



**Office of the Corporate Secretary**

Direct Line: 536-0540

Trunk Lines: 891-6040 to 70

Local: 4106

May 30, 2018

**PHILIPPINE DEALING & EXCHANGE CORPORATION**

37<sup>th</sup> Floor, Tower 1, The Enterprise Center  
6766 Ayala Avenue corner Paseo de Roxas  
Makati City

Attention: **Ms. Kathlene Anne F. Famadico**  
Head - Issuer Compliance and Disclosure Department

Dear Ms. Famadico:

We are pleased to furnish the Philippine Dealing and Exchange Corporation (PDEX) a copy of our disclosure to the Philippine Stock Exchange regarding the 2017 Integrated Annual Corporate Governance Report (I-ACGR) of the Bank.

We trust you will take note accordingly. Thank you.

Very truly yours,

  
**MAILA KATRINA Y. ILARDE**  
Corporate Secretary

Philippine National Bank  
PNB Financial Center  
Pres. Diosdado Macapagal Blvd.,  
Pasay City, Metro Manila 1300, Philippines

T. (632) 526-3131 to 70/891-6040 to 70  
P.O. Box 1884 (Manila)  
P.O. Box 410 (Pasay City)  
[www.pnb.com.ph](http://www.pnb.com.ph)

Authorized Depository of the Republic of the Philippines  
Member: PDIC

CR03670-2018

**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM - I-ACGR**

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

1. For the fiscal year ended  
Dec 31, 2017
2. SEC Identification Number  
AS096-005555
3. BIR Tax Identification Number  
000-188-209-000
4. Exact name of issuer as specified in its charter  
Philippine National Bank
5. Province, country or other jurisdiction of incorporation  
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City, Metro Manila  
Postal Code  
1300
8. Issuer's telephone number, including area code  
(632) 526-3131 to 70/(632) 891-6040 to 70
9. Former name, former address, and former fiscal year, if changed since last report  
Not Applicable

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



# PNB

## Philippine National Bank

### PNB

**PSE Disclosure Form I-ACGR - Integrated Annual Corporate Governance Report**  
**Reference: SEC Code of Corporate Governance for Publicly-Listed Companies, PSE**  
**Corporate Governance Guidelines, and ASEAN Corporate Governance Scorecard**

**Description of the Disclosure**

In compliance with SEC Memorandum Circular No. 15, Series of 2017, we are pleased to furnish the Exchange a copy of the 2017 Integrated Annual Corporate Governance Report (I-ACGR) of the Bank.

Thank you.

**Filed on behalf by:**

<b>Name</b>	Maila Katrina Ilarde
<b>Designation</b>	Corporate Secretary

# COVER SHEET

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S.E.C. Registration Number

P H I L I P P I N E N A T I O N A L B A N K

Company's Full Name)

9 t h F l o o r P N B F i n a n c i a l C e n t e r

M a c a p a g a l B l v d . , P a s a y C i t y

M e t r o M a n i l a

(Business Address: No. Street City/Town/ Province)

**MAILA KATRINA Y. ILARDE**  
Corporate Secretary  
Contact Person

**834-0780**  
Company Telephone Number

1 2      3 1  
Month    Day  
Fiscal Year

**2017 Integrated Annual Corporate Governance  
Report (I-ACGR)**  
FORM TYPE

April 24  
Month    Day  
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total amount of Borrowings  
Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

\_\_\_\_\_  
LCU

Document I.D.

\_\_\_\_\_  
Cashier

**STAMPS**

Remarks = pls. use black ink for scanning purposes



May 30, 2018

**Securities and Exchange Commission**  
G/F Secretariat Building  
PICC Complex, Roxas Boulevard  
Pasay City

**Attention : MS. RACHEL ESTHER J. GUMTANG-REMALANTE**  
OIC, Corporate Governance and Finance Department

**The Philippine Stock Exchange**  
6<sup>th</sup> Floor PSE Tower  
28<sup>th</sup> Street corner 5<sup>th</sup> Avenue  
Bonifacio Global City, Taguig City

**Attention : MR. JOSE VALERIANO B. ZUÑO III**  
OIC - Head, Disclosure Department

Gentlemen:

In compliance with SEC Memorandum Circular No. 15, Series of 2017, we are pleased to submit herewith the 2017 Integrated Annual Corporate Governance Report (I-ACGR) of the Philippine National Bank.

For your record. Thank you.

Very truly yours,

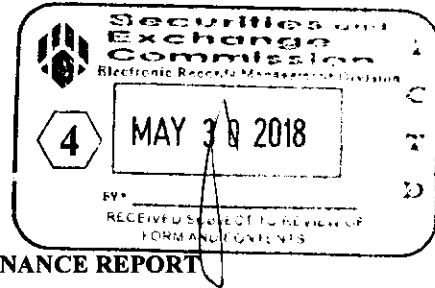
  
**MAILA KATRINA Y. ILARDE**  
Corporate Secretary

a/s

Philippine National Bank  
PNB Financial Center  
Pres. Diosdado Macapagal Blvd.,  
Pasay City, Metro Manila 1300,  
Philippines


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Authorized Depository of the Republic of the Philippines  
Member: PDIC



SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended 2017
2. SEC Identification Number AS096-005555 3. BIR Tax Identification No. 000-188-209
4. Exact name of issuer as specified in its charter PHILIPPINE NATIONAL BANK
5. PHILIPPINES 6. (SEC Use Only)   
Province, Country or other jurisdiction of incorporation or organization Industry Classification Code:
7. PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila  
Address of principal office 1300  
Postal Code
8. (632) 891-6040 to 70/(632) 526-3131 to 70  
Issuer's telephone number, including area code
9. Not Applicable  
Former name, former address, and former fiscal year, if changed since last report.

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

	COMPLIANT/ NON- COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
<b>The Board's Governance Responsibilities</b>			
<b>Principle 1:</b> 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.			
<b>Recommendation 1.1</b>			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 6 to 7, Item IV) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>	
2. Board has an appropriate mix of competence and expertise.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 74 to 77, Corporate Governance) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
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	<ul style="list-style-type: none"> <li>2017 Definitive Information Statement (p. 43, Board of Directors) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p>	
<b>Recommendation 1.2</b>			
1. Board is composed of a majority of non-executive directors.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 74 to 77, Corporate Governance) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul> <p>The Bank's Board of Directors is composed of nine (9) non-executive directors, one (1) executive director and five (5) independent directors. They possess the necessary qualifications with a collective working knowledge, experience or expertise that is relevant to the Bank's sector/industry to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.</p>	

<b>Recommendation 1.3</b>			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 47 to 48, Item XIV) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>	
2. Company has an orientation program for first time directors.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 82, Orientation and Education Program) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
3. Company has relevant annual continuing training for all directors	Compliant	<ul style="list-style-type: none"> <li>2017 Definitive Information Statement (p. 42 to 43, Item 3.vi.) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <ul style="list-style-type: none"> <li>Certification of Attendance in Corporate Governance Seminar ó 2017 <a href="http://www.pnb.com.ph/images/stories/docs/SEC_Attendance_in_Corporate_Governance_Seminar_2017.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_Attendance_in_Corporate_Governance_Seminar_2017.pdf</a> <a href="http://www.pnb.com.ph/images/stories/docs/SEC_Cor_Gov_Seminar_of_VKT_and_LKT.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_Cor_Gov_Seminar_of_VKT_and_LKT.pdf</a></li> </ul>	
<b>Recommendation 1.4</b>			
1. Board has a policy on board diversity	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 7, Item 1.2) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 76, Board of Directors Composition) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>2017 Definitive Information Statement (p. 43, Board of Directors) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p>	



<b>Optional: Recommendation 1.4</b>			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 76, Board of Directors Composition) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul> <p>The Bank observes diversity in the Board as there is no restriction on membership of the Board on account of age, gender, nationality or race. Two (2) Directors are above 80 years old, five (5) are above 70 years old, four (4), three (3) and one (1) are in their 60s, 50s and 40s, respectively. To date, 3 or 20% out of 15 members of the Board are women, the highest percentage or representation so far. One of the Directors is a British citizen. The Board is represented by a combination of highly qualified business professionals, former bank presidents and senior officials affiliated with regulatory bodies and international organizations. The members of the Board believe in the highest level of integrity and possess broad and collective range of expertise that provides value in sustaining and upholding good corporate governance practices in the Bank.</p>	
<b>Recommendation 1.5</b>			
1. Board is assisted by a Corporate Secretary.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 24 to 26, Item. 7) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 114, Profile of Corporate Secretary) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>Certification of Attendance in Corporate Governance Seminar 6 2017 <a href="http://www.pnb.com.ph/images/stories/docs/SEC_Attendance_in_Corporate_Governance_Seminar_2017.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_Attendance_in_Corporate_Governance_Seminar_2017.pdf</a></li> <li>Please see Annex A6 of Certificate of Attendance of Ms. Maila Katrina Y. Ilarde, Corporate Secretary, as a participant of the GRI Standards Certified Training given by the National Center for Sustainability Reporting</li> </ul>	
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		
4. Corporate Secretary attends training/s on corporate governance.	Compliant		
<b>Optional: Recommendation 1.5</b>			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	Compliant	The Corporate Secretary certifies that the materials for the meeting of the Board of Directors are provided to the Board at least five (5) working days before the meeting.	

Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	Compliant	<ul style="list-style-type: none"> <li>• 2018 Manual on Corporate Governance (p. 26 to 27, Item 8) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>• 2017 Annual Report (p. 121, Profile of the Chief Compliance Officer) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>• Certification of Attendance in Corporate Governance Seminar ó 2017 <a href="http://www.pnb.com.ph/images/stories/docs/SEC_Attendance_in_Corporate_Governance_Seminar_2017.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_Attendance_in_Corporate_Governance_Seminar_2017.pdf</a></li> </ul>	
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		
4. Compliance Officer attends training/s on corporate governance.	Compliant		

**Principle 2:** The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.

Recommendation 2.1			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	Compliant	<ul style="list-style-type: none"> <li>• 2018 Manual on Corporate Governance (p. 19 to 20, Item 3.7) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>• 2017 Annual Report (p. 76, Board's Overall Responsibility and 81, Directors' Attendance) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>• 2017 Definitive Information Statement (p. 43, Board of Directors) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u>  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p>	

<b>Recommendation 2.2</b>			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 7 to 8, Item 1.3.2) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	Compliant		
<b>Supplement to Recommendation 2.2</b>			
1. Board has a clearly defined and updated vision, mission and core values.	Compliant	<ul style="list-style-type: none"> <li>Mission and Vision <a href="http://www.pnb.com.ph/index.php/about/mission-and-vision.html">http://www.pnb.com.ph/index.php/about/mission-and-vision.html</a></li> <li>2017 Annual Report (p. 2, Corporate Objective, Mission Statement, Vision and 25, PNB Values) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul> <p>The Bank's vision and mission is formally reviewed annually during the strategic planning process when the Bank's strategic plans are formulated and aligned vertically and horizontally.</p>	
2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 79 to 80, Board-Level Committees) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
<b>Recommendation 2.3</b>			
1. Board is headed by a competent and qualified Chairperson.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 76, Chairperson of the Board and 106, Profile of Ms. Florencia G. Tarriela) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>2017 Definitive Information Statement (p. 11, Profile of Ms. Florencia G. Tarriela and 44, Chairperson of the Board) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p>	

Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 8 to 9, Item 1.3.2.3; p. 14, Item 1.7) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>Retirement and Succession Planning Policy for Directors <a href="http://www.pnb.com.ph/images/stories/docs/PNB_Retirement_Succession_Planning_Policy_for_Directors.pdf">http://www.pnb.com.ph/images/stories/docs/PNB_Retirement_Succession_Planning_Policy_for_Directors.pdf</a></li> </ul>	
2. Board adopts a policy on the retirement for directors and key officers.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 82 to 83, Retirement Policy and Succession Management Program) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>Amended By-Laws (p. 8, Article 5, Section 5.7, Vacancies) <a href="http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf">http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf</a></li> </ul> <p>In December 2014, the PNB Board of Directors approved the adoption/implementation of the harmonized PNB Assessment and Development Center Assessors Workshop. It was established to ensure the availability of talents who have the potential and the required competencies, and ready to assume vacant positions as the need arises due to organizational exigencies, particularly for key/critical positions identified by the Talent Board. The process involves the following steps: (1) identification of key/critical positions, (2) nomination of candidates, (3) talent audit, (4) learning and development, (5) talent review, (6) engagement, and (7) placement.</p>	
Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 20 to 21, Item 2.8) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 83, PNB Remuneration Policy) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
2. Board adopts a policy specifying the relationship between remuneration and performance.	Compliant	<ul style="list-style-type: none"> <li>Amended By-Laws (Article 5, Section 5.8, Compensation) <a href="http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf">http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf</a></li> </ul>	
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	Compliant		

Optional: Recommendation 2.5				
1. Board approves the remuneration of senior executives.	Compliant	The Corporate Secretary certifies that the remuneration and structures are based on the approved Bank's Policy on Remuneration of Directors and Officers under Board Executive Session Resolution No. 06/10-23-09 dated October 23, 2009.		
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.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 81 to 82, Performance Assessment Program for Board and Senior Management; p. 83 PNB Remuneration Policy)  <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul> <p>The Bank sustains a Remuneration Policy that would commensurately compensate its Directors and Officers in return for high levels of performance. The PNB Remuneration Policy provides a sustainable compensation structure and fringe benefits program for Directors and Officers which are competitive with its peer group in the industry. It provides basic compensation, incentives, recognition and rewards for those who meet their performance targets and goals.</p>		
Recommendation 2.6				
1. Board has a formal and transparent board nomination and election policy.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 14 6 15, Item 1.6)  <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 75, Selection Process for Board and Senior Management)  <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>2017 Definitive Information Statement (p. 9 to 10, Item 5)  <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u>  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <p>The Corporate Governance Committee, acting as the Bank's Nomination Committee, receives and considers the shortlist of the candidates nominated to sit as members of the board of directors according to prescribed qualifications and disqualifications. The Bank may engage an external party to search for candidates. After a thorough review and evaluation of the qualifications of the nominees, the Corporate Governance Committee endorses the nomination of the individuals for the election of the stockholders.</p>		
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Compliant			
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	Compliant			
4. Board nomination and election policy includes how the board shortlists candidates.	Compliant			
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			
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Compliant			

<b>Optional: Recommendation to 2.6</b>			
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	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 14) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>	
<b>Recommendation 2.7</b>			
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	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 33 to 38, Item V) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 83 to 84, Policies and Procedures on Related Party Transactions) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	Compliant	<ul style="list-style-type: none"> <li>2017 Definitive Information Statement (p. 36, Item (e) and p. 45 to 47, Related Party Transaction) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul>	
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	Compliant	<p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <ul style="list-style-type: none"> <li>RPT Policy Manual <a href="http://www.pnb.com.ph/images/stories/docs/2016_REVISIED_RPT_POLICY_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2016_REVISIED_RPT_POLICY_MANUAL.pdf</a></li> </ul>	

Supplement to Recommendations 2.7			
1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	Compliant	<ul style="list-style-type: none"> <li>• 2018 Manual on Corporate Governance (p. 33 to 38, Item V) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>• 2017 Annual Report (p. 83 to 84, Policies and Procedures on Related Party Transactions) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>• 2017 Definitive Information Statement (p. 36, Item (e) and p. 45 to 47, Related Party Transaction) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u>  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <ul style="list-style-type: none"> <li>• RPT Policy Manual <a href="http://www.pnb.com.ph/images/stories/docs/2016_REVISED_RPT_POLICY_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2016_REVISED_RPT_POLICY_MANUAL.pdf</a></li> </ul> <p>Information related to transactions with related parties and with subsidiaries/affiliates, directors, officers, stockholders and related interests (DOSRI) is included in the Audited Financial Statement of the Bank and Annual Report. All legal acts, resolutions and proceedings of the Board of Directors, <b>including approvals on the related party transactions endorsed by the Board Oversight RPT Committee</b>, are included in the agenda of the Annual Stockholders Meeting for ratification of the stockholders. All DOSRI transactions are reported to the regulatory agencies on a monthly basis, as required under the regulations.</p> <ul style="list-style-type: none"> <li>• Minutes of the Annual Stockholders Meeting (p.9 to 10, Item VII) <a href="http://www.pnb.com.ph/images/stories/docs/2018_ASM_Minutes.pdf">http://www.pnb.com.ph/images/stories/docs/2018_ASM_Minutes.pdf</a></li> </ul>	
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders meetings.	Compliant		
Recommendation 2.8			
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).	Compliant	<ul style="list-style-type: none"> <li>• 2018 Manual on Corporate Governance (p. 8 to 9, Item 1.3.2.3) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>• 2017 Annual Report (p. 75, Selection Process for Board and Senior Management, p. 81, Performance Assessment Program for Board and Senior Management, and p. 120 to 123, Profiles of the Senior Management Team) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Compliant		

<b>Recommendation 2.9</b>			
1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 45, Item XI) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 75, Selection Process for Board and Senior Management; p. 81, Performance Assessment Program for Board and Senior Management) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.	Compliant		
<b>Recommendation 2.10</b>			
1. Board oversees that an appropriate internal control system is in place.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 30 to 31, Item 10; Annex B, Board Audit and Compliance Committee Charter) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 66 to 68, The Board and Audit Compliance Committee) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul> <p>The Corporate Secretary certifies that the Charter of the Board Audit and Compliance Committee was approved by the Board.</p>	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Compliant		
3. Board approves the Internal Audit Charter.	Compliant		
<b>Recommendation 2.11</b>			
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	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 12 to 13, Item 1.3.2.5; p. 32, Item 11; Annex C, Risk Oversight Committee Charter) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 39, Enterprise Risk Management Framework) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
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 management strategies.	Compliant		



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	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 7 to 13, Item 1.3.2) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>	
2. Board Charter serves as a guide to the directors in the performance of their functions.	Compliant		
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 trading policy.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 20, par. k; p. 23, Item 5.2 e; p. 23 Item 5.2 f) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li><a href="http://www.pnb.com.ph/index.php/about/corporate-governance/company-policies/insider-trading-policy">http://www.pnb.com.ph/index.php/about/corporate-governance/company-policies/insider-trading-policy</a></li> </ul>	
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	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 34 to 38, Item 2, Policies and Procedures) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>RPT Policy Manual <a href="http://www.pnb.com.ph/images/stories/docs/2016_REVISIED_RPT_POLICY_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2016_REVISIED_RPT_POLICY_MANUAL.pdf</a></li> </ul>	
2. Company discloses the types of decision requiring board of directors' approval.	Compliant	<p>All material transactions approved by the Board of Directors are immediately disclosed after each Board meeting.</p> <p><a href="http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=139">http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=139</a></p> <p>Annually, all legal acts, resolutions and proceedings of the Board of Directors are summarized and endorsed to the Stockholders for ratification during the Annual Stockholders Meeting.</p> <ul style="list-style-type: none"> <li>Minutes of the Annual Stockholders Meeting (p. 9 to 10, Item VII) <a href="http://www.pnb.com.ph/images/stories/docs/2018_ASM_Minutes.pdf">http://www.pnb.com.ph/images/stories/docs/2018_ASM_Minutes.pdf</a></li> </ul>	

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

**Recommendation 3.1**

<p>1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> <li>• 2018 Manual on Corporate Governance (p. 10, Item 1.3.2.4.a [ii]; p. 21, Item 4) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>• 2017 Annual Report (p. 77 to 80, Board-Level Committees, Membership and Functions) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>• 2017 Definitive Information Statement (p. 44 to 45, Board Committees) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p>
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**Recommendation 3.2**

<p>1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> <li>• 2018 Manual on Corporate Governance (p. 21, Item 4; Annex B, Board Audit and Compliance Committee Charter) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>
<p>2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> <li>• 2017 Annual Report (p. 66 to 68, The Board Audit and Compliance Committee; p. 78 to 79, Profiles of the Chairman and Members) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>
<p>3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> <li>• 2017 Definitive Information Statement (p. 31, Members of the Board Audit and Compliance Committee) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul>
<p>4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.</p>	<p>Compliant</p>	<p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <p>The Board Audit and Compliance Committee (BACC) has sole authority to select, evaluate, appoint, dismiss, replace and reappoint the Bank's external auditors, subject to the approval of the Board of Directors and ratification of Stockholders, based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality; (ii) technical competence and expertise of auditing staff; (iii) independence; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's reports.</p>

Supplement to Recommendation 3.2		
1. Audit Committee approves all non-audit services conducted by the external auditor.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (Annex B, Board Audit and Compliance Committee Charter) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 66 to 68, The Board Audit and Compliance Committee) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul> <p>On an annual basis, the members of the Board Audit and Compliance Committee meet with the External Auditor (SGV &amp; Co.) without the presence of management.</p> <ul style="list-style-type: none"> <li>Please see "Annex B" Certification of the Annual Meeting with the External Auditor without the presence of Management</li> </ul>
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	Compliant	
Optional: Recommendation 3.2		
1. Audit Committee meets at least four times during the year.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (Annex B, Board Audit and Compliance Committee Charter) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 67, Activities for the calendar year 2017 of the Board Audit and Compliance Committee; p.81, Directors' Attendance) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>
2. Audit Committee approves the appointment and removal of the internal auditor.	Compliant	

<b>Recommendation 3.3</b>			
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	<ul style="list-style-type: none"> <li>Corporate Governance - 2018 Manual on Corporate Governance (p. 21, Item 4; Annex A, Corporate Governance Committee Charter) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>	
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 78 to 79, Members and Functions of the Corporate Governance Committee; p. 106, 107 and 110, Profiles of the Chairman and Members) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
3. Chairman of the Corporate Governance Committee is an independent director.	Compliant	<ul style="list-style-type: none"> <li>2017 Definitive Information Statement (p. 31, Members of the Corporate Governance Committee) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <p>The Corporate Governance Committee, acting as the Bank's Nomination Committee, promulgate guidelines or criteria governing the conduct of the nomination of the Board of Directors. It determines whether the nominees are fit and proper and qualified to be appointed as member of the Board. It reviews and evaluates qualifications of all person nominated to the Board.</p>	
<b>Optional: Recommendation 3.3.</b>			
1. Corporate Governance Committee meets at least twice during the year.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (Annex A, Corporate Governance Committee Charter) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 81, Directors' Attendance) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	

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	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (Annex C, Risk Oversight Committee Charter) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 37, The Risk Oversight Committee; 78 to 79, Members and Functions of the Risk Oversight Committee; p. 106, 107, 108 and 110, Profiles of the Chairman and Members) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Compliant		
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Compliant		
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Compliant		
Recommendation 3.5			
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (Annex D, Board Oversight RPT Committee Charter) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 26 to 27, The Board Oversight RPT Committee; p. 78 to 79, Members and Functions of the Board Oversight RPT Committee; p. 108 and 110, Profiles of the Chairman and Members) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>2017 Definitive Information Statement (p. 46 to 47, Board Oversight RPT Committee) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u>  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p>	
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	Compliant		

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	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (Annex A to H)  <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul> <p>All the Charters of the Board Committees are incorporated as Annexes to the Manual on Corporate Governance of the Bank posted in the Bank's website at <a href="http://www.pnb.com.ph">www.pnb.com.ph</a> under Corporate Governance.</p>	
2. Committee Charters provide standards for evaluating the performance of the Committees.	Compliant		
3. Committee Charters were fully disclosed on the company's website.	Compliant		
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	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 81, Directors' Attendance)  <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul> <p>The Corporate Secretary certifies that the agenda and materials for all meetings are sent to the directors ahead of time to provide them ample time to review the same.</p>	
2. The directors review meeting materials for all Board and Committee meetings.	Compliant	The Corporate Secretary further certifies that directors attending the meeting through video/teleconferencing are provided with the agenda and all materials for the meeting ahead of time, in accordance with SEC Memorandum Circular No. 15, Series of 2001.	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant	The Corporate Secretary likewise certifies that questions asked during Board and Committee meetings are fully documented in the Minutes Books which are available for examination during office hours at the Corporate Secretary's Office upon request.	

**Recommendation 4.2**

1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.

Compliant

- 2018 Manual on Corporate Governance (p. 18, Item 3.5) [http://www.pnb.com.ph/images/stories/docs/2018\\_CORPORATE\\_GOVERNANCE\\_MANUAL.pdf](http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf)
- | Director's Name       | Name of Listed Company   |
|-----------------------|--|
| Florencia G. Tarriela | LT Group, Inc. (Independent Director)  |
| Leonilo G. Coronel    | Megawide Construction Corporation (Independent Director)   |
| Estelito P. Mendoza   | San Miguel Corporation (Director)<br>Petron Corporation (Director)   |
| Carmen K. Tan         | LT Group, Inc. (Director)<br>MacroAsia Corporation (Director)<br>PAL Holdings, Inc. (Director)   |
| Lucio C. Tan          | PAL Holdings, Inc. (Chairman & CEO)<br>LT Group, Inc. (Chairman & CEO)<br>MacroAsia Corporation (Chairman & CEO)                           |
| Lucio K. Tan, Jr.     | MacroAsia Corporation (Director)<br>LT Group, Inc. (Director)<br>PAL Holdings, Inc. (Director)<br>Victorias Milling Corporation (Director) |
| Michael G. Tan        | LT Group, Inc. (Director and President)<br>PAL Holdings, Inc. (Director)<br>Victorias Milling Company (Director)                           |

**Recommendation 4.3**

1. The directors notify the company's board before accepting a directorship in another company.

Compliant

- 2018 Manual on Corporate Governance (p. 42, Item 4 Concurrent Directorship) [http://www.pnb.com.ph/images/stories/docs/2018\\_CORPORATE\\_GOVERNANCE\\_MANUAL.pdf](http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf)

<b>Optional: Principle 4</b>			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 107, Profile of Mr. Reynaldo A. Maclang) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
2. Company schedules board of directors meetings before the start of the financial year.	Compliant	The Corporate Secretary certified that the Board of Directors, through a Memorandum dated December 15, 2016, were notified of the schedule of meetings for the year 2017. Likewise, for 2018, the Board of Directors were notified of the schedule of meetings through a Memorandum dated November 22, 2017.	
3. Board of directors meet at least six times during the year.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 81, Directors Attendance) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
4. Company requires as minimum quorum of at least 2/3 for board decisions	Compliant	The Corporate Secretary certifies that the Board of Directors follows the minimum quorum of at least 2/3 to carry out board decisions. Corporate documents will be amended accordingly for purposes of alignment.	
<b>Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs</b>			
<b>Recommendation 5.1</b>			
1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 7, par. 3) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 74, Independent Directors) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>2017 Definitive Information Statement (p. 44, Independent Directors) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p>	



Recommendation 5.2																					
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Compliant	<ul style="list-style-type: none"> <li>Certification of Independent Directors ó 2017  <a href="http://www.pnb.com.ph/images/stories/docs/SEC_Certifications_of_Independent_Directors.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_Certifications_of_Independent_Directors.pdf</a> </li> </ul>																			
Supplement to Recommendation 5.2																					
1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	Compliant	There are no shareholder agreements, by-laws provisions, or other arrangements that constrains the directors' ability to vote independently.																			
Recommendation 5.3																					
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 18, Item 3.4)  <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf</a> </li> </ul> <table border="1" data-bbox="970 646 1577 885"> <thead> <tr> <th>Director's Name</th> <th>Date first elected</th> <th>No. of years served as independent director*</th> </tr> </thead> <tbody> <tr> <td>1. Florencia G. Tarriela</td> <td>May 29, 2001</td> <td>6 yrs.</td> </tr> <tr> <td>2. Felix Enrico R. Alfiler</td> <td>Dec. 16, 2011</td> <td>6 yrs.</td> </tr> <tr> <td>3. Edgar A. Cua</td> <td>May 31, 2016</td> <td>1 yr., 7 mos.</td> </tr> <tr> <td>4. Federico C. Pascual</td> <td>May 27, 2014</td> <td>3 yrs., 7 mos.</td> </tr> <tr> <td>5. Cecilio K. Pedro</td> <td>February 28, 2014</td> <td>3 yrs., 10 mos.</td> </tr> </tbody> </table>	Director's Name	Date first elected	No. of years served as independent director*	1. Florencia G. Tarriela	May 29, 2001	6 yrs.	2. Felix Enrico R. Alfiler	Dec. 16, 2011	6 yrs.	3. Edgar A. Cua	May 31, 2016	1 yr., 7 mos.	4. Federico C. Pascual	May 27, 2014	3 yrs., 7 mos.	5. Cecilio K. Pedro	February 28, 2014	3 yrs., 10 mos.	
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4. Federico C. Pascual	May 27, 2014	3 yrs., 7 mos.																			
5. Cecilio K. Pedro	February 28, 2014	3 yrs., 10 mos.																			
2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Compliant																				
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.	Not Applicable		The Bank has no independent director that served for more than nine (9) years from 2012.																		

<b>Recommendation 5.4</b>			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 18 to 19, Item 3.6; p. 24, Item 6) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 106, Profile of Ms. Florencia G. Tarriela; p. 107, Profile of Mr. Reynaldo A. Maclang) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>Amended By-Laws (p. 7, Article 5, Section 5.6, Powers and Duties of the Chairman; p. 12, Article 6, Section 6.3, The President) <a href="http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf">http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf</a></li> </ul>	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant		
<b>Recommendation 5.5</b>			
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	Not Applicable		The Bank's Chairman of the Board is also an independent director.
<b>Recommendation 5.6</b>			
1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 34, Item 2.3) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Definitive Information Statement (p. 45, par. 3, Related Party Transaction) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p>	

<b>Recommendation 5.7</b>			
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	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 9, Item 1.3.2.3 [c]; p. 13, Item 1.3.2.5.d [ii])  <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>	
2. The meetings are chaired by the lead independent director.	Compliant	<p>On February 22, 2018, Ms. Janeth Nunez Javier, the current engagement partner of the Bank, had an executive session with the Members of the Board Audit and Compliance Committee, the Chief Compliance Officer, the Chief Audit Executive, and the Chief Risk Officer, as mandated by BSP Memorandum 2014-11 and BSP Circular 969.</p> <p>This will be done annually through an Executive Session without the presence of management.</p>	
<b>Optional: Principle 5</b>			
1. None of the directors is a former CEO of the company in the past 2 years.		Provide name/s of company CEO for the past 2 years	
<b>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.</b>			
<b>Recommendation 6.1</b>			
1. Board conducts an annual self-assessment of its performance as a whole.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 45 to 46, Item XI; Annex I and J)  <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 81, Performance Assessment Program for Board and Senior Management)  <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul> <p>The Performance Evaluation of the Directors are validated by the Bangko Sentral ng Pilipinas and SGV &amp; Co. annually.</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		

Recommendation 6.2		
1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	Compliant	<ul style="list-style-type: none"> <li>• 2018 Manual on Corporate Governance (p. 45 to 46, Item XI; p. 47, Item 9; Annex I and J) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>
2. The system allows for a feedback mechanism from the shareholders.	Compliant	<ul style="list-style-type: none"> <li>• 2017 Annual Report (p. 75, Solution Process) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>• 2017 Definitive Information Statement (p. 40, Voting Procedures) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a>  PSE Disclosure of 2017 Definitive Information Statement <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></li> <li>• Minutes of the Annual Stockholders Meeting <a href="http://www.pnb.com.ph/images/stories/docs/2018_ASM_Minutes.pdf">http://www.pnb.com.ph/images/stories/docs/2018_ASM_Minutes.pdf</a></li> </ul> <p>On January 22, 2018, the Bank disclosed the schedule of the Annual Stockholders Meeting and invited the stockholders to send nominations for the Board of Directors through the Corporate Secretary.</p> <ul style="list-style-type: none"> <li>• PSE Disclosure of Notice of Annual Stockholders Meeting <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=e46df3d07771152c43ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=e46df3d07771152c43ca035510b6ec2b</a></li> </ul>

**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**

<p>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.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> <li>• 2018 Manual on Corporate Governance (p. 42, Item IX) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>• 2017 Annual Report (p. 92, Code of Conduct) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>• Corporate Governance ó Code of Conduct <a href="http://www.pnb.com.ph/images/stories/docs/01-Code-of-Business-Conduct-and-Ethics-4-26-16.pdf">http://www.pnb.com.ph/images/stories/docs/01-Code-of-Business-Conduct-and-Ethics-4-26-16.pdf</a></li> <li>• 2017 Definitive Information Statement (p. 46, Code of Conduct) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul>
<p>2. The Code is properly disseminated to the Board, senior management and employees.</p>	<p>Compliant</p>	<p><a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></p>
<p>3. The Code is disclosed and made available to the public through the company website.</p>	<p>Compliant</p>	<p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <p>The Bank's human resource policies, including but not limited to, the Code of Conduct are disseminated by the Human Resource Group through the Bank's online intranet system and posted at PNB Cybermag, which may be accessed by employees.</p> <p>The Code of Conduct of the Bank may be accessed/downloaded from the PNB website at <a href="http://www.pnb.com.ph">www.pnb.com.ph</a> under Corporate Governance.</p>

**Supplement to Recommendation 7.1**

<p>1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> <li>• 2018 Manual on Corporate Governance (p. 38, Item 2.11; p. 43, Item 5) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>• 2017 Annual Report (p. 93, Whistleblower Policy and Policy on Soliciting &amp; Giving Gifts) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>• 2017 Definitive Information Statement (p. 46, Whistleblower Policy and Policy on Soliciting &amp; Giving Gifts) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <p>Under the Bank's Whistleblower Policy (as approved under PNB Board Resolution No. 03/02-24-17 of February 24, 2017, as amended), employees can report or complain about internally any suspected or actual commission of theft/fraud, corruption, etc). All reports involving officers and rank-and-file employees shall be investigated upon and endorsed to the Bank's Ethical Standards Committee for appropriate disposition.</p> <p>The employee or the whistleblower is protected against retaliation, discrimination, harassment or adverse personnel action, for reporting in good faith a suspected or actual violation. Hence, anyone who retaliates against the whistleblower is subject to disciplinary action, including the possibility of termination/dismissal from the Bank service.</p>	
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<b>Recommendation 7.2</b>			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 8, Item 1.3.2.1) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul> <p>The provisions in the Code of Conduct apply to all employees of the Bank, including its overseas branches/offices and foreign/domestic subsidiaries.</p>	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant	<p>As required, each director and employee accomplishes an Acknowledgment Receipt certifying that he/she has been furnished with copies of the Code of Conduct and other relevant policies in business ethics; that he/she fully read and understood the provisions embodied therein; and that he/she promises to abide by the rules/regulations.</p> <p>Any report of failure to abide by said policies may be subsequently validated/evaluated by the Ethical Standards Committee to determine if any sanction or disciplinary action should be taken against the erring employee or director through due process.</p>	
<b>Disclosure and Transparency</b>			
<b>Principle 8:</b> The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
<b>Recommendation 8.1</b>			
1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>2017 Definitive Information Statement (p. 1 to 38 of Management Report) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <ul style="list-style-type: none"> <li>2017 Audited Financial Statements <a href="http://www.pnb.com.ph/images/stories/docs/2017_Audited_Financial_Statements.pdf">http://www.pnb.com.ph/images/stories/docs/2017_Audited_Financial_Statements.pdf</a></li> </ul>	

**Supplement to Recommendations 8.1**

1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.

Compliant

- Quarterly Financial Statements 6 2017  
[http://www.pnb.com.ph/images/stories/docs/PNB\\_SEC\\_17Q\\_MARCH\\_31\\_2017.pdf](http://www.pnb.com.ph/images/stories/docs/PNB_SEC_17Q_MARCH_31_2017.pdf)  
[http://www.pnb.com.ph/images/stories/docs/PNB\\_SEC\\_17Q\\_JUNE\\_30\\_2017.pdf](http://www.pnb.com.ph/images/stories/docs/PNB_SEC_17Q_JUNE_30_2017.pdf)  
[http://www.pnb.com.ph/images/stories/docs/PNB\\_SEC\\_17Q\\_SEPTEMBER\\_30\\_2017.pdf](http://www.pnb.com.ph/images/stories/docs/PNB_SEC_17Q_SEPTEMBER_30_2017.pdf)  
[http://www.pnb.com.ph/images/stories/docs/2017\\_Audited\\_Financial\\_Statements.pdf](http://www.pnb.com.ph/images/stories/docs/2017_Audited_Financial_Statements.pdf)
  - 2017 Annual Report  
<http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf>
- | Cut-off Period of Consolidated Financial Statements | Published Date (Date of disclosure through PSE Edge)<br><a href="http://edge.pse.com.ph/companyDisclosures/form.do?company_id=139">http://edge.pse.com.ph/companyDisclosures/form.do?company_id=139</a> | No. of days within which the reports were published from the end of the fiscal year and end of the reporting period |
|---|---|---|
| Quarterly Report as of March 31, 2017               | May 12, 2017  | 42 days   |
| Quarterly Report as of June 30, 2017                | August 11, 2017   | 42 days   |
| Quarterly Report as of September 30, 2017           | November 8, 2017  | 39 days   |
| Annual Report as of end-2017                        | March 28, 2018  | 87 days   |

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.

Compliant

- 2017 Annual Report (p. 85 Conglomerate Map; p. 126 to 127, Holders)  
<http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf>
- 2017 Definitive Information Statement (p. 4 to 7, Item 4)  
[http://www.pnb.com.ph/images/stories/docs/SEC\\_2018\\_Definitive\\_Information\\_Statement.pdf](http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf)  
 PSE Disclosure of 2017 Definitive Information Statement  
[http://edge.pse.com.ph/openDiscViewer.do?edge\\_no=0f7e3fc54980711943ca035510b6ec2b](http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b)
- Top 100 Stockholders  
<http://www.pnb.com.ph/index.php/about/investor-relations/top-100-stockholders.html>



<b>Recommendation 8.2</b>			
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.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 20, letter j.) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf</a></li> </ul>	
2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 23, par. 5.2 [e]) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf</a></li> </ul>	
<b>Supplement to Recommendation 8.2</b>			
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).	Compliant	<ul style="list-style-type: none"> <li>Computation of Public Ownership <a href="http://www.pnb.com.ph/index.php/about/investor-relations/computation-of-public-ownership.html">http://www.pnb.com.ph/index.php/about/investor-relations/computation-of-public-ownership.html</a></li> <li>SEC Filings - SEC Form 23-A/23-B (Statement of Beneficial Ownership of Securities) <a href="http://www.pnb.com.ph/index.php/about/investor-relations.html#">http://www.pnb.com.ph/index.php/about/investor-relations.html#</a></li> </ul>	
<b>Recommendation 8.3</b>			
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 judgment.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 77) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>2017 Annual Report (p. 106 to 113, Profiles of the Board of Directors) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 114 to 123, Profiles of the Corporate Secretary, Board of Advisors and Senior Management Team) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>Computation of Public Ownership <a href="http://www.pnb.com.ph/index.php/about/investor-relations/computation-of-public-ownership.html">http://www.pnb.com.ph/index.php/about/investor-relations/computation-of-public-ownership.html</a></li> <li>Top 100 Stockholders <a href="http://www.pnb.com.ph/index.php/about/investor-relations/top-100-stockholders.html">http://www.pnb.com.ph/index.php/about/investor-relations/top-100-stockholders.html</a></li> </ul>	

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	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 21, Item 3.8) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>	
2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 83, PNB Remuneration Policy) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>Amended By-Laws (Article 5, Section 5.8, Compensation) <a href="http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf">http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf</a></li> </ul>	
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	Non-Compliant	<p>The remuneration and structures are based on the Bank's Policy on Remuneration of Directors and Officers under Board Executive Session Resolution No. 06/10-23-09 dated October 23, 2009.</p>	<p>The total per diem given to the Board of Directors as well as the total compensation of the President and most highly compensated executive officers are provided in p. 36 to 37 of the 2017 Definitive Information Statement.</p> <ul style="list-style-type: none"> <li>2017 Definitive Information Statement (p. 36 to 37, Item 6, Compensation of Directors and Executive Officers) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u>  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p>

<b>Recommendation 8.5</b>			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 34 to 38, Item V) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 83 to 84, Policies and Procedures on Related Party Transactions; p. 306 to 314, Related Party Transactions) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>2017 Definitive Information Statement (p. 36, Item (e) and 45 to 47, Related Party Transaction) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <ul style="list-style-type: none"> <li>RPT Policy Manual <a href="http://www.pnb.com.ph/images/stories/docs/2016_REVISED_RPT_POLICY_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2016_REVISED_RPT_POLICY_MANUAL.pdf</a></li> </ul>	
2. Company discloses material or significant RPTs reviewed and approved during the year.	Compliant	<p>Information related to transactions with related parties and with subsidiaries/affiliates, directors, officers, stockholders and related interests (DOSRI) is included in the Audited Financial Statement of the Bank and Annual Report. All legal acts, resolutions and proceedings of the Board of Directors, including approvals on the related party transactions endorsed by the Board Oversight RPT Committee, are included in the agenda of the Annual Stockholders Meeting for ratification of the stockholders. All DOSRI transactions are reported to the regulatory agencies on a monthly basis, as required under the regulations.</p>	
<b>Supplement to Recommendation 8.5</b>			
1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 34, Item 2.3) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>	

<b>Optional : Recommendation 8.5</b>			
1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms length.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 35, Item 2.5.1) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 84) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
<b>Recommendation 8.6</b>			
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.	Compliant	<ul style="list-style-type: none"> <li>SEC Filings - SEC Form 17-C (Current Report) <a href="http://www.pnb.com.ph/index.php/about/investor-relations.html#">http://www.pnb.com.ph/index.php/about/investor-relations.html#</a></li> </ul> <p>All material information/transactions of the Bank which could adversely affect the interest of its shareholders and other stakeholders are immediately disclosed to the Philippine Stock Exchange (PSE) which may be viewed/accessed/downloaded in the PSE Edge Portal through the link below:</p> <p><a href="http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=139">http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=139</a></p>	
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 215 to 216; p. 316 to 317, Note 37; p. 243, Note 5) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul> <p>For any such transactions, the Bank has its internal appraisers , external appraisers, and external auditor (SGV &amp; Co.).</p>	

Supplement to Recommendation 8.6			
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.	Compliant	<ul style="list-style-type: none"> <li>SEC Form 17-C (Current Report) <a href="http://www.pnb.com.ph/index.php/about/investor-relations.html#">http://www.pnb.com.ph/index.php/about/investor-relations.html#</a></li> <li>2017 Definitive Information Statement (p. 9, Voting Trust Holders) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p style="margin-left: 20px;"><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <p>All material information/transactions of the Bank which could adversely affect the interest of its shareholders and other stakeholders are immediately disclosed to the Philippine Stock Exchange (PSE) which may be viewed/accessed/downloaded in the PSE Edge Portal through the link below:</p> <p><a href="http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=139">http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=139</a></p>	
Recommendation 8.7			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>	
2. Company's MCG is submitted to the SEC and PSE.	Compliant		
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	Please see attached Annex C's Receiving copy stamped by the SEC of the 2018 Manual on Corporate Governance.	

Optional: Principle 8		
1. Does the company's Annual Report disclose the following information:		<ul style="list-style-type: none"> <li>• 2017 Annual Report <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>a. Page 2, Corporate Objective/Mission Statement/Vision</li> <li>b. Page 1, Financial Summary/Financial Highlights</li> <li>c. Page 12-24, Operational Highlights</li> <li>d. Page 127, Dividends</li> <li>e. Page 106 to 113, Profiles of the Board of Directors</li> <li>f. Page 81, Directors' Attendance</li> </ul>
a. Corporate Objectives	Compliant	
b. Financial performance indicators	Compliant	
c. Non-financial performance indicators	Compliant	
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	
f. Attendance details of each director in all directors meetings held during the year	Compliant	
g. Total remuneration of each member of the board of directors	Non-Compliant	<p>The total per diem given to the Board of Directors is provided in p. 36 to 37 of the 2017 Definitive Information Statement.</p> <ul style="list-style-type: none"> <li>• 2017 Definitive Information Statement (p. 9, Voting Trust Holders) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p>

<p>2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> <li>• 2017 Annual Report (p. 72, Message from the Corporate Governance Committee Chairman; p. 74, Corporate Governance Structure and Practices)  <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul> <p>The Bank strives to adhere to the highest principles of good corporate governance as embodied in the Bank's Amended Articles of Incorporation, Amended Bylaws, Code of Conduct and its Revised Corporate Governance Manual.</p>	
<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>	<ul style="list-style-type: none"> <li>• 2017 Annual Report (p. 37, Message from the Risk Oversight Committee Chairman)  <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
<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>	<ul style="list-style-type: none"> <li>• 2017 Annual Report (p. 68, Message from the Board Audit and Compliance Committee Chairman)  <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
<p>5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).</p>	<p>Compliant</p>	<ul style="list-style-type: none"> <li>• 2017 Annual Report (p. 43 to 56, Material Risks)  <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	

**Principle 9:** The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

**Recommendation 9.1**

<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>	<ul style="list-style-type: none"> <li>• 2018 Manual on Corporate Governance (Annex B, Board Audit and Compliance Committee Charter) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>	
<p>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.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> <li>• 2017 Annual Report (p. 67, The Board Audit and Compliance Committee) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>• 2017 Definitive Information Statement (p. 37, Item 7, Independent Public Accountants) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p>PSE Disclosure of 2017 Definitive Information Statement <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <ul style="list-style-type: none"> <li>• Minutes of the Annual Stockholders Meeting of April 24, 2017 (p. 10 to 11); April 24, 2018 (p. 12 to 13) <a href="http://www.pnb.com.ph/images/stories/docs/2017_ASM_Minutes.pdf">http://www.pnb.com.ph/images/stories/docs/2017_ASM_Minutes.pdf</a> <a href="http://www.pnb.com.ph/images/stories/docs/2018_ASM_Minutes.pdf">http://www.pnb.com.ph/images/stories/docs/2018_ASM_Minutes.pdf</a></li> </ul>	
<p>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.</p>	<p>Not Applicable</p>		<p>SGV &amp; Co. is the incumbent external auditor of the Bank. They have the advantage of having historical knowledge of the Bank's business and its subsidiaries and affiliates, having been the appointed external auditor of PNB in 2017 and prior years.</p>



Supplement to Recommendation 9.1			
1. Company has a policy of rotating the lead audit partner every five years.	Compliant	The bank complies with amended SRC Rule 68 (3)(b)(ix) which require the change of external auditor or rotation of the lead and concurring partner every 5 years or earlier. Ms. Janeth Nunez Javier was the appointed lead audit partner for the Bank in 2017.	
Recommendation 9.2			
1. Audit Committee Charter includes the Audit Committee's responsibility on: <ul style="list-style-type: none"> <li>i. assessing the integrity and independence of external auditors;</li> <li>ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and</li> <li>iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</li> </ul>	Compliant	<ul style="list-style-type: none"> <li>• 2018 Manual on Corporate Governance (Annex B, Board Audit and Compliance Committee Charter)  <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>	
2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	Compliant		
Supplement to Recommendations 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	<ul style="list-style-type: none"> <li>• 2018 Manual on Corporate Governance (Annex B, Board Audit and Compliance Committee Charter)  <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>• 2017 Annual Report (p. 67, The Board Audit and Compliance Committee)  <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	Compliant		
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.	Not Applicable		No non-audit services were performed by the external auditor of the Bank in 2017.

2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (Annex B, Board Audit and Compliance Committee Charter , p. 3 - Oversight of the Bank's External Auditors)  <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>	
<b>Supplement to Recommendation 9.3</b>			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	Compliant	<ul style="list-style-type: none"> <li>2017 Definitive Information Statement (p 24 to 25 of Management Report)  <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2017_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2017_Definitive_Information_Statement.pdf</a>   PSE Disclosure of 2017 Definitive Information Statement  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></li> </ul>	
<b>Additional Recommendation to Principle 9</b>			
1. Company's external auditor is duly accredited by the SEC under Group A category.	Compliant	Name of Audit Engagement Partner ó Janeth T. Nunez-Javier SEC Accreditation Number ó 1328-AR-1 (Group A) Date Accredited ó July 28, 2016 Expiry date of accreditation ó July 28, 2019 Name of Audit Firm ó SGV & Co. Address of Audit Firm ó 6760 Ayala Ave., 1226 Makati City Contact Number of the Audit Firm - (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		Received confirmation from the external auditor that they have not been subjected yet to the SOAR

**Principle 10:** The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.

**Recommendation 10.1**

1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 88-101, Sustainability Program) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>2017 Annual Report (p. 73, Environment, Social and Governance Advocacy) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 91, Initiatives towards reporting the sustainability efforts of the Bank) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	

**Principle 11:** The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

**Recommendation 11.1**

1. Company has media and analystsøbriefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	Compliant	<p>The following are the communication channels that the Bank uses to disseminate information:</p> <ul style="list-style-type: none"> <li>Internal and External Email Broadcasts</li> <li>Facebook/Twitter</li> <li>Print Media</li> <li>Radio</li> <li>Letter Advices to Publics</li> <li>TV Advertisements (Local, Cable and Overseas)</li> <li>Press Releases</li> <li>Short message service alerts</li> <li>Electronic Channels ó ATM, Phone, Mobile</li> <li>Websites and Social Networks</li> </ul> <p>The Bank conducts media briefings subsequent to the Annual Stockholdersø meetings. Analystsø briefings are likewise held jointly with LT Group, Inc. Further, press releases and other reports are regularly disclosed through the PSE.</p> <ul style="list-style-type: none"> <li>Latest Notice of Analystsø Briefing to PSE <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=b9ad92d5e0c87f7543ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=b9ad92d5e0c87f7543ca035510b6ec2b</a></li> <li>Press Releases - <a href="http://www.pnb.com.ph/index.php/about/investor-relations/press-release.html">http://www.pnb.com.ph/index.php/about/investor-relations/press-release.html</a></li> <li>Disclosures to the PSE may be viewed/downloaded though this link - <a href="http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=139">http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=139</a></li> </ul>	
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Supplemental to Principle 11		
1. Company has a website disclosing up-to-date information on the following:	Compliant	<ul style="list-style-type: none"> <li>• Quarterly Financial Statements (SEC Form 17-Q)  <a href="http://www.pnb.com.ph/images/stories/docs/PNB_SEC_17Q_MARCH_31_2017.pdf">http://www.pnb.com.ph/images/stories/docs/PNB_SEC_17Q_MARCH_31_2017.pdf</a>  <a href="http://www.pnb.com.ph/images/stories/docs/PNB_SEC_17Q_JUNE_30_2017.pdf">http://www.pnb.com.ph/images/stories/docs/PNB_SEC_17Q_JUNE_30_2017.pdf</a>  <a href="http://www.pnb.com.ph/images/stories/docs/PNB_SEC_17Q_SEPTEMBER_30_2017.pdf">http://www.pnb.com.ph/images/stories/docs/PNB_SEC_17Q_SEPTEMBER_30_2017.pdf</a>  <a href="http://www.pnb.com.ph/images/stories/docs/2017_Audited_Financial_Statements.pdf">http://www.pnb.com.ph/images/stories/docs/2017_Audited_Financial_Statements.pdf</a></li> <li>• Press Releases on PNB's Financial Performance  <a href="http://www.pnb.com.ph/index.php/about/investor-relations/pr-financial-performance.html">http://www.pnb.com.ph/index.php/about/investor-relations/pr-financial-performance.html</a></li> <li>• Investor Briefing Notes  <a href="http://www.pnb.com.ph/images/stories/docs/Joint_LTG_PNB_Analyst_Briefing_March_16_2018.pdf">http://www.pnb.com.ph/images/stories/docs/Joint_LTG_PNB_Analyst_Briefing_March_16_2018.pdf</a>  <a href="http://www.pnb.com.ph/images/stories/docs/PNB_write-up_Analysts_Briefing_May_11_2018.pdf">http://www.pnb.com.ph/images/stories/docs/PNB_write-up_Analysts_Briefing_May_11_2018.pdf</a></li> <li>• Media Briefing Invitation  <a href="http://www.pnb.com.ph/images/stories/docs/ASM2017-Media-Briefing-Final-041817.pdf">http://www.pnb.com.ph/images/stories/docs/ASM2017-Media-Briefing-Final-041817.pdf</a></li> <li>• 2017 Annual Report (SEC Form 17-A)  <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>• Notice of Annual Stockholders' Meeting  <a href="http://www.pnb.com.ph/images/stories/docs/notice_of_stockholders_meeting_04_25_2017.pdf">http://www.pnb.com.ph/images/stories/docs/notice_of_stockholders_meeting_04_25_2017.pdf</a>  <a href="http://www.pnb.com.ph/images/stories/docs/notice_of_stockholders_meeting_04_24_2018.pdf">http://www.pnb.com.ph/images/stories/docs/notice_of_stockholders_meeting_04_24_2018.pdf</a></li> <li>• Minutes of the Annual Stockholders' Meeting  <a href="http://www.pnb.com.ph/images/stories/docs/2018_ASM_Minutes.pdf">http://www.pnb.com.ph/images/stories/docs/2018_ASM_Minutes.pdf</a></li> <li>• Articles of Incorporation  <a href="http://www.pnb.com.ph/images/stories/docs/aoi-2014-11-07.pdf">http://www.pnb.com.ph/images/stories/docs/aoi-2014-11-07.pdf</a></li> <li>• Amended By-Laws  <a href="http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf">http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf</a></li> </ul>
a. Financial statements/reports (latest quarterly)	Compliant	
b. Materials provided in briefings to analysts 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	<p>PNB is compliant in terms of the contents found in the SEC-prescribed website template.</p> <p>All the items in the template can be found in the following pages:</p> <ul style="list-style-type: none"> <li>• Investor Relations</li> <li>• Corporate Governance</li> <li>• Corporate Social Responsibility</li> </ul>

### 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

<p>1. Company has an adequate and effective internal control system in the conduct of its business.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> <li>• 2018 Manual on Corporate Governance (p. 31, Item 10.4; p. 38, Item 3; Annex B, Board Audit and Compliance Committee Charter) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>• 2017 Annual Report (p. 68, Message of the Board Audit and Compliance Committee Chairman; p. 37 Message of the Risk Oversight Committee Chairman) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
<p>2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> <li>• 2017 Annual Report (p. 39 to 40, Enterprise Risk Management Framework) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>• 2017 Definitive Information Statement (p. 7 of the Management Report) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p>	

#### 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>	<p>Compliant</p>	<ul style="list-style-type: none"> <li>• 2017 Annual Report (p. 85 to 86, Compliance System) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>• 2017 Definitive Information Statement (p. 47 to 48, Compliance System) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p>	
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<b>Optional: Recommendation 12.1</b>			
1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (Annex G, Board IT Governance Committee) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 70 to 71, The Board IT Governance Committee; p. 45, Cyber Security Risk; p. 46, Information Security/Data Privacy and Information Technology; p. 50 to 52, Information Technology and Information Security Risk Management; p. 52 Data Privacy) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
<b>Recommendation 12.2</b>			
1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 31, Item 10.3) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>	
<b>Recommendation 12.3</b>			
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 123, Profile of the Chief Audit Executive) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
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	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 30 to 32, The Internal Auditor) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>	
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		The Bank's internal audit is in-house.

<b>Recommendation 12.4</b>			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 40, Risk Management Group; p. 56 to 57, Evaluation of the Risk Management Function) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>2017 Definitive Information Statement (p. 7 to 8 of the Management Report) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><b>PSE Disclosure of 2017 Definitive Information Statement</b> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 32, Item 10.4) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>	
<b>Supplement to Recommendation 12.4</b>			
1. Company seeks external technical support in risk management when such competence is not available internally.	Compliant	Bank employees are sent to external trainings/seminars to be updated on risk management matters. As necessary, the Bank engages accredited external service providers on specific areas that requires higher level of expertise and includes conducting workshops for bank personnel.	
<b>Recommendation 12.5</b>			
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	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 122, Profile of the Chief Risk Officer) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>2018 Manual on Corporate Governance (p. 32, The Chief Risk Officer) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>	
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Compliant		

<b>Additional Recommendation to Principle 12</b>			
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	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 68, Message from the Board Audit and Compliance Committee Chairman)</li> <li>Please see attached "Annex Dö"</li> </ul> <p>Further, the Chief Audit Executive issues an Annual Report on the Internal Control Environment to the Board Audit and Compliance Committee that is confirmed by the Board.</p>	
<b>Cultivating a Synergic Relationship with Shareholders</b>			
<b>Principle 13:</b> The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
<b>Recommendation 13.1</b>			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 43 to 45, Item X) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf</a></li> </ul>	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 43, Item X) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf</a></li> </ul>	
<b>Supplement to Recommendation 13.1</b>			
1. Company's common share has one vote for one share.	Compliant	<ul style="list-style-type: none"> <li>Amended By-Laws 6 (p. 5, Article IV, Section 4.9) <a href="http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf">http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf</a></li> <li>2017 Definitive Information Statement (p. 4, Item 4, par. a; p. 40, Item 11) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2017_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2017_Definitive_Information_Statement.pdf</a></li> </ul> <p>PSE Disclosure of 2017 Definitive Information Statement <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p>	



<p>2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> <li>• Amended By-Laws ó (p. 1, Article III, Section 3.1; p. 4, Article IV, Section 4.7) <a href="http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf">http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf</a></li> <li>• 2018 Manual on Corporate Governance (p. 44 to 45, Item X) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf</a></li> </ul> <p>The Bank has only one class of shares ó Common Shares. All holders of common shares are entitled to the same rights as provided under the Bank's Amended By-Laws and Corporate Governance Manual.</p>	
<p>3. Board has an effective, secure, and efficient voting system.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> <li>• Amended By-Laws ó (Article IV, Section 4.7) <a href="http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf">http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf</a></li> <li>• 2017 Definitive Information Statement (p. 40, Item 11) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><b>PSE Disclosure of 2017 Definitive Information Statement</b> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <ul style="list-style-type: none"> <li>• Notice of Annual Stockholders Meeting <a href="http://www.pnb.com.ph/images/stories/docs/notice_of_stockholders_meeting_04_25_2017.pdf">http://www.pnb.com.ph/images/stories/docs/notice_of_stockholders_meeting_04_25_2017.pdf</a> <a href="http://www.pnb.com.ph/images/stories/docs/notice_of_stockholders_meeting_04_24_2018.pdf">http://www.pnb.com.ph/images/stories/docs/notice_of_stockholders_meeting_04_24_2018.pdf</a></li> </ul> <p>Voting at the stockholders' meetings may be done by ballot or show of hands. Stockholders may also vote either in person or by proxy. The voting procedures are likewise outlined in the 2017 Definitive Information Statement provided to the stockholders.</p>	

<p>4. Board has an effective shareholder voting mechanisms such as supermajority or õmajority of minorityõ requirements to protect minority shareholders against actions of controlling shareholders.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> <li>• Amended By-Laws ó (Article IV, Section 4.7) <a href="http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf">http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf</a></li> <li>• 2017 Definitive Information Statement (p. 4, Item 4; p. 40, Item 11) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p>PSE Disclosure of 2017 Definitive Information Statement <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <p>Stockholders have the right to exercise cumulative voting. A stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, or he may distribute them on the same principle among as many candidates as he shall see fit, provided the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.</p>	
<p>5. Board allows shareholders to call a special shareholdersõ meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> <li>• Amended By-Laws ó (p. 3, Article IV, Section 4.3) <a href="http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf">http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf</a></li> <li>• Minutes of the Annual Stockholdersõ Meeting <a href="http://www.pnb.com.ph/images/stories/docs/2018_ASM_Minutes.pdf">http://www.pnb.com.ph/images/stories/docs/2018_ASM_Minutes.pdf</a></li> </ul> <p>The procedure for calling a special shareholdersõ meeting is provided under the Bankõs Amended By-Laws. Stockholders are likewise given the opportunity to raise concerns and ask questions during the Annual Stockholdersõ Meeting. The Board, members of the Senior Management Team, and the external auditor are present at the meeting to address the concerns of the stockholders.</p>	
<p>6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> <li>• 2018 Manual on Corporate Governance (p. 43 to 45, Item X) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a></li> </ul>	

7. Company has a transparent and specific dividend policy.	Compliant	<ul style="list-style-type: none"> <li>Amended By-Laws 6 (p. 17, Article IX) <a href="http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf">http://www.pnb.com.ph/images/stories/docs/bl-2016-12-28.pdf</a></li> <li>2017 Annual Report (p. 127, Dividends) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>2017 Definitive Information Statement (p. 37 of Management Report) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p>	
<b>Optional: Recommendation 13.1</b>			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders Meeting.	Compliant	<ul style="list-style-type: none"> <li>2017 Definitive Information Statement (p. 40, Item 11) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p>The Corporate Secretary certified the presence of the external counsel for the purpose of validating votes.</p>	
<b>Recommendation 13.2</b>			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders Meeting with sufficient and relevant information at least 28 days before the meeting.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 45, par. 2, Item X) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf</a></li> <li>2017 Definitive Information Statement (p. 2) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <ul style="list-style-type: none"> <li>PSE Disclosure 6 Notice of Annual Stockholders Meeting <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=e46df3d07771152c43ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=e46df3d07771152c43ca035510b6ec2b</a></li> </ul> <p>In addition, the Notice of Meeting was published alternately for one (1) week in three (3) newspapers of general circulation in the Philippines, in accordance with Section 4.4, Article IV of the Bank's Amended By-Laws.</p>	

<b>Supplemental to Recommendation 13.2</b>			
1. Company's Notice of Annual Stockholders Meeting contains the following information:	Compliant	<ul style="list-style-type: none"> <li>Notice of Annual Stockholders Meeting  <a href="http://www.pnb.com.ph/images/stories/docs/notice_of_stockholders_meeting_04_25_2017.pdf">http://www.pnb.com.ph/images/stories/docs/notice_of_stockholders_meeting_04_25_2017.pdf</a>  <a href="http://www.pnb.com.ph/images/stories/docs/notice_of_stockholders_meeting_04_24_2018.pdf">http://www.pnb.com.ph/images/stories/docs/notice_of_stockholders_meeting_04_24_2018.pdf</a> </li> </ul>	
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	Compliant	<ul style="list-style-type: none"> <li>2017 Definitive Information Statement (p. 11 to 26, Profiles of the Board of Directors)  <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a>   <b>PSE Disclosure of 2017 Definitive Information Statement</b>  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a> </li> </ul>	
b. Auditors seeking appointment/re-appointment	Compliant	<ul style="list-style-type: none"> <li>2017 Definitive Information Statement (p. 37, Item 7 and p. 39, Item 10)  <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a>   <b>PSE Disclosure of 2017 Definitive Information Statement</b>  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a> </li> </ul>	
c. Proxy documents	Compliant	<p>A sample proxy was attached to the Definitive Information Statement sent out to the stockholders.</p> <p>Please see attached Annex Eö</p>	
<b>Optional: Recommendation 13.2</b>			
1. Company provides rationale for the agenda items for the annual stockholders meeting	Compliant	<ul style="list-style-type: none"> <li>Notice of Annual Stockholders Meeting  <a href="http://www.pnb.com.ph/images/stories/docs/notice_of_stockholders_meeting_04_25_2017.pdf">http://www.pnb.com.ph/images/stories/docs/notice_of_stockholders_meeting_04_25_2017.pdf</a>  <a href="http://www.pnb.com.ph/images/stories/docs/notice_of_stockholders_meeting_04_24_2018.pdf">http://www.pnb.com.ph/images/stories/docs/notice_of_stockholders_meeting_04_24_2018.pdf</a> </li> <li>2017 Definitive Information Statement (Annex A)  <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a>   <b>PSE Disclosure of 2017 Definitive Information Statement</b>  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a> </li> </ul>	

Recommendation 13.3			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders Meeting publicly available the next working day.	Compliant	<p>The minutes of the 2018 Annual Stockholders Meeting, which reflects the relevant questions raised and answers during the meeting and the results of the votes taken during the meeting, were uploaded to the website the day following the meeting.</p> <ul style="list-style-type: none"> <li>Minutes of the Annual Stockholders Meeting <a href="http://www.pnb.com.ph/images/stories/docs/2018_ASM_Minutes.pdf">http://www.pnb.com.ph/images/stories/docs/2018_ASM_Minutes.pdf</a></li> </ul>	
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	<p>The minutes of the 2018 Annual Stockholders Meeting held on April 24, 2018 were uploaded to the website the day following the meeting, or on April 25, 2018.</p> <ul style="list-style-type: none"> <li>Minutes of the Annual Stockholders Meeting <a href="http://www.pnb.com.ph/images/stories/docs/2018_ASM_Minutes.pdf">http://www.pnb.com.ph/images/stories/docs/2018_ASM_Minutes.pdf</a></li> </ul>	
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	<ul style="list-style-type: none"> <li>Minutes of the Annual Stockholders Meeting <a href="http://www.pnb.com.ph/images/stories/docs/2018_ASM_Minutes.pdf">http://www.pnb.com.ph/images/stories/docs/2018_ASM_Minutes.pdf</a></li> <li>2017 Definitive Information Statement (p. 37, Item 7) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2017_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2017_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <p>The Corporate Secretary certified that key officers of the Bank and representatives of SGV &amp; Co. were present during the 2018 Annual Stockholders Meeting. The names of key officers of the Bank present during the meeting are reflected in Annex A of the Minutes of the 2018 Annual Stockholders Meeting.</p>	

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	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 45, Item 3)  <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVERNANCE_MANUAL.pdf</a> </li> </ul>	
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	Compliant		
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Compliant	1. Investor Relations Officer: SVP Emeline Centeno 2. Telephone number: (632) 526-3131 local 2120/2084 3. Fax number: (632) 5734580 4. E-mail address : centenoec@pnb.com.ph / <a href="mailto:iru@pnb.com.ph">iru@pnb.com.ph</a>  <a href="http://www.pnb.com.ph/index.php/about/investor-relations/investor-relations-program.html">http://www.pnb.com.ph/index.php/about/investor-relations/investor-relations-program.html</a>	
2. IRO is present at every shareholder's meeting.	Non-Compliant		The IRO was not able to attend the 2018 Annual Stockholders' Meeting. Be that as it may, members of Senior Management were present during the meeting and at the media briefing held after the meeting to address concerns and inquiries.

<b>Supplemental Recommendations to Principle 13</b>			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 42 to 43, Item IX) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GOVVERNANCE_MANUAL.pdf</a></li> </ul> <p>On January 22, 2018, the Bank disclosed the schedule of the Annual Stockholdersø Meeting and invited the stockholders to send nominations for the Board of Directors through the Corporate Secretary.</p> <ul style="list-style-type: none"> <li>PSE Disclosure ó Notice of Annual Stockholdersø Meeting <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=e46df3d07771152c43ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=e46df3d07771152c43ca035510b6ec2b</a></li> </ul>	
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	Non-Compliant		As of Dec. 31, 2017, the public ownership percentage of the Bank is at 21.03%, in compliance with minimum regulatory public float. The Bank intends to create a program to achieve the desired 30% public float to comply within five (5) years.
<b>Optional: Principle 13</b>			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholdersø Meeting	Compliant	<p>The Bank has designated contact numbers/persons that cater to specific concerns and inquiries of the stockholders before and beyond the Annual Stockholdersø Meeting (ASM). <a href="http://www.pnb.com.ph/index.php/about/investor-relations/contacts.html">http://www.pnb.com.ph/index.php/about/investor-relations/contacts.html</a></p> <p>The Bank also has a designated assistance desk at the Corporate Secretaryø Office to accommodate concerns and other requests of the stockholders.</p>	
2. Company practices secure electronic voting in absentia at the Annual Shareholdersø Meeting.	Non-Compliant		To protect the shareholdersø right to vote and to ensure the integrity of the voting procedure, Management is ensuring that all security measures and verification procedures are in place prior to the implementation of electronic voting in absentia.

### 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 interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

#### Recommendation 14.1

1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 89, Stakeholder Management Plan)  <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
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#### Recommendation 14.2

1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 87, Consumer Protection Practices; 89, Stakeholder Management Plan)  <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
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#### Recommendation 14.3

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.	Compliant	<ol style="list-style-type: none"> <li>Investor Relations Officer: SVP Emeline Centeno</li> <li>Telephone number: (632) 526-3131 local 2120/2084</li> <li>Fax number: (632) 5734580</li> <li>E-mail address : centenoec@pnb.com.ph / <a href="mailto:iru@pnb.com.ph">iru@pnb.com.ph</a>  <a href="http://www.pnb.com.ph/index.php/about/investor-relations/investor-relations-program.html">http://www.pnb.com.ph/index.php/about/investor-relations/investor-relations-program.html</a></li> </ol> <p> <a href="#">Customer Service</a>  <a href="tel:6325738888">Hotline: (632) 573-8888</a>  <a href="mailto:customercare@pnb.com.ph">Email: customercare@pnb.com.ph</a> </p>	
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#### Supplement to Recommendation 14.3

1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.	Compliant	<ul style="list-style-type: none"> <li>Investor Relations ó Shareholder Services</li> </ul> <p>The Bank has adopted various communication systems to allow its stockholders and third parties, including regulatory authorities, to exercise their rights and communicate their concerns/queries to the Bank. The contact details of the Office of the Corporate Secretary and the stock transfer agent of the Bank are posted in the Bank's website for the easy reference of shareholders and other stakeholders. For regulatory issues, the Bank follows the procedure set forth by the concerned regulators.</p>	
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Additional Recommendations to Principle 14			
1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.	Not Applicable	Disclose any requests for exemption by the company and the reason for the request.	The Bank has no current or pending request for any exemption from the application of a law, rule or regulation specially referring to Corporate Governance.
2. Company respects intellectual property rights.	Compliant	<p>The Bank's compliance with Intellectual Property Rights on:</p> <ul style="list-style-type: none"> <li>• Anti-Piracy and Illegitimate Software</li> <li>• Policy on Acceptable Use</li> <li>• Information Security Policy on Asset Management, System Acquisition and Human Resources Security</li> </ul> <p><a href="http://www.pnb.com.ph/images/stories/docs/compliance_intellectual_property_rights.pdf">http://www.pnb.com.ph/images/stories/docs/compliance_intellectual_property_rights.pdf</a></p>	

<b>Optional: Principle 14</b>			
1. Company discloses its policies and practices that address customers' welfare	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 98, Delivering Financial Solutions to Customers) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul> <p>The Bank established Customer Service Policy Guidelines under Circular No. 1-774/2006 which govern the conduct and manner by which all personnel render customer service to bank clients.</p> <p>Gen Cir. 2-1653/2008 sets the standard for Service Quality, setting forth the guiding principles of customer service, the protocols to be followed and the procedures for handling complaints. Further enhancements to this standard were issued, namely, Gen Cir. 2-1740/2009 announcing the Customer Service Hotlines and merging all helpdesks, and Gen Cir. 2-1803/2010 which refined the procedures when replying to customer inquiries and/or complaints. The Bank likewise utilizes social media to disseminate relevant information regarding its products and services, and to receive and promptly address concerns and complaints of the customers.</p>	
2. Company discloses its policies and practices that address supplier/contractor selection procedures	Compliant	<p>The bank has an established the guidelines on the "Accreditation of Suppliers/ Contractors" per Sel. Cir. No. 8-169/2005 to ensure that the Bank, as much as possible/practicable, deals only with the best suppliers/contractors, pre-screened as to their capacity to deliver the best goods/services to the Bank at the lowest possible cost.</p> <p>The Bank has an established "Manual of Signing Authority (MSA)" on the approving authority/ies in the procurement processes depending on the degree and amount involved on the items to be procured.</p>	
<b>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.</b>			
<b>Recommendation 15.1</b>			
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.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 20, Operational Highlights of the Human Resource Group; p. 82, Corporate Governance; p. 96 to 97, Sustaining a Healthy and Competent Workforce) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	

Supplement to Recommendation 15.1			
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 20, Operational Highlights of the Human Resource Group; p. 82 to 83 Corporate Governance; p. 89, Stakeholder Management Plan; p. 96 to 97, Sustaining a Healthy and Competent Workforce) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
2. Company has policies and practices on health, safety and welfare of its employees.	Compliant	<ul style="list-style-type: none"> <li>2017 Definitive Information Statement (p. 37) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul>	
3. Company has policies and practices on training and development of its employees.	Compliant	<p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <p>The Bank gives Service Excellence Award for teams and individuals to recognize and further promote employees' excellence, productivity and professional growth; and Service Award to those who have been servicing the Bank for a number of years. Meritorious / exceptional performance is likewise recognized through the Bank's semi-annual promotion.</p> <p>The Bank has adopted various healthcare activities in the workplace (e.g. discounted vaccinations, lectures, on health care or wellness program, etc.) The Bank also has an accredited Health Maintenance Organization (HMO) of accredited physician and nurses who are assigned at the PNB Medical Clinics in Makati and Pasay to attend to various medical needs/consultations of employees. Medicines for minor illnesses (e.g. pain relievers, anti-allergies, antibiotics, anti-spasmodic, anti-diarrhea, etc.) are available at the clinics.</p> <p>The Corporate Secretary certified that on August 23, 2013, the Board approved the policy on employee learning and development. She further certified that training reports are regularly presented by the Human Resource Group to the Bank's Corporate Governance Committee.</p>	

<b>Recommendation 15.2</b>			
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	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 42 to 43, Item IX) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 92 to 93) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
2. Board disseminates the policy and program to employees across the organization through trainings and embed them in the company's culture.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 82; 92 to 93) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul> <p>Further, Board-approved policies and procedures are circularized and posted in the Bank's cybermag/intranet facility.</p>	
<b>Supplement to Recommendation 15.2</b>			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 43, Item 5 and 6) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf</a></li> <li>2017 Annual Report (p. 93) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>2017 Definitive Information Statement (p. 46) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_Statement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p>	

**Recommendation 15.3**

<p>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</p>	<p>Compliant</p>	<ul style="list-style-type: none"> <li>• Corporate Governance - 2018 Manual on Corporate Governance (p. 43, Item 6) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANC E MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANC E MANUAL.pdf</a></li> <li>• 2017 Annual Report (p. 93) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> <li>• 2017 Definitive Information Statement (p. 46) <a href="http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_S tatement.pdf">http://www.pnb.com.ph/images/stories/docs/SEC_2018_Definitive_Information_S tatement.pdf</a></li> </ul> <p><u>PSE Disclosure of 2017 Definitive Information Statement</u> <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b">http://edge.pse.com.ph/openDiscViewer.do?edge_no=0f7e3fc54980711943ca035510b6ec2b</a></p> <p>The policy protects the employee/whistleblower against retaliation, discrimination, harassment or adverse personnel actual violation.</p> <p>The whistleblower can report the alleged suspected or actual event/violation to any of the following:</p> <ul style="list-style-type: none"> <li>• Head, Security Group ó Mr. Roland V. Oscuro</li> <li>• Head, Legal Group ó Atty. Manuel C. Bahena, Jr.</li> <li>• Head, Internal Audit Group ó Mr .Martin G. Tengco, Jr.</li> <li>• Head, Human Resource Group ó Mr. Schubert Caesar C. Austero</li> <li>• The whistleblowerø immediate officer (if the whistleblower is an employee of the Bank).</li> </ul>	
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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.	Compliant	<ul style="list-style-type: none"> <li>2018 Manual on Corporate Governance (p. 8, Item 1.3.2.1 [c]) <a href="http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf">http://www.pnb.com.ph/images/stories/docs/2018_CORPORATE_GVERNANCE_MANUAL.pdf</a></li> </ul>	
3. Board supervises and ensures the enforcement of the whistleblowing framework.	Compliant	<p>The Corporate Secretary certified that under the Board-approved Whistleblower Policy, the whistleblower can report the alleged suspected or actual event/violation through a conversation with, text message, call (via call center / hotlines), e-mail correspondence, and/or a written complaint to any of the following:</p> <ul style="list-style-type: none"> <li>Head, Security Group ó Mr. Roland V. Oscuro</li> <li>Head, Legal Group ó Atty. Manuel C. Bahena, Jr.</li> <li>Head, Internal Audit Group ó Mr. Martin G. Tengco, Jr.</li> <li>Head, Human Resource Group ó Mr. Schubert Caesar C. Austero</li> <li>The whistleblower's immediate officer (if the whistleblower is an employee of the Bank).</li> </ul>	
<p><b>Principle 16:</b> 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.</p>			
<p><b>Recommendation 16.1</b></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.	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 89, Stakeholder Management Plan; p. 94 to 95, Protecting the Environment; p. 99 to 101, Serving Communities Beyond Banking) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
<p><b>Optional: Principle 16</b></p>			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 94 to 95, Protecting the Environment) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	
2. Company exerts effort to interact positively with the communities in which it operates	Compliant	<ul style="list-style-type: none"> <li>2017 Annual Report (p. 98 to 99, Delivering Financial Solutions to Customers) <a href="http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf">http://www.pnb.com.ph/images/stories/docs/2017-AnnualReport.pdf</a></li> </ul>	


Pursuant to the requirement of the Securities and Exchange Commission, this Integrated Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Pasay on \_\_\_\_\_.

SIGNATURES

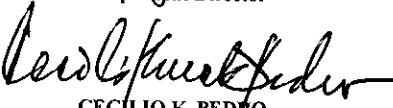
  
**FLORENCIA G. TARRIELA**  
 Chairman of the Board/Independent Director

  
**REYNALDO A. MACLANG**  
 President & Chief Executive Officer


  
**FELIX ENRICO R. ALFILER**  
 Vice Chairman/Independent Director

  
**EDGAR A. CUA**  
 Independent Director

  
**FEDERICO C. PASCUAL**  
 Independent Director

  
**CECILIO K. PEDRO**  
 Independent Director

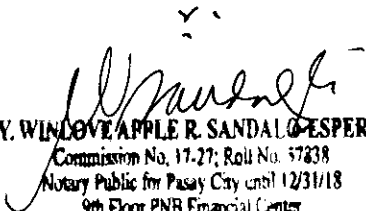
  
**ALICE Z. CORDERO**  
 FSVP & Chief Compliance Officer

  
**MAILA KATRINA Y. ILARDE**  
 Corporate Secretary

SUBSCRIBED AND SWORN to before me on MAY 30 2018, affiant(s) exhibiting to me their Passports, as follows:

NAME/NO.	DATE OF ISSUE	PLACE OF ISSUE
Florencia G. Tarriela Passport No. P3341932A	June 9, 2017	DFA Manila
Reynaldo A. Maclang Passport No. EC0299319	February 14, 2014	DFA Manila
Felix Enrico R. Alfiler Passport No. EC2635029	November 5, 2014	PE Washington
Edgar A. Cua Passport No. EC4519130	June 27, 2015	PE Beijing
Federico C. Pascual Passport No. EC7275885	April 7, 2016	DFA Manila
Cecilio K. Pedro Passport No. P5504648A	January 4, 2018	DFA Manila
Alice Z. Cordero Passport No. EC1537617	July 4, 2014	Manila
Maila Katrina Y. Ilarde Passport No. P5034194A	November 17, 2017	DFA Manila

Doc No. 488  
 Page No. 99  
 Book No. 72  
 Series of 2018.

  
**ATTY. WINLOVE APPLE R. SANDALO ESPERANZA**  
 Commission No. 17-27; Roll No. 57338  
 Notary Public for Pasay City until 12/31/18  
 9th Floor PNB Financial Center  
 Prox. D.P. Macapagal Blvd., Pasay City  
 PTR No. 5820114/01-03-19/Pasay City  
 IBP No. 021291/01-05-18/Quezon City



NATIONAL  
CENTER FOR  
SUSTAINABILITY  
REPORTING

**The Board of Directors of  
the National Center for Sustainability Reporting**

*Certificate of Attendance*

hereby acknowledges the participation & valued contribution of

*Maíla Katrína Y. Harde*

As a participant of

**GRI Standards Certified Training**

**Date :** 7-9 March 2017

**Venue :** Philippine Stock Exchange  
PSE Plaza, Ayala Avenue  
Makati City, Philippine

**National Center for  
Sustainability Reporting**  
Chairman & Executive Director,

**Ali Darwin, Ak., M.Sc**



"We are a registered Organizational Stakeholder of the Global Reporting Initiative (GRI) and support the mission of the GRI to develop globally accepted sustainability reporting guidelines through a global, multi-stakeholder process."





## Office of the FVP &amp; CAE for Internal Audit Group

Direct Lines: 833-4796 Fax: 526-3044  
 Trunk Lines: 526-3131 to 70/891-6040 to 70  
 Locals: 4677  
e-mail address: [tenqcomq@pnb.com.ph](mailto:tenqcomq@pnb.com.ph)

May 28, 2018

## CERTIFICATION


To the Corporate Secretary:

This is to certify that the Board Audit and Compliance Committee (BACC) annually meets with the External Auditor without the presence of Management.

For 2017, the meeting was held on February 23, 2017, attended by the following members of the BACC and the External Auditor:

Date	Attendees		Agenda
	BACC Members	External Auditor	
Feb. 21, 2017	Dir. Edgar A. Cua, Chairman Dir. Felix Enrico R. Alfiler, Member Dir. Florencia G. Tarriela, Member	Ms. Vicky Lee-Salas	Closing Meeting with the BACC (for 2016 Audit Engagement)
Nov. 20, 2017		Ms. Janeth T. Nunez-Javier	Planning Meeting with the BACC (for 2017 Audit Engagement)

This certification is being issued as an integral part of the Integrated Annual Corporate Governance Report (I-ACGR) of PNB.

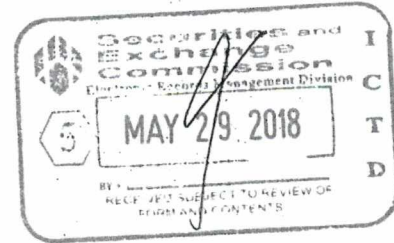
  
**MARTIN G. TENGCO, JR.**  
 First Vice President & CAE



ANNEX "C"  
**Global Compliance Group**  
Direct Line: 573-4051  
Trunk Lines: 891-6040 to 70  
Locals: 4051, 4543, 2174 & 4715

May 29, 2018

**MS. RACHEL ESTHER J. GUMTANG-REMALANTE**  
Officer-in-Charge (OIC)  
Corporate Governance and Finance Department  
Securities and Exchange Commission  
G/F Secretariat Building  
PICC Complex, Roxas Boulevard  
Pasay City, 1307



Dear Ms. Remalante:

We are pleased to submit to the Commission Philippine National Bank's revised 2018 Corporate Governance Manual, duly approved by its Board in its meeting on May 25, 2018.

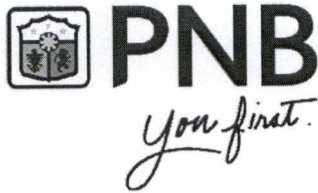
The Manual was revised to incorporate among others, the following sections:

1. Retirement and Succession Planning for Directors, and
2. Board Advisors: Appointment & minimum qualifications

Thank you very much.

Very truly yours,

**FSVP ALICE Z. CORDERO**  
Chief Compliance Officer



## PRESIDENT AND CHIEF AUDIT EXECUTIVE ATTESTATION


The results of the independent audit work performed by the Internal Audit Group and the reviews undertaken by the external reviewers comprised of the Bank's external auditors, by Bangko Sentral Ng Pilipinas (BSP) as the Bank's supervising regulator, and by the various foreign regulators on the Bank's overseas branches and subsidiaries, disclosed that the Bank's overall risk management system, internal control systems, governance processes, and compliance with policies, procedures and regulations as generally effective in all material respects. We likewise attest that the audit scope and coverage are adequate, comprehensive, risk-based and process-focused, that Management is aware of its responsibility for internal control, and that the accomplishment of audit activities and reporting of relevant issues and other pertinent information to the Board Audit and Compliance Committee and the Board of Directors is free from any interference.

We also acknowledge the Board of Directors and Senior/Top Management's strong discharge of their oversight and governance functions over the Bank's internal control system through constant monitoring of risk issues on various operations of the Bank, updating of Operations and Policy manuals and issuances of appropriate Operations Policies and Procedures (OPP) to strengthen the control environment against significant impact on changes in business related industries where the Bank operates.

We are confident that under the strong governance of the Board and with the strong support of Senior Management to oversee the establishment, administration, and assessment of the Bank's system of risk management and control processes, Philippine National Bank's internal control environment will remain effective and dynamic, hence ensures the attainment of its business objectives with reasonable assurance.

### PHILIPPINE NATIONAL BANK

  
**MARTIN G. TENGCO, JR.**  
 First Vice President & CAE

  
**REYNALDO A. MACLANG**  
 President

**PROXY**

The undersigned stockholder of **PHILIPPINE NATIONAL BANK** ("PNB") does hereby nominate, constitute and appoint:

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as my/our proxy, with the right of substitution and revocation, to represent me/us and vote all shares registered in my/our name in the books of PNB at the Annual Stockholders' Meeting scheduled on April 24, 2018. I/we hereby confirm and ratify any and all acts lawfully done by my/our proxy pursuant hereto.

Any other proxy or proxies issued by me/us on or before this date is/are hereby considered revoked and declared null and void and will have no effect whatsoever.

Date: \_\_\_\_\_

---

Signature over Printed Name