2006 to 2015 after obtaining their respective BSP approvals. Details of approvals and payments from 2015 to 2016 are as follows:

<u>Date of BSP Approval</u>	<u>Date Paid</u>
January 28, 2016	February 16, 2016
July 24, 2015	August 17, 2015
February 9, 2015	February 17, 2015

Source:

- [Website: Metrobank SEC 20-IS 2017, page 45](#)

Optional: Recommendation 13.1

1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.

COMPLIANT

The proxies, attendance and votes cast at the meeting were tabulated by the Bank's Stock Transfer Agent (The Metrobank-Trust Banking Grp) and validated by SGV & Co. in its capacity as third-party validator.

Recommendation 13.2

1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient

COMPLIANT

Notice of Annual Stockholders' Meeting (ASM) in 2017 was sent out on 26th January 2017. ASM was held on 26th April 2017

Source:

- [Website: Metrobank Disclosures](#)

As provided in the Bank's CGM, the Bank encourages active shareholder participation by sending

and relevant information at least 28 days before the meeting.		<p>the Notice of Annual Stockholders' Meeting with sufficient and relevant information, as a rule, at least 28 days before the meeting.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 13 <p>Shareholders' approval of remuneration or any changes therein were not included in the ASM agenda.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank SEC 20-IS 2017, page 4 	
Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:			
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	COMPLIANT	Website: Notice of Stockholders Meeting 2018	
b. Auditors seeking appointment/re-appointment	COMPLIANT	Website: Notice of Stockholders Meeting 2018	
c. Proxy documents	COMPLIANT	Website: Notice of Stockholders Meeting 2018	
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	COMPLIANT	<p>Agenda Items for the Annual Stockholders' Meeting is accompanied by "Explanatory Notes to the Agenda" as a requisite in the filing of its Definitive Information Sheet with SEC.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Notice of Stockholders Meeting 2018 	
Recommendation 13.3			
1. Board encourages active shareholder	COMPLIANT	The Bank's CGM provides under Stockholder's Participation that, the Board shall also encourage active shareholder participation by making the result of the votes taken during the most recent	

participation by making the result of the vote taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.		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. Source: <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 13 • Website: 2018 Disclosure to SEC (SEC Form 17-C) 	
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	COMPLIANT	Source: <ul style="list-style-type: none"> • Website: Metrobank Result of Annual Stockholder's Meeting 2018 • Website: Metrobank Notice of ASM • Website: Metrobank Minutes of ASM 	
Supplement to Recommendation 13.3			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM	COMPLIANT	The Bank's Stock Transfer Agent (MB-Trust Banking Grp) and External Auditor, SGV & Co. were present during the ASM/SSM.	
Recommendation 13.4			
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	COMPLIANT	Under the Stockholders' Rights and Protection of Minority Stockholders' Interests section of the Bank's CGM, states that: 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. Source: <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, page 13-14 	
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance	COMPLIANT	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:	

		<p>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.</p> <p>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.</p> <p>c. Conciliation - process in which a neutral third party (conciliator) conveys information between parties and attempts to improve direct communication between them.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank Corporate Governance Manual 2018, Annex 1</u> 	
Recommendation 13.5			
<p>1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.</p>	<p>COMPLIANT</p>	<p>The Bank's Investor Relations Office is under the Strategic Planning Division, contact details as follows:</p> <p>Mr. Juan Placido T. Mapa III Investor Relations Officer Investor Relations Department 11/F Metrobank Plaza Sen. Gil Puyat Avenue Makati City, Philippines 1200 Tel: +632 857 9783 Fax: +632 817 6355 Email: investor.relations@metrobank.com.ph</p>	

2. IRO is present at every shareholder's meeting.	COMPLIANT	Yes, IRO was present during the ASM.	
Supplemental Recommendations to Principle 13			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	COMPLIANT	<p>The Board avoids any anti-takeover measures/defenses by setting the following voting procedures:</p> <p>1. Majority vote is required for the following:</p> <ul style="list-style-type: none"> a) Approval of the minutes of the annual meeting of the stockholders b) Ratification of Corporate Acts c) Election of External Auditors <p>On the election of directors, nominees receiving the highest number of votes shall be declared elected following the provisions of the Corporation Code.</p> <p>2. 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. 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 ratification shall be decided by the required vote of stockholders present in person or by proxy.</p> <p>3. Metrobank has not solicited any discretionary authority to cumulative voting.</p> <p>4. Votes cast at the meeting shall be counted by the Bank's Stock Transfer Agent and validated by SGV & Co.</p>	
2. Company has at least thirty percent (30%) public float to increase liquidity in the market	COMPLIANT	<p>As of December 31, 2017, the public float of MBTC is at 48.98%</p> <p>Source:</p> <ul style="list-style-type: none"> • Public Ownership Report 	
Optional: Principle 13			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting	COMPLIANT	<p>The Bank's Whistleblowing policy provides opportunity for shareholders to engage with the Bank beyond the stockholders' meeting by reporting complaints which may be filed via email or text.</p> <p>The shareholders can also engage with the company thru the Bank's customer hotline.</p> <p>Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Corporate Governance Manual 2018, Annex 16 	
2. Company practices secure electronic voting			

in absentia at the Annual Shareholders' Meeting.			
Duties to Stakeholders			
Principle 14: The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interest are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.			
Recommendation 14.1			
<p>1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability,</p>	COMPLIANT	<p><u>ANNUAL REPORT: Corporate Governance – Interest of Stakeholders</u></p> <p>Interest of Stakeholders Metrobank has a responsibility to all its stakeholders and addresses their needs. The Bank has policies that safeguard the interests of customers & creditors, suppliers, employees, shareholders and the environment.</p> <p>Customers and Creditors</p> <p>The Bank remains anchored on its very purpose of ensuring customer success, by safeguarding its customers' and creditors' welfare, fulfilling their needs and by helping them achieve their goals. As contained in the Bank's Code of Conduct for Employees, failure to attend promptly to client requests is an example of non-acceptable behavior under the standard of conduct. The Bank has also developed its Customer Protection Policy Manual that enumerates the basic principles and ethical business practices that govern the conduct of the Bank in dealing with its customers, setting out the standards of consumer protection in the areas of disclosure and transparency, protection of client information, fair treatment, effective recourse and financial education. It provides assurance that consumer protection practices are embedded in the Bank's business operations which address and prevent identified risks to the Bank and associated risk of financial harm or loss to its customers.</p> <p>Stockholders' Rights and Protection of Minority Stockholders' Interests The Board respects the rights of the stockholders as provided for in the Corporation Code. It promotes the rights of the stockholders, removes impediments to the exercise of those rights and provides an adequate avenue for them to seek timely redress for breach of their rights. The Board makes available to the stockholders accurate and timely information to enable the latter make a sound judgment on all matters brought to their attention for consideration or approval. All material information about the Bank is disclosed in a timely manner to the SEC and PSE. The Board is transparent and fair in the conduct of the annual stockholders' meetings of the Bank. The Bank encourages the stockholders to personally attend such meetings. If they cannot attend, they are 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. Every stockholder entitled to</p>	

	<p>vote on a particular question or matter involved shall be entitled to one (1) vote for each share of stock in his name. 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. All shareholders shall have the opportunity to obtain effective redress for violation of their rights.</p> <p>Supplier and Contract Selection The Bank also ensures that it maintains policies for supplier and contract selection. The policy on vendor management and outsourcing of banking support and marketing activities provides guidelines on accreditation of service providers as well as monitoring and reviewing their performance. The Bank’s Vendor Management Policy provides guidelines in the purchase or acquisition of products or services from vendors and mitigates risks of dealing with unqualified vendors. It shall also ensure that the Bank’s vendor management guidelines are compliant with BSP regulations. The Bank also practices the policy of canvassing and bidding services as a basis for the evaluation and approval of the bid process.</p> <p>Health, Safety and Welfare of Employees The Bank acknowledges that it has a responsibility to ensure the safety and security of its employees and clients. The Bank actively promotes a safe and healthy work environment that is conducive to the well-being and professional development of its employees. The Bank also believes that providing them with a secure and safe work environment greatly enhances business and work productivity. In particular, the Bank ensures a drug-and alcohol-free work environment at all times. Among the programs instituted was the wellness check of employees, results of which were the basis of choosing relevant health interventions for the workforce. Lectures on bank security are likewise conducted to equip personnel in handling situations that may compromise the security of persons, property and information. The Bank also ensures a drug-and alcohol-free work environment at all times. The Bank also ensures that all employees perform their work consistently to high standards and achieve their full potential. It recognizes that training and development is fundamental to the improvement of the Bank’s operational performance and the achievement of the Bank’s strategy and goals. The Metrobank Academy provides all officers with a wide range of suitable programs to assist in their continuing professional development, so that the organization will have the right quality of people for the business to grow and achieve its goals. The Bank strives to empower Metrobankers with the right skills, knowledge, work ethics and expertise that are relevant to the stakeholders.</p> <p>Economic and Social Development The Bank believes that it is responsible also for the state and welfare of the larger society to which it belongs. As an institution with a heart, the Bank gives back to the communities we serve,</p>	
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		<p>committed to making meaningful contributions to the economic and social development of our nation. It measures its performance not only with financial returns but also with its social objectives. Metrobank has comprehensive community and social responsibility programs conducted by the Metrobank Foundation, its corporate social responsibility arm and the employees through the Purple Hearts Club. The success of PHC in 2017 was rooted in the heart for service shown by the Bank’s employee volunteers. Employees participated in an array of CSR programs that focused on education, environmental stewardship, and health. PHC also collaborated with partners across several industries to introduce employees to new opportunities for volunteerism that benefit and support other marginalized sectors of society. Details of the various programs and activities of Metrobank Foundation and PHC may be read in the CSR Section.</p> <p>Environment Protection As part of Metrobank’s core value of being a responsible corporate citizen, it believes that sustainable development is a fundamental aspect of sound business management and recognizes that this must rank among the top priorities of its lending portfolio. Metrobank is focused on developing a loan portfolio that directly protects and promotes environmental and social care, and likewise instilling in the borrowers, the awareness that social and environmental care are inextricable to economic growth in order to achieve sustainable development. Metrobank is committed to sound environmental stewardship. It consistently strives to look for areas to improve its operations towards the conservation of energy, water and resources. Various policies on optimizing the use of paper, power shutdown of office equipment to minimize resource usage and to save on electricity costs, use of vehicles for carpool and regular maintenance and servicing of vehicles to reduce transportation cost and carbon emissions are in place. The Metrobank Purple Hearts Club (PHC) has “You’re In Green Hands” (YIGH), an environmental stewardship program which centers on combating various environmental issues faced by the country through restoration activities such as tree planting, mangrove planting, seashore, and coastal clean-up drives.</p> <p>In 2016, 650 Metrobankers implemented YIGH in 6 key areas across the country, including Arroceros Forest Park in Manila. In 2017 PHC concluded YIGH with an improved participation rate of over 100% (131.40%), or, 703 of the targeted 535 volunteers. They planted seedlings and cleaned coastal areas across the country.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank Annual Report 2017, page 23-24</u> 	
Recommendation 14.2			
1. Board establishes clear	COMPLIANT	The Bank has established policies and programs to ensure fair treatment and protection of our	

<p>policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.</p>		<p>stakeholders as discussed in the preceding section.</p> <p>Additionally, the Code of Conduct provides that 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.</p>	
Recommendation 14.3			
<p>1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.</p>	<p>COMPLIANT</p>	<p>Whistle Blowing Policy</p> <p>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.</p> <p>The Bank has a Whistle Blowing Policy 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.</p> <p>Stakeholders shall refer to clients, directors, stockholders, vendors (third party suppliers) and other parties that affect or may be affected by the Bank’s actions.</p> <p>The policy has no requirement for the Reporting Employee/complainant to disclose his identity. If he chooses to provide his identity, it will be treated with utmost confidentiality. The following details of the complaint/concern should be submitted:</p> <ul style="list-style-type: none"> • Full name, position and unit of the person subject of the complaint • 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 • Evidence of the act committed, if any (e.g. affidavits of witnesses and/or third parties, pictures, etc.) <p>Complaints/concerns may be filed through the Bank’s website or sent via email (whistleblowing@metrobank.com.ph) or text hotline (#09427471359)</p>	

Supplement to Recommendation 14.3			
<p>1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner</p>	<p>COMPLIANT</p>	<p><u>Policy on Alternative Dispute Resolution (ADR)</u></p> <p>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:</p> <ul style="list-style-type: none"> d. Arbitration - process in which one or more arbitrators, appointed in accordance with the agreement of the parties, resolve a dispute by rendering an award. e. 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. f. Conciliation - process in which a neutral third party (conciliator) conveys information between parties and attempts to improve direct communication between them. f. 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. g. 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. <p>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.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank Corporate Governance Manual 2018, Annex 1</u> 	
Additional Recommendations to Principle 14			
<p>1. Company does not seek any exemption from the application of a law, rule</p>	<p>COMPLIANT</p>	<p>The Bank has forwarded its formal request to BSP for an exemption as regards the provision of the BSP Manual of Regulations for Banks brought about by BSP Circular No. 969 on the composition and chairperson of the Risk Oversight Committee of banks requiring that the</p>	

<p>or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.</p>		<p>chairperson should be an independent director.</p> <p><i>“X144.2 Risk oversight committee (ROC)</i></p> <p><i>a. Composition and chairperson. The committee shall be composed of at least three (3) members of the board of directors, majority of whom shall be independent directors, including the chairperson. The ROC’s chairperson shall not be the chairperson of the board of directors, or any other board-level committee.”</i></p> <p>The Bank respectfully requests an exemption from the above-mentioned requirement. Mr. Edmund A. Go, the current Chairman of the Bank’s Risk Oversight Committee, is a non-executive director but not an independent director. In the recent organization meeting of the Board of Directors right after their election in the Annual Stockholders’ Meeting on 25 April 2018, the Bank nominated Mr. Go to remain as the Chairman of the Committee.</p> <p>The Board is committed to appoint someone well-versed in risk management practices to chair the Risk Oversight Committee. Appointing a risk expert to head the Committee is a strong sign of the Bank’s commitment to risk management and governance. Given that, The Risk Oversight Committee is one of the most technical committees in any bank, especially in terms of market risk and the new BASEL rules which requirements are complex, specialized and dynamic. It focuses director attention on the Bank’s most critical risks and risk management capabilities. In addition, emerging risks, heightened regulatory expectations, increased market complexity, and performance needs have necessitated further advancement in risk management. The technical nature of risk oversight requires a good understanding of risk management techniques and trends and therefore requires an equally technical and very experienced Chairman.</p> <p>On this account the optimal mix of skills and experiences of all the directors, Mr. Go, with his extensive technical knowledge and relevant work experience in risk management is uniquely and strongly qualified for this position. Mr. Go is also known for his distinct objectivity hence maintaining independence in making focused decisions, not to mention, Mr. Go is not a member of any committee that exercises executive or management functions that could potentially impair his objectivity. Given the very specific requirements of the Committee Chairman, there are not many candidates in the market better qualified than Mr. Go.</p> <p>The Committee remains independent as it is majority-composed of independent directors (2 independent directors out of the 3 director-members, including the chairman). Every action of the Committee to be carried out should be voted upon by the majority of the members.</p>	
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<p>2. Company respects intellectual property rights</p>	<p>COMPLIANT</p>	<p>The Bank’s Acceptable Use of Assets Policy aims to deter any infringement of intellectual property rights or other proprietary rights including, without limitation, material protected by copyright, trademark, patent, trade secret or other intellectual property right.</p> <p>Distributing, installing, copying or using pirated or other software products that are not appropriately licensed for the use of the bank is strictly prohibited.</p> <p>Unauthorized copying of copyrighted material including but not limited to, digitization, distribution and/or posting of photographs from magazines, books or other copyrighted sources, logos, copyrighted music, videos and the installation of any copyrighted software for which the bank or the end user does not have an active license is strictly prohibited.</p>	
<p>Optional: Principle 14</p>			
<p>1. Company discloses its policies and practices that address customers’ welfare</p>	<p>COMPLIANT</p>	<p>In Metrobank, customer protection and over-all experience is a collective and shared responsibility of everyone, from the Bank’s Board of Directors, to Management, and to all employees. It is part of Metrobank’s culture and is being reinforced by the Customer Protection Training Program.</p> <p>The Senior Management, together with the Customer Experience Committed (CX Com) are responsible for the development and maintenance of the Bank’s sound Customer Protection Risk Management System which is integrated into the overall framework of its entire product and service lifecycle, which includes oversight function in the execution of CX projects.</p> <p>The Service Excellence Group works with business and operational units to achieve excellent customer experience through voice of the customer program, process efficiency initiatives, performance monitoring on key customer metrics, effective organization structure and skills development.</p> <p>The Bank’s Customer Protection Program follows the set standards which are reflected in its core principles – inherent into the Metrobank corporate culture, enhancing further its defined governance framework while addressing conflicts that are inimical to the interests of its customers.</p> <p><u>Voice of the Customer Program</u> The Bank continuously listens to its customers to improve service delivery through the conduct of Net Promoter Score (NPS) and Customer Satisfaction (CSAT) surveys NPS is a globally used metric that measures the likelihood of customers to recommend the Bank to their family, friends, and colleagues, thereby gauging the customer commitment to the Bank.</p>	

		<p>Responses to the NPS question are classified into promoters (9 or 10 rating), Passives (7 or 8) and Detractors (0 to 6 rating). NPS = Promoters – Detractors</p> <p><u>Effective Recourse / Handling of Customer Concerns</u> A critical component of the Bank’s Customer Protection program is providing its customers accessible and hassle-free channels with which they could communicate their inquiries, concerns and feedback. These are in the form of 24/7 Contact Centers (for Retail and Corporate customers) which handles calls and e-mails, Social Media (Facebook), MetrobankDirect Online and Mobile Banking.</p> <p>Further, the Bank has implemented the Customer Incident Management Policy and System, which standardized the handling of customer complaints to ensure that these are addressed within a set turnaround time through centralized logging and monitoring. With this, the Bank is able to gain valuable customer insights, identify trends and address recurring incidents, improve its products and services to better customer experience.</p> <p><u>Protection of Customer Information</u> The Bank has well-defined protocols, a secure database, and periodically revalidated procedures in handling the personal information of its customers. This is an end-to-end process that covers, among others, the array of information that will be pre-identified and collected, the purpose of gathering information, how these will be sourced from the customer, the ITsecurity infrastructure of the Bank, and the protocols for disclosure, both within the Bank and especially to third parties, if needed.</p> <p><u>Financial Education and Awareness</u> 2017 saw the increase in reported e-fraud customer concerns – be it through online purchases or transactions via ATM, Online Banking and Mobile Banking. With this, the Bank implemented various financial education campaigns through different advertising channels including its social media accounts providing customers with tips on how to protect their accounts and personal information which causes these unauthorized transactions. Further, it pushed for the replacement of its magnetic striped cards to EMV-enabled chip cards to further safeguard its customers when doing ATM and POS transactions.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank Annual Report 2017, page 23-24</u> 	
2. Company discloses its policies and practices that address	COMPLIANT	<p><u>Supplier and Contract Selection</u></p> <p>The Bank’s Vendor Management Policy provides guidelines in the purchase or acquisition of</p>	

supplier/contractor selection procedures		<p>products or services from vendors and mitigates risks of dealing with unqualified vendors. It shall also ensure that the Bank's vendor management guidelines are compliant with BSP regulations. The Bank also practices the policy of canvassing and bidding services as a basis for the evaluation and approval of the bid process.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank Annual Report 2017, page 23-24</u> 	
<p>Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.</p>			
<p>Recommendation 15.1</p>			
<p>1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance</p>	COMPLIANT	<p>Employees are given a role in the business planning in their respective unit. There are also bankwide and sectoral conventions (eg. National Convention, Institutional Banking Sector) where employees are gathered to be informed of the Bank's accomplishments and plans, as well as for the employees to give their feedback, or to be recognized for good work.</p> <p>Branches area meetings and morning huddles are the avenues used by the units on a more frequent basis to share company goals and to track accomplishments thereof.</p> <p>There are specific communication platforms where employees are encouraged to give their feedback - 360 degree survey, Employee Engagement Survey, Employee Feedback, Facebook Workplace.</p> <p>Employees' feedback are considered for the further development of the Bank's leaders and/or improvement of services, policies & procedures, facilities.</p>	
<p>Supplement to Recommendation 15.1</p>			
<p>1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.</p>	COMPLIANT	<p>Employees receive annual variable compensation based on performance such as performance bonuses and merit-based raises, and are encouraged to contribute in terms of short term and long term goal- setting, subject to the guidance of the Executive Committee and the Board of Directors.</p>	
<p>2. Company has policies and practices on health, safety and welfare of its employees.</p>	COMPLIANT	<p>The Bank provides its employees with a comprehensive benefits program that covers medical, leave privileges, life insurances, loan facilities and allowances.</p> <p>The Bank strictly adheres to the government prescribed Labor and Occupational, Health & Safety Standards. It has accredited Safety Officers and First Aiders nationwide. Each unit also has its own Emergency Response Team (ERT) which ensures the unit's compliance to the set emergency</p>	

		<p>procedures.</p> <p>The Bank is committed to protect the rights of its employees and complies with labor laws and policies of the Philippines government. There are clear bank policies (among others) on:</p> <ul style="list-style-type: none"> ➤ Drug-Free Workplace Policy ➤ Anti-Sexual Harassment Policy ➤ HIV and AIDS Prevention and Control ➤ Tuberculosis Prevention and Control ➤ Family Welfare Program ➤ Anti-Violence Against Women and their Children ➤ Occupational Health and Safety Policy ➤ Hepatitis B Workplace Policy and Program ➤ Expanded Breastfeeding Promotion Program 	
3. Company has policies and practices on training and development of its employees.	COMPLIANT	<p>The Bank provides its employees with proper training and development to equip them in the conduct of their duties. All new hires of the bank undergo new hires’ employee orientation at the onset of their employment. Employees also attend specific training programs according to their job functions as employees follow a training plan with regulatory trainings for compliance. Qualified rank and file employees attend developmental programs for their promotion to officers. Training programs may be taken online, classroom, on-the-job training and thru external training providers for technical and soft-skills training requirements.</p>	
Recommendation 15.2			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct	COMPLIANT	<p>The Board through the Corporate Governance and Compensation Committee (CGCCom) approves the Bank’s Code of Conduct which articulates acceptable and unacceptable activities such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.</p> <p>An excerpt from the Bank’s Standards of Conduct on Avoidance of Conflict of Interest, states that “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.”</p> <p>Commission of any form of corruption is categorized as a Class D Offense and is punishable by termination under the Code of Conduct.</p> <p>Further, through the Bank’s “Whistle Blowing Policy”, employees are encouraged to play their part in improving the overall effectiveness 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.</p>	

		By creating an atmosphere of openness and providing avenues to disclose non-acceptable behaviors or violations, the Bank is committed to maintaining the highest standards of honesty, integrity accountability and adherence to the principles of good governance.	
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	COMPLIANT	The Code of Conduct is disseminated to all employees through Human Resources Management Group. The employees are required to acknowledge receipt and confirm that they have read, understood and will observe the aforesaid Code. The employees further acknowledge the authority of the Bank to fully implement its rules and regulations.	
Supplement to Recommendation 15.2			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes	COMPLIANT	<p>The Bank's Code of Conduct states that:</p> <p>Under the standard of Avoidance of Conflict of Interest, it clearly states that "Bribery, fraud, extortion, collusion, conflict of interest, and money laundering, and other corrupt practices have no role in the way we conduct our affairs."</p> <p>Commission of any form of bribery is categorized as a Class D Offense and is punishable by termination under the Code of Conduct.</p> <p>Source:</p> <ul style="list-style-type: none"> • <u>Website: Metrobank Corporate Governance Manual 2018, Annex 15</u> 	
Recommendation 15.3			
1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation	COMPLIANT	<p>Below is an excerpt from the Bank's <u>Manual of Policies and Procedures on Whistle Blowing.</u></p> <p>As a way of strengthening the Bank's system of integrity, all employees are encouraged to report irregular transactions. Towards this end, the Bank instituted a Whistle blowing policy where acts of fraud, malpractice, conflict of interest or violation of internal/regulatory policies, procedures and control may be reported to the Chief Audit Officer.</p> <p>The Whistle blowing policy applies in cases when an employee deems it more prudent to report violations or offenses to another authorized unit/person within the Bank, 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.</p> <p>Under the policy, the Bank shall maintain the identity of the reporting employee as confidential</p>	

		<p>and retaliation against any reporting employee shall not be allowed. Consistent with the principles of good governance, the Chief Audit Officer reports to the Board’s Audit Committee</p> <p>Responsible Units: The Head of the Internal Audit Group (IAG) is the designated recipient of complaints from Reporting Employees and is authorized to implement this policy. The IAG and Human Resource Management Group (HRMG) shall be responsible for the following: undertaking investigations under this policy and 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)</p> <p>Protection of Reporting Employee: The Bank shall maintain the identity of the Reporting Employee as confidential unless: such person agrees to be identified; identification is necessary to allow the Bank to investigate or respond effectively to the disclosure; 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 <i>Omissions/Errors/Offenses</i> and relevant provisions of the <i>Bank’s Code of Conduct</i>. 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 <i>Omissions/Errors/Offenses</i>.</p> <p><u>Complaint/ Disclosure Form shall be addressed to the IAG Head via pouch or email whistleblowing@metrobank.com.ph or contact IAG via Cellphone hotline 09427471359</u></p>	
<p>2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.</p>	<p>COMPLIANT</p>	<p>The Audit Committee (AUDITCom) which is a board-level committee, establishes and maintains 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 ensures that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.</p>	
<p>3. Board supervises and ensures the enforcement of the</p>	<p>COMPLIANT</p>	<p>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</p>	

whistleblowing framework.		<p>Duties and Responsibilities of the Committee excerpts: Ensure Compliance with Bank Policies, and applicable laws, rules and regulations and code of business conduct:</p> <ul style="list-style-type: none"> - 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. 	
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Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

Recommendation 16.1

<p>1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates</p>	COMPLIANT	<p>Corporate Social Responsibility initiatives of the Bank through its Purple Hearts Club and Metrobank Foundation Inc are lengthily discussed in the 2017 Annual Report, to wit:</p> <p>METROBANK FOUNDATION, INC.</p> <p>For Metrobank group chairman Dr. George S.K. Ty, business is not just about reaching the pinnacle of success—ultimately, it is about helping other people achieve their dreams. This is why for 39 years now, the Metrobank Foundation, Inc. (MBFI), has been at the forefront of nation building through a wide range of corporate social responsibility (CSR) programs in key sectors such as education, visual arts, and health care, as well as fostering dynamic social development partnerships.</p> <p>2017 Metrobank Foundation Outstanding Filipinos Foremost among these is the annual search for Metrobank Foundation Outstanding Filipinos. Guided by the theme “Beyond Excellence,” the program recognized ten ordinary individuals with extraordinary accomplishments, rendering service above and beyond the call of duty and making a lasting positive impact on communities. Among these awardees is “Basilan’s Soldier-Trailblazer,” Lt. Col. Elmer Suderio. As commander of the 3rd Scout Ranger Battalion, he led a series of successful combat operations against the Abu Sayyaf Group. He also worked to provide alternative livelihood opportunities for Moro National Liberation Front (MNLF) returnees after the organization signed a peace treaty pact with the government in 1998. Dr. Alonzo Gabriel, dubbed as “Diliman’s Food Security Advocate,” led the establishment of the country’s only Laboratory of Food Microbiology and Hygiene based at UP’s College of Home Economics. Outside the university, Dr. Gabriel was one of three technical writers—convened by the Department of Agriculture and the United States Food and Drug Administration—who authored the Philippine National Food Defense Standard in 2011.</p>	
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		<p>of food items to welcome the Year of the Fire Rooster through the annual Bags of Blessing project. Benefitting 10,000 underprivileged families in 18 cities and municipalities nationwide, this series of giftgiving activities during the Chinese New Year helps carry out the Metrobank Group and GT Capital Holdings’ tradition of sharing.</p> <p>A total of 79 socio civic and charitable organizations were supported by the Metrobank Foundation in 2017, with a consolidated grant amount of P28 million to aid programs and projects.</p> <p>Metrobank Foundation as the Recipient of Awards A validation of its choice of activities, the Foundation took home seven trophies at the 52nd Anvil Awards organized by the Public Relations Society of the Philippines. Among these were three Gold Anvils and four Silver Anvils. These awards add to the number of honors received by the Foundation. To date, it has won 71 Anvil awards for its various programs and public relations tools. Coming from a fruitful year in 2017, the Metrobank Foundation remains committed to a leadership role among corporate philanthropic organizations. The coming years will see the Foundation making meaningful contributions to Philippine social development and giving back to the community.</p> <p>PURPLE HEARTS CLUB Metrobank continues to grow in its advocacy of Corporate Social Responsibility through the Purple Hearts Club, or PHC, the volunteerism arm of the Bank. In its 15th year of existence, PHC is composed of 60 chapters with 7,623 members. The success of PHC in 2017 lies in the heart for service shown by the Bank’s employee-volunteers. Employees participated in an array of CSR programs that focus on education, environmental stewardship, and health. PHC also collaborated with partners across several industries to introduce employees to new opportunities for volunteerism that benefit and support other marginalized sectors of society.</p> <p>Engaging in Partnerships</p> <ul style="list-style-type: none"> • The Adopt-A-School Program, a new initiative introduced in 2017 where chapters adopted schools as their beneficiaries for PHC’s projects • Play It Forward, another PHC program launched in 2017 that advocates therapeutic play as an integral part of the holistic development of children in the partner hospital • Bags of Blessing, a nationwide gift-giving project initiated by Metrobank Group Chairman Dr. George S.K. Ty in celebration of the Chinese New Year <p>Standing United in Causes</p> <ul style="list-style-type: none"> • 2017 Metrobank Fiesta Fun Run, a fundraising activity to finance the 10th Anniversary of National Teachers’ Month and contribute in the Manga Development Project of Manila Doctors Hospital 	
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Optional: Principle 16			
1. Company ensures that its value chain is environmentally friendly	COMPLIANT	Metrobank is committed to sound environmental stewardship. It consistently strives to look for ways to improve its operations towards the conservation of energy, water and resources. Various policies on optimizing the use of paper, power shutdown of office equipment to minimize	

<p>or it consistent with promoting sustainable development</p>		<p>resource usage and to save on electricity costs, use of vehicles for carpool and regular maintenance and servicing of vehicles to reduce transportation cost and carbon emissions are in place.</p> <p>The PHC has “You’re in Green Hands” (YIGH), an environmental stewardship program that calls for planting trees, sweeping fallen leaves and clearing roots in key areas across the country.</p> <p>Details of the various programs and activities of Metrobank Foundation and PHC may be read in the CSR Section</p> <p>Please refer to the following links: Source:</p> <ul style="list-style-type: none"> • Website: Metrobank Annual Report 2017, page 31 • Website: About Us - Metrobank Foundation 	
<p>2. Company exerts effort to interact positively with the communities in which it operates</p>	<p>COMPLIANT</p>	<p>Metrobank has comprehensive community and social responsibility programs conducted by the Metrobank Foundation, its corporate social responsibility arm and the employees through the Purple Hearts Club (PHC).</p> <p>Details of the various programs and activities of Metrobank Foundation and PHC may be read in the CSR Section.</p> <p>Please follow the links: 2017 ANNUAL REPORT: Corporate Social Responsibility MBT Website: About Metrobank > Metrobank Foundation</p>	